

**E. Taxation**

**U.S. Tax Consequences**

***Ownership and Disposition of Tenaris Shares or ADSs***

The following discussion describes the material United States federal income tax consequences of the ownership of shares or ADSs. It applies to you only if you are a U.S. holder, as defined below, and you hold your shares or ADSs as capital assets for tax purposes.

This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a tax-exempt organization,
- a life insurance company,
- a person liable for alternative minimum tax,
- a person that actually or constructively owns 10% or more of the voting stock of Tenaris,
- a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction, *or*
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations and published rulings and court decisions, all as currently in effect, as well as the Income Tax Treaty between Luxembourg and the United States. These laws are subject to change, possibly on a retroactive basis.

In addition, this section is based in part upon the representations of the depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

For purposes of this discussion, you are a U.S. holder if you are a beneficial owner of shares or ADSs and you are

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, *or*
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

United States holders are urged to consult their own tax advisors regarding the United States federal, state and local and other tax consequences of owning and disposing of shares or ADSs.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to United States federal income tax.

#### *Dividends*

Subject to the PFIC rules discussed below, if you are a U.S. holder the gross amount of any dividend paid by us out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to United States federal taxation. If you are a non-corporate U.S. holder, dividends paid to you in taxable years beginning after December 31, 2002 and before January 1, 2009 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the shares or ADSs for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the shares or ADSs generally will be qualified dividend income. The dividend is taxable to you when you, in the case of shares, or the depositary, in the case of ADSs, receive the dividend, either actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Distributions in excess of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the ADSs or shares and thereafter as capital gain.

The amount of the dividend distribution that you must include in your income, if paid in currency other than the U.S. dollar, will be the U.S. dollar value of the foreign currency payments made, determined at the spot foreign currency/U.S. dollar rate on the date such dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

For foreign tax credit purposes, the dividend will be income from sources outside the United States, but generally will be “passive income” or “financial services income” which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. No U.S. foreign tax credit will be allowed to U.S. holders of shares or ADSs in respect of any personal property or similar tax imposed by Luxembourg (or any taxing authority thereof or therein).

Distributions of additional shares to U.S. holders with respect to their shares or ADSs that are made as part of a pro rata distribution to all our shareholders generally will not be subject to U.S. federal income tax.

#### *Taxation of Capital Gain*

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and your tax basis (determined in U.S. dollars) in such shares or ADSs. Generally such gain or loss will be long-term capital gain or loss if your holding period for such shares or ADSs exceeds one year. Long-term capital gain of a non-corporate U.S. holder that is recognized on or after May 6, 2003 and before January 1, 2009 is generally subject to a maximum tax rate of 15%. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

#### **PFIC Rules**

We believe that, as of the date of this annual report, our shares and ADSs should not be treated as stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination made annually and thus may be subject to change.

In general, if you are a U.S. holder we will be a PFIC with respect to you if, for any taxable year in which you held our ADSs or shares:

- at least 75% of our gross income for the taxable year is passive income; *or*
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the other corporation's assets, and as receiving directly its proportionate share of the other corporation's income.

If you are a U.S. holder that did not make a mark-to-market election and we are treated as a PFIC, you would be subject to special rules with respect to:

- any gain realized on the sale or other disposition of our shares or ADSs; *and*
- any "excess distribution" that we make to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the shares or ADSs).

Under these rules:

- the gain or excess distribution would be allocated ratably over your holding period for our shares or ADSs;
- the amount allocated to the taxable year in which the gain or excess distribution was realized would be taxable as ordinary income;
- the amount allocated to each prior year, with certain exceptions, would be subject to tax as ordinary income at the highest applicable tax rate in effect for that year; *and*
- the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax attributable to each such year.

If you own shares in a PFIC that are treated as marketable stock, you may also make a mark-to-market election. Although stock traded on a "qualified" foreign exchange may be considered "marketable stock," the United States Internal Revenue Service has not yet identified specific foreign exchanges that are "qualified" for this purpose. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your shares or ADSs at the end of the taxable year over your adjusted basis in your shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts.

In addition, notwithstanding any election you make with regard to the shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC either in the taxable year of the distribution or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as

determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you are a U.S. holder who owns our shares or ADSs during any year that we are a PFIC, you must file Internal Revenue Service Form 8621.

## **Luxembourg Tax Consequences**

### ***Tax Consequences for the Company***

#### *Tax Treatment of the Company*

We were incorporated in Luxembourg as a holding company according to the law of July 31, 1929.

Because our share capital exceeds €24 million, we qualify and have opted for the special status of a billionaire holding company as provided in the grand-ducal decree of December 17, 1938.

As a billionaire holding company, we are not subject to corporate income tax, municipal business tax, net wealth tax or capital gains tax in Luxembourg, nor to withholding tax (including with respect to dividends).

We are, however, subject to taxation in Luxembourg on dividends distributed by us and on interest paid to holders of bonds and other securities and on certain fees paid to non-resident directors (or statutory auditors or liquidators). This tax is calculated as follows:

- Where the total interest paid each year to holders of bonds and other comparable securities amounts to or exceeds €2.4 million:
  - 3% on interest paid to holders of bonds and other similar securities;
  - 1.8% on dividends, profit quotas and remunerations on the first €1.2 million; *and*
  - 0.1% on any surplus dividends, profit quotas and remunerations.
- Where the total interest paid each year to holders of bonds and other comparable securities is less than €2.4 million:
  - 3% on interest paid to holders of bonds and other securities;
  - 3% on dividends, profit quotas and remuneration, up to a maximum amount corresponding to the difference between €2.4 million and the total interest paid to holders of bonds and on other comparable negotiable securities;
  - 1.8% on any surplus dividends, profit quotas and remunerations on the first €1.2 million; *and*
  - 0.1% on any surplus dividends, profit quotas and remunerations.

As a billionaire holding company, we will in all cases be subject to a minimum annual flat tax of €48,000.

### ***Ownership and Disposition of Tenaris Shares or ADSs***

Holders of Tenaris shares or ADSs will not be subject to Luxembourg income tax, wealth tax or capital gains tax in respect of those shares or ADSs, except for individuals resident (or, in certain circumstances, formerly resident) in Luxembourg, entities organized in Luxembourg or entities domiciled or having a permanent establishment in

Luxembourg. For purposes of Luxembourg tax law, you are deemed to be an individual resident in Luxembourg, subject to treaty provisions, if you have your domicile or your usual place of residence in Luxembourg.

Non-resident holders of Tenaris shares or ADSs are not subject to Luxembourg income tax, wealth tax or capital gains tax in respect of those shares or ADSs, provided, however, that a non-resident holder will be subject to Luxembourg tax on capital gains derived from the disposition of Tenaris shares or ADSs held for six months or less if such non-resident holder has owned alone, or together with his spouse or minor children, directly or indirectly at any point in time within the five year term preceding the disposition, more than 10% of our share capital.

No inheritance tax is payable by a holder of Tenaris shares or ADSs except if the deceased holder was a resident of Luxembourg at the time of death.

There is no Luxembourg transfer or stamp tax on the purchase or disposition of Tenaris shares or ADSs.

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

Tenaris is required to file annual and special reports and other information with the SEC. You may read and copy any documents filed by Tenaris at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at <http://www.sec.gov> which contains reports and other information regarding registrants that file electronically with the SEC.

We are subject to the reporting requirements of the Exchange Act, as applied to foreign private issuers. Because we are a foreign private issuer, the SEC's rules do not require us to deliver proxy statements or to file quarterly reports. In addition, our "insiders" are not subject to the SEC's rules that prohibit short-swing trading. We intend to prepare quarterly and annual reports containing consolidated financial statements. Our annual consolidated financial statements will be certified by an independent accounting firm. We intend to file quarterly financial information with the SEC on Form 6-K simultaneous with or promptly following the publication of that information in Luxembourg or any other jurisdiction on which our securities are listed, and we will file annual reports on Form 20-F within the time period required by the SEC, which is currently six months from the close of our fiscal year on December 31. These quarterly and annual reports may be reviewed at the SEC's Public Reference Room. Reports and other information filed electronically with the SEC are also available at the SEC's website.

We have appointed JPMorgan Chase to act as depositary for our ADSs. During the time there continue to be our ADSs deposited with the depositary, we will furnish the depositary with:

- our annual reports, *and*
- summaries of all notices of shareholders' meetings and other reports and communications that are made generally available to Tenaris's shareholders.

The depositary will, as provided in the deposit agreement, arrange for the mailing of summaries in English of the reports and communications to all record holders of our ADSs. Any record holder of ADSs may read the reports, notices or summaries thereof, and communications at the depositary's office located at One Chase Manhattan Plaza, New York, New York 10081.