Thousands of U.S. dollars (except number of shares and per share amounts)	At December 31,				
	2005	2004	2003	2002	2001
Selected consolidated balance sheet data[1]					
IFRS					
Current assets	3,773,284	3,012,092	2,035,895	1,810,581	1,619,136
Property, plant and equipment, net	2,230,038	2,164,601	1,960,314	1,934,237	1,971,318
Other non-current assets	702,706	485,595	313,339	337,080	247,500
Total assets	6,706,028	5,662,288	4,309,548	4,081,898	3,837,954
Current liabilities	1,699,101	1,999,846	1,328,677	1,203,278	1,084,913
Non-current borrowings	678,112	420,751	374,779	322,205	393,051
Deferred tax liabilities	353,395	371,975	418,333	500,031	262,963
Other non-current liabilities	199,547	208,521	226,495	175,547	302,645
Total liabilities	2,930,155	3,001,093	2,348,284	2,201,061	2,043,572
Capital and reserves attributable to the Company’s equity holders[2]	3,507,802	2,495,924	1,841,280	1,694,054	875,401
Minority interest	268,071	165,271	119,984	186,783	918,981
Total liabilities and equity	6,706,028	5,662,288	4,309,548	4,081,898	3,837,954
Number of shares outstanding[3]	1,180,536,830	1,180,536,830	1,180,287,664	1,160,700,794	710,747,187
Equity holders’ equity per share[4]	2.97	2.11	1.56	1.46	1.23
U.S. GAAP					
Total assets	6,557,751	5,595,345	4,287,548	4,051,044	3,075,455
Net assets	3,683,010	2,655,196	2,008,964	1,935,698	1,781,814
Total shareholders’ equity	3,413,593	2,488,372	1,887,207	1,745,883	941,926
Number of shares outstanding[3]	1,180,536,830	1,180,536,830	1,180,287,664	1,160,700,794	710,747,187
Equity holders’ equity per share[4]	2.89	2.11	1.60	1.50	1.33

(1) Certain comparative amounts for 2004, 2003, 2002 and 2001 have been reclassified to conform to changes in presentation for 2005.

(2) The Company’s common stock consists of 1,180,536,830 shares issued and outstanding at December 31, 2005 and 2004, 1,180,287,664 shares issued and outstanding at December 31, 2003 and 1,160,700,794 shares issued and outstanding at December 31, 2002. Shares are par value $1.00 per share. Common stock accounted for the following amounts within shareholders’ equity: $1,180.5 million at December 31, 2005 and 2004, $1,180.3 million at December 31, 2003, and $1,160.7 million at December 31, 2002.

(3) On October 18, 2002, Sidertubes S.A., formerly a wholly owned subsidiary of San Faustín, contributed all of its assets for 710,747,090 shares of Tenaris. Upon the consummation of the December 2002 exchange offer and subsequent acquisitions of minority interests Tenaris had a total of 1,180,536,830 shares for years ended December 31, 2005 and 2004 and 1,180,287,664 and 1,160,700,794 shares at December 31, 2003 and 2002, respectively.

(4) Equity holders’ equity per share at the dates presented has been calculated based on the assumption that 710,747,187 shares were issued and outstanding at each of the dates presented prior to October 18, 2002.

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 the Seamless Steel Pipe 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.

The oil and gas industry is the largest consumer of seamless steel pipe products worldwide. This industry has historically been volatile, and downturns in the oil and gas markets adversely affect the demand and price for seamless steel pipe products. Demand for seamless pipe products 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. 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 seamless 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 pipe consumption to decline.

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

Inventory levels of seamless steel pipe in the oil and gas industry can vary significantly from period to period. 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 seamless steel pipe products or maintain their current purchasing volume.

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

The global market for seamless steel pipe products is highly competitive, with the primary competitive factors being price, quality and service. We compete in major international markets primarily against a limited number of manufacturers of premium-quality steel pipe products. In addition, a large number of producers manufacture and export generally lower quality steel pipes. Competition from these low-end producers, particularly those from Russia, China and the Ukraine, is increasing and has, in the past, adversely affected us because they have offered products at significantly lower prices. In addition, these producers are improving the range and quality of 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. In addition, if import restrictions are imposed upon our competitors, they may increase their marketing efforts in other countries where we sell our products and thus increase competitive pressure in such markets.

Our main domestic markets may remove barriers to imported products which will lead to increased competition in these countries and may hurt our sales and profitability.

As part of the increasing globalization and integration of major economic markets, some countries are forming trade blocs and lifting quotas and other restrictions on imports, including imports of seamless steel pipe products. For example, Mexico is party to the North American Free Trade Agreement, or NAFTA, Italy is a member of the European Union, or EU and Romania is expected to join the EU. Argentina is a member of the regional trading bloc, *Mercado Común del Sur*, or Mercosur. In addition, Mexico, Italy and Argentina are each a party to bilateral and multilateral trade agreements (for example, Mexico’s trade agreement with the EU) that remove barriers to the import of foreign products. As import barriers continue to be reduced, the domestic markets in Mexico, Italy and Argentina for seamless steel pipe products may attract foreign producers and become more competitive. This could result in an adverse effect on our current economic market share in our domestic markets. Furthermore, while trade liberalization may also provide us with greater access to foreign markets, potential increases in sales to those foreign markets may not adequately offset any loss in domestic sales arising from increased import competition.

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 seamless steel products have been and continue to be subject to such duties in the United States. 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. The U.S. market is effectively closed to certain of our principal products, limiting our current business and potential growth in that market.

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

The manufacture of seamless steel pipe products requires substantial amounts of raw materials and energy from domestic and foreign suppliers. 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 have increased significantly due to increased global demand for steel products in general. In addition, availability of energy in Argentina, where we have significant operations, has become tighter as supply has not kept up with demand as a result of price controls and other uncertainties affecting investment in generation plants and distribution networks. Shortages of natural gas in Argentina and consequent supply restrictions could lead to higher costs of production and eventually to production cutbacks at our facilities in Argentina. 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 and transportation activities, which are subject to inherent risks, including well failures, line pipe leaks 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 tubing 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 and revenues.

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 significant international 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. Risks associated with political, economic or social developments may adversely affect our sales volumes or revenues from exports and, as a result, our financial condition and results of operations. For example, in Argentina we face or have faced high levels of taxation, price controls, changes in laws, regulations and policies affecting foreign trade and investment, forced modification of existing contracts, and restrictions on the supply of electricity and gas. Similarly, recent adverse political and economic developments in Venezuela and Nigeria have had an adverse impact on our sales in those countries, and may continue to do so. For additional information on risks relating to our operations in emerging markets, see "Risks Relating to Emerging Markets".

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.

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 Kawasaki Steel's seamless 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 to 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, on June 12, 2006, we entered into a merger agreement with Maverick Tube Corporation, or Maverick, a U.S. publicly traded corporation, a leading welded pipe producer in the U.S. and Canada. Pursuant to this transaction Maverick will merge with and into a wholly owned subsidiary of Tenaris. The transaction remains subject to regulatory approvals, majority approval of Maverick's shareholders and other customary conditions. For more information see Item 5.G. "Operating and Financial Review and Prospects – Recent Developments-Agreement to acquire Maverick". In addition, in 2006 we acquired certain assets and facilities of Acindar Industria Argentina de Aceros S.A., or Acindar, related to the production of welded steel pipes in Argentina; in 2005, we acquired a controlling interest in Donasid S.A., or Donasid, a Romanian producer of steel bars, and in 2004, we acquired a controlling interest in S.C. Silcotub S.A., or Silcotub, a Romanian seamless steel pipes producer, and a controlling interest in Matesi, Materiales Siderúrgicos S.A., or Matesi, a Venezuelan producer of pre-reduced hot briquetted iron, or HBI. We will continue to actively 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 acquisition, if and when consummated, and other 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.

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

Our revenues are primarily U.S. dollar-denominated and a significant portion of our costs are denominated in the local currency of the markets in which we operate. As a result, movements in the exchange rate of the U.S. dollar against these local currencies can significantly impact on our profitability and financial condition. A rise in the value of the local currencies relative to the U.S. dollar will increase our relative production costs, thereby reducing operating margins. Conversely, a decrease in the value of the local currencies relative to the U.S. dollar will decrease their relative production costs. Volatility in exchange rates is likely to continue in the future. Such fluctuations will affect our production costs, revenues and financial results.

Related-party transactions with members of the Techint group may not be on terms as favorable as could be obtained from unrelated and unaffiliated third parties.

A portion of our sales and purchases or goods and services are made to and from other Techint group companies. 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 and profitability from welded steel pipe products are volatile and depend mainly on the availability of major projects and on our ability to secure contracts to supply these projects.

Our sales of welded products depend to a large extent on the number of active pipeline projects under contract and their rate of progress. Future sales of welded products depend to a large extent on our ability to secure contracts to supply major pipeline projects. The availability of such projects varies significantly from year to year. For example, in the first quarter of 2006, demand for our welded products was negatively affected by delays in major projects in Brazil. In 2005, significant new projects were begun in Brazil, which resulted in increased sales and improved profitability of this business segment. 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 government 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.

Any decline in purchases by Petróleos Mexicanos may hurt our sales and profitability in the future.

We enjoy a strong relationship with Petróleos Mexicanos, or Pemex, one of the world’s largest crude oil and condensates producers. Pemex is our single largest customer, accounting for 8% of our global sales in 2005. The loss of Pemex as a customer or a reduction in the volume of our sales to Pemex could have a material adverse effect on our sales 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, and any expenses that we incur, in excess of minimum levels, that cannot be otherwise financed will reduce amounts available for distribution to our shareholders. This could affect our ability to pay dividends.

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 net profits, retained earnings and available resources and premium, each as defined under Luxembourg regulations. See Item 8.A. “Financial Information- Consolidated Statements and Other Financial Information—Dividend Policy”.

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 April 30, 2006, San Faustín, a Netherlands Antilles corporation, beneficially owned 60.4% of our shares. San Faustín is controlled by Rocca & Partners. 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 “Risk Factors—Risks related to our ADSs—Holders of our shares and ADSs in the United States may not be able to exercise preemptive rights in certain cases”.

A current EU investigation could lead Luxembourg to change the tax rules applicable to 1929 holding companies and result in a higher tax burden on us in the future.

We were established as a société anonyme holding under Luxembourg’s 1929 holding company regime. 1929 holding companies are exempt from certain business taxes on earnings and on payments. In the past, 1929 holdings were questioned by the EU as a “harmful tax practice”. As a result, in 2005 Luxembourg amended the holding company regime to eliminate the exemption with respect to income not previously subject to comparable tax. The new regime will not apply to pre-existing companies, including us, until 2011. On February 8, 2006, the European Commission launched a formal investigation into Luxembourg’s 1929 legislation exempting holdings and financial companies from corporate taxation. The new EU investigation seeks to determine whether the 1929 regime is contrary to the EC Treaty “state aid” rules. The EU investigation is directed against the Luxembourg government, not against the relevant holding companies. If an investigation finds the tax exemptions are a form of “state aid” in violation of EU law, the EU can demand that Luxembourg change the applicable tax rules, and any such change could in turn result in a higher tax burden on us in the future.

Risks Relating to Specific Emerging Markets

Negative economic, political and regulatory developments in certain emerging markets where we have a significant portion of our operations and assets, could hurt our financial condition, revenues and sales volume and disrupt our manufacturing operations, thereby adversely affecting our profitability and financial condition.

Significant portions of our operations are located in politically volatile or unstable countries. 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 government 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.

Argentina

We have significant manufacturing operations and assets in Argentina, where we produce approximately one-quarter of our seamless pipes. Our business may be materially and adversely affected by economic, political, fiscal and regulatory developments in Argentina.

Economic and political instability resulted in a severe recession in 2002, which has had a lasting effect on Argentina's economy.

In 2001, a sustained period of economic contraction culminated in severe social, monetary and financial turmoil and the resignation of President Fernando de la Rúa on December 21, 2001, amid wide-spread and violent demonstrations. An interim administration adopted a series of emergency measures affecting Argentina's monetary and fiscal policies, including the end of the decade-old peg of the Argentine peso to the U.S. dollar and obligatory unwinding of dollar-denominated contracts. As a result, the Argentine peso experienced significant devaluation in 2002.

Presidential elections held April 2003 were eventually won by Nestor Kirchner with the smallest plurality on record. Since taking office, however, President Kirchner has enjoyed high levels of popular support and the economy has recovered to levels last attained in 1998, with growth of the country's gross domestic product, or GDP, averaging 9% per annum in the three-year period from 2003 -2005. During 2005, the Argentine government restructured most of the country's defaulted debt. As a result of the sustained economic growth, unemployment rates have dropped to 10.1% in 2005 from a peak of 24.1% in 2002. Furthermore, the Argentine economy continues to benefit strongly from high international commodity prices, low international interest rates and high levels of global liquidity.

Despite the progress to date, several significant issues remain to be addressed by the government. Inflation increased significantly during 2005 to 12%, and the economy has been affected by supply constraints as capacity idled during the economic crisis has been utilized. Capital investment in general has lagged due to political uncertainties caused by the government's increasing anti-business tone and its inclination to resort to price controls, nationalizations and other measures limiting the private conduct of business.

Economic conditions in Argentina have deteriorated rapidly in the past and may deteriorate rapidly in the future. Should the current favorable conditions reverse, inflation become a problem or supply constraints hinder future growth, the Argentine economy may not continue to grow at current rates. 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.

Argentine government policies will likely have a significant impact on the economy and as a result, on our Argentine operations.

The Argentine government has historically exercised significant influence over the local economy. In response to the December 2001 economic crisis, the Argentine government has promulgated numerous, far-reaching laws and regulations that affect the economy in significant respects. Laws and regulations currently governing the economy could change in the future, and any such changes could adversely affect our business, financial condition or results from operations.

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 2001 and 2002 and through February 7, 2003, the Argentine Central Bank restricted Argentine individuals and corporations from transferring U.S. dollars abroad without its prior approval. In 2003 and 2004, the government reduced some of these restrictions, including those requiring the Argentine Central Bank's prior authorization for the transfer of funds abroad to pay principal and interest on debt obligations. Nevertheless, significant government controls and restrictions remain in place, and the Argentine government may impose new restrictions on foreign exchange in the future. On June 10, 2005, the Argentine government issued Decree No. 616/2005 establishing certain restrictions on capital inflows into Argentina. The existing controls and restrictions, and any additional restrictions of this kind that may be imposed in the future, could impair our ability to transfer funds generated by our Argentine operations in U.S. dollars outside Argentina to fund the payment of dividends or other amounts and to undertake investments and other activities that require payments in U.S. dollars. Furthermore, these restrictions could affect our ability to finance our investments and operations in Argentina. For additional information on current Argentine exchange controls and restrictions see Item 10.D. "Additional Information – Exchange Controls".

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.

Despite the results of the recent restructuring of its debt with private creditors, Argentina is limited in its ability to obtain financing in the future, which may restrict its ability to implement reforms and create the conditions for sustained economic growth and, as a result our subsidiaries in Argentina may be unable to obtain financing.

In 2005, the Argentine government restructured its public debt with private creditors, with approximately 76% of its creditors surrendering their claims in exchange for new bonds worth approximately $0.35 on the dollar. However, at this time it is impossible to determine what effect the restructuring will have, if any, on investor confidence or on the Argentine economy generally. In addition, as a consequence of the restructuring Argentina will still have obligations outstanding with bondholders of approximately $54.8 billion (approximately $35.3 billion under the new bonds plus approximately $19.5 billion under the old bonds not tendered for exchange) and will have to withstand any legal actions that may be filed by bondholders who did not accept the Argentine government's exchange offer. On January 4, 2006, the Argentine government prepaid all of its outstanding obligations to the International Monetary Fund (IMF), amounting to approximately $9.5 billion. This prepayment, together with Argentina's limited access to foreign capital, could curtail its ability to access international credit markets.

To date, Argentina has experienced difficulty and greater costs when accessing the international credit markets, given its past default, its failure to restructure the entire amount of its existing sovereign debt and in spite of the recovery of economic and financial conditions. If Argentina is not able to honor its outstanding financial agreements, or if it does not obtain the required financing to implement the economic and political reforms necessary to obtain sustainable development and GDP growth, the resulting economic environment could negatively affect our operating costs, sales and results of operations. In particular, to the extent our subsidiaries in Argentina are not able to maintain high levels of export, their ability to obtain financing could be limited.

The Argentine government has increased taxes on our operations in Argentina, and could further increase the tax burden on our operations in Argentina.

Since 1992, the Argentine government has not permitted the application of an inflation adjustment on the value of fixed assets for tax purposes. Since the substantial devaluation of the Argentine peso in 2002, the amounts that Argentine authorities permit us to deduct for as depreciation for our past investments in plant, property and equipment have been substantially reduced, resulting in a higher effective income tax charge. In addition, in 2002, the Argentine government imposed a 5% tax on the export of manufactured products. If the Argentine government continues to increase the tax burden on our operations in Argentina, 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 negatively impact our results of operations.

As a result of several years of recession, the forced conversion into Argentine pesos at the one-to-one exchange rate and the subsequent freeze of gas and electricity tariffs, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina in recent years. Over the course of the last several years, demand for electricity and natural gas has increased substantially, driven by a recovery in economic conditions and low prices in comparison with alternative fuel sources.

The Argentine government is taking a number of measures to alleviate the short-term impact of supply restrictions on residential and industrial users, including measures designed to limit the growth of residential consumption, to increase the price of compressed natural gas and to import natural gas from Bolivia, electricity from Brazil and fuel oil from Venezuela. It has announced several measures intended to address the availability of energy supplies in the medium- and long-term, including allowing natural gas prices for industrial users to rise and implementing a tax increase on the export of crude oil and a new tax on the export of natural gas. In addition, the Argentine government has created a new state-owned energy company, which would in turn fund, or otherwise promote, investments in expanding pipeline capacity and building new pipelines and additional power generation capacity.

If the measures that the Argentine government is taking to alleviate the short-term energy supply issue prove to be insufficient, or if the investment that is required to increase natural gas generation, energy production and transportation capacity and power generation capacity over the medium- and long-term fail to materialize on a timely basis, our production in Argentina (or that of our main suppliers) could be curtailed, and our sales and revenue could decline.

Mexico

We have significant manufacturing operations and assets in Mexico, where we produce approximately one-quarter of our seamless pipes, and a significant portion of our sales are made in Mexico. Our business could be materially and adversely affected by economic, political and regulatory developments in Mexico.

Economic conditions and government policies in Mexico could negatively impact our business and results of operations.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation and other economic problems. Furthermore, the Mexican national economy tends to reflect changes in the economic environment in the United States. If problems such as deterioration in Mexico’s economic conditions, social instability, political unrest, reduction in government spending or other adverse social developments reemerge in the future, they could lead to increased volatility in the foreign exchange and financial markets, and, depending on their severity and duration, could adversely affect our business, results of operations, financial condition, liquidity or prospects. For example, adverse economic conditions in Mexico could result in higher interest rates accompanied by reduced opportunities for refunding or refinancing, foreign exchange losses associated with dollar-denominated debt, increased raw materials and operating costs, reduced domestic consumption of our products, decreased operating results and delays in capital expenditures dependent on U.S. dollar purchases of equipment. Severe devaluation of the Mexican peso may also result in disruption of the international foreign exchange markets, hindering our ability to convert Mexican pesos into U.S. dollars and other currencies for the purpose of making purchases of raw materials or equipment.

Political conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, our financial condition and results of operations.

The Mexican political environment is in a period of change, and political uncertainty could adversely affect economic conditions in Mexico or our financial condition and results of operations. In July 2000, Vicente Fox, a member of the National Action Party (*Partido Acción Nacional*, or PAN), the oldest opposition party in the country, won the presidential election. He took office on December 1, 2000, ending 71 years of rule by the Institutional Revolutionary Party (*Partido Revolucionario Institucional*, or PRI). Currently, no party has a working majority in either house of the Mexican Congress, which has made governance and the passage of legislation more difficult. National elections are scheduled to occur on July 2, 2006. Following these elections, there could be, as in the past, significant changes in laws, public policies and regulations that could adversely affect Mexico's political and economic situation, and, as a result, could possibly adversely affect our business, results of operations, financial condition, liquidity or prospects.

Mexican government policies will likely significantly affect the economy and as a result, our Mexican operations.

Future actions of the Mexican government or the effect in Mexico of international events could adversely affect our results and financial condition. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy could have adverse effects on private sector entities in general and on us in particular. Economic plans of the Mexican government in the past have not always fully achieved their objectives. Beginning in 1994, and continuing through 1995, Mexico experienced an economic crisis characterized by exchange rate instability, a devaluation of the Mexican peso, high inflation, high domestic interest rates, economic contraction, a reduction of international capital flows, reduced consumer purchasing power and high unemployment. In response to the economic crisis, the Mexican government implemented broad economic reform programs, which improved economic conditions until growth declined again in 2001, accompanied by increased inflation rates in 2000, 2001 and 2002. It is not possible to determine what effect existing or future government economic plans or their implementation could have on the Mexican economy or on our financial condition or results of operations.

The Mexican government owns Pemex, our largest customer, and authorizes its budget for exploration. Policies of the Mexican government regarding Pemex may negatively affect its demand for our seamless tubes.

Pemex, our single largest customer, accounted for 8% of our annual sales during 2005; historically, it has accounted for an even higher proportion of our sales. Pemex is owned by the Mexican government. The Mexican government controls Pemex's operations and its annual budget is subject to approval by the Mexican Congress. The Mexican government exercises significant influence over Pemex's commercial affairs, including its exploration and production budget, which largely determines the volume of Pemex's purchases of our seamless steel pipe products. The Mexican government also taxes Pemex and its subsidiaries heavily. In the future, the Mexican government may reduce Pemex's exploration and production budget, increase its taxes or otherwise exercise its control in a manner that would reduce its ability to purchase products from us. Because Pemex is our largest customer, reductions in its purchases could adversely affect our sales, financial condition and results of operations.

Brazil

We have significant manufacturing operations and assets in Brazil. Our business could be adversely affected by economic, political and regulatory developments in Brazil.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes substantial changes in policy, as often occurs in other emerging economies. The Brazilian government's actions to control inflation and carry out other policies have in the past involved wage and price controls, currency devaluations, capital controls and limits on imports, among other things.

In addition, environmental regulations in Brazil have become stricter in recent years. As a result, it is possible that greater regulation or more aggressive enforcement of existing regulations could adversely affect us by imposing restrictions on our customer's projects by creating new requirements for the issuance or renewal of environmental licenses, raising costs or requiring our customers to engage in expensive reclamation efforts. Furthermore, difficulties in obtaining new environmental licenses may lead to construction delays or cost increases, and in some cases, may lead our customers to abandon projects.

Romania

Our operations in Romania have increased in relative importance to our overall operations through our acquisitions of Silcotub and Donasid in 2004 and 2005, respectively. Our business could be adversely affected by economic, political and regulatory developments in Romania.

Romania is still in the process of transition from a centrally planned economy to a market-based economy and is subject to significant macroeconomic risks as a result. The government of Romania is in the process of privatizing selected state-owned companies, which may lead to significant corporate restructuring, labor dislocation or social unrest. Due to an immature legal framework, it may be difficult for us to enforce any rights we may have or to know if we are in compliance with all applicable laws, rules and regulations. Changes in laws, regulations or governmental policies affecting our business activities, or the interpretation thereof may increase our costs or restrict our ability to operate our business. Political, economic, social or other developments in Romania, including the imposition of price controls and new taxes, may cause us to change the way we conduct our business or force us to discontinue our operations altogether.

Romania has historically experienced substantial, and occasionally, high rates of inflation and high interest rates. Low or negative economic growth rates, inflation and volatility in interest rates have had and may continue to have negative effects on the economy, which in turn may have adverse effects on our financial results. The Romanian currency, the New Lei, has experienced significant devaluation in the past, and may do so again in the future. Therefore, we are exposed to exchange rate risk. Significant changes in the exchange rates, whether in the short-term or over a steady long-term period, could have an adverse effect on our operating results or our financial condition.

Romania is currently negotiating to enter the European Union. As a consequence, it is foreseeable that the euro will take prominence in Romania in the future. Consequently, depending on the result of the progression of Romania towards the euro, exchange rate fluctuations may have a more significant impact on our results of operations in the future.

Venezuela

We have significant exposure to Venezuela, where we have seamless tube operations at Tubos de Acero de Venezuela S.A., or Tavsa, an HBI plant, Matesi, and a significant equity investment in Ternium S.A., or Ternium, which has substantial operations in Venezuela. Our business could be adversely affected by economic, political and regulatory developments in Venezuela.

In the past several years, Venezuela has experienced intense political and social turmoil involving groups that oppose and those that support the Chávez administration. Between December 2001 and February 2003, opposition groups have staged four nationwide strikes, the most recent of which began in 2002 and at times halted a substantial part of the operations of the Venezuelan oil industry before it ended in February 2003. The strikes were accompanied by increased capital drain, loss of bank deposits and reduced tax revenues. Although the political scene remains divided, the Chávez administration, through coalitions with other political parties, effectively controls a majority in the *Asamblea Nacional*, or the National Assembly, as well as most state governments, and has broad support among the poorer segments of Venezuelan society. Despite efforts to organize political opposition against his administration, President Chávez is expected to serve the remainder of his current presidential term, which ends in 2006. If significant domestic instability in Venezuela reemerges and affects political and economic conditions in Venezuela, our business in Venezuela and, consequently, our financial results could be negatively affected.

The Venezuelan government traditionally has played a central role in the development of Venezuela’s steel industry and has exercised, and continues to exercise, significant influence over many other aspects of the Venezuelan economy. Venezuelan governmental actions have had in the past, and could have in the future, significant effects on the financial condition and results of operations of Venezuelan companies and on the ability of Venezuelan companies to make capital expenditures. For example, the Venezuelan government has sought to pressure foreign oil companies to either partner with state-run Petróleos de Venezuela, increase royalties to the government and cede operational control of oilfields or leave the country by December 31, 2005. In addition, the Venezuelan government has pressured foreign oil companies to apply, on a retroactive basis, a new standard for determining income tax that differs from previously applicable regulation. The Venezuelan government has also canceled mining concessions and has proposed that a state-run mining corporation administer mining operations. Accordingly, if political or economic measures such as expropriation, nationalization, renegotiation or nullification of contracts (like those for the supply of raw materials or energy), or currency, fiscal or transfer restrictions were implemented on our subsidiaries in Venezuela, their operations and revenues, and consequently our financial results, could be adversely affected.

In addition, the Venezuelan government frequently intervenes in the Venezuelan economy and occasionally makes significant changes in policy. Recently the 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. In addition, in February 2003, the Venezuelan government suspended the trading of foreign currencies and adopted a series of exchange regulations that established a strict exchange control regime. See Item 10.D. "Additional Information – Exchange Controls". 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. Several measures imposed by the Venezuelan government, such as exchange controls and transfer restrictions, have affected and may further affect the operations of our subsidiaries in Venezuela and could prevent them from paying dividends or other amounts from cash generated by our Venezuelan operations.

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 substantial portion of our assets and operations are located in Latin America. 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, including Argentina, Brazil and Mexico. Securities prices of companies with significant Latin American exposure were adversely affected by, among other events, the economic crises in Russia and Brazil in 1998, the collapse of the exchange rate regime in Turkey in February 2001 and the Argentine crisis in late 2001.

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.

Holders of our ADSs may encounter difficulties in the exercise of dividend and voting rights.

You may encounter difficulties in the exercise of some of your rights as a shareholder if you hold ADSs rather than shares. If we make a distribution in the form of securities, the depositary is allowed, at its discretion, to sell that right to acquire those securities on your behalf and instead distribute the net proceeds to you. Also, under certain circumstances, such as our failure to provide the depositary with voting materials on a timely basis, you may not be able to vote by giving instructions to the depositary.