TENARIS SA
Form 20-F
June 30, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

o Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

or

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the fiscal year ended December 31, 2002

or

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from to

Commission file number: 001-31518

TENARIS S.A.

(Exact Name of Registrant as Specified in its Charter)

N/A
(Translation of registrant s name into English)

Grand Duchy of Luxembourg
(Jurisdiction of incorporation or organization)

13, rue Beaumont
L-1219 Luxembourg
(Address of registrant s principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
American Depositary Shares	**New York Stock Exchange**
Ordinary Shares, par value USD1.00 per share	**New York Stock Exchange***

* Ordinary shares of Tenaris S.A. are not listed for trading but only in connection with the registration of American Depositary Shares which are evidenced by American Depositary Receipts.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

1,160,700,794 ordinary shares, par value USD1.00 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 x

Please send copies of notices and communications from the Securities and Exchange Commission to:

Carlos J. Spinelli-Noseda, Esq.
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
(212) 558-4000

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CERTAIN DEFINED TERMS

Unless otherwise specified or if the context so requires:

References in this annual report to the Company, we, us or our refer exclusively to Tenaris S.A., a Luxembourg corporation.

References in this annual report to Tenaris refer to the Company, on a consolidated and combined basis with various other companies under the common control of San Faustín N.V. (a Netherlands Antilles corporation and the Company s controlling shareholder). On October 18, 2002, these companies, which include the Tenaris companies and Tenaris Global Services, were reorganized as subsidiaries of the Company. See notes A and B to the audited consolidated combined financial statements of Tenaris included elsewhere in this annual report and Information on the Company Related Party Transactions-Corporate Reorganization Transactions.

References in this annual report to the Tenaris companies refer to Tenaris s manufacturing subsidiaries, including Siderca S.A.I.C., or Siderca, Tubos de Acero de México, S.A., or Tamsa, and Dalmine S.p.A., or Dalmine, and their respective subsidiaries.

References in this annual report to Tenaris Global Services refer to Tenaris Global Services S.A., the subsidiary of the Company that provides a wide range of commercial, technical and logistics services to the Tenaris companies outside of their respective domestic markets through a worldwide network of subsidiaries, representative offices and assets.

References in this annual report to the Techint group refer to an international group of companies with operations in the steel, energy, infrastructure, engineering, construction and public service sectors over which San Faustín exercises either control or significant influence.

References in this annual report to Techint commercial network refer to an extensive commercial network with operations worldwide providing a wide range of services to the Tenaris companies outside of their respective domestic markets. On October 18, 2002, the subsidiaries, representative offices and other assets that now constitute Tenaris Global Services were separated from the Techint commercial network. Furthermore, effective as of December 17, 2002, the export agency agreements that the Tenaris companies were parties to with companies in the Techint commercial network not subject to the reorganization described above were assigned to Tenaris Global Services or its subsidiaries. Accordingly, all of the commercial, technical and logistical services provided to the Tenaris companies by companies, representative offices and other assets formerly part of the Techint commercial network are provided by Tenaris Global Services and not by any company remaining in the Techint commercial network. See Item 4 Information on the Company Subsidiaries.

shares refers to ordinary shares, par value USD1.00 of Tenaris.

tons refers to metric tons.

one billion refers to one thousand million, or 1,000,000,000.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

Tenaris prepares its consolidated financial statements in conformity with International Accounting Standards, or IAS. IAS differ in certain significant respects from generally accepted accounting principles in the United States, commonly referred to as U.S. GAAP. See notes U and 31 to Tenaris s audited consolidated combined financial statements included in this annual report, which provide a description of the principal differences between IAS and

U.S. GAAP as they relate to Tenaris s audited consolidated combined financial statements and a reconciliation of net income and shareholders equity for the years and at the dates indicated.

The consolidated combined financial statements of Tenaris at December 31, 2002 and for the year ended December 31, 2002 included in this annual report consolidate at December 31, 2002, and for the period that began on October 18, 2002 and ended December 31, 2002, the consolidated financial statements of each of Siderca, Tamsa, Dalmine, Invertub S.A. and Tenaris Global Services, as well as the consolidated financial statements of five smaller companies (Metalcentro S.A., Tenaris Connections A.G., Lomond Holdings B.V., Information Systems and Technologies B.V. and Siderestiba S.A.) and combine, for the period that began on January 1, 2002 and ended October 17, 2002, the consolidated financial statements of all these companies on the basis that such companies were under the common control of San Faustín for such period. October 18, 2002 is the date on which these companies, which include the Tenaris companies and Tenaris Global Services, were reorganized as subsidiaries of the Company. The effect of this presentation is to show the combined historical results, financial condition and other data of the various steel pipe manufacturing and distributing companies under the common control of San Faustín as though these companies had been our subsidiaries at the dates and during the periods presented. For comparative purposes, the audited consolidated combined financial statements of Tenaris for the years ended December 31, 2001 and 2000, combine, at each of the dates and for each of the periods presented therein, the consolidated financial statements of all these companies on the basis that such companies were under the common control of San Faustín at each such date and for each such period. See notes A and B to Tenaris s audited consolidated combined financial statements included in this annual report.

Currencies

In this annual report, unless otherwise specified or the context otherwise requires:

dollars, U.S. dollars or USD each refers to the United States dollar;

Argentine pesos or ARP each refers to the Argentine peso;

Mexican pesos or MXP each refers to the Mexican peso; *and*

or euros each refers to the euro, the single currency established for participants in the European Economic and Monetary Union, or the EMU, commencing January 1, 1999. The Republic of Italy is a participant in the EMU. The euro replaced the Italian lira as the official currency of Italy on that date.

On June 24, 2003, the exchange rate between the Argentine peso and the U.S. dollar (as published by *Banco Central de la República Argentina*, or the Argentine Central Bank) was ARP2.77 = USD1.00, the Federal Reserve Bank of New York noon buying rate for the Mexican peso was MXP10.53 = USD1.00 and the Federal Reserve Bank of New York noon buying rate for the euro was 0.8697 = USD1.00. We do not represent that Argentine pesos, Mexican pesos or euros could be converted into U.S. dollars at these respective rates or any other rate. See Item 3.E. Key Information Exchange Rates Argentine peso, Mexican peso and Euro for additional information regarding the exchange rates between the U.S. dollar and the Argentine peso, the Mexican peso and the euro, respectively.

Rounding; Comparability of Data

Certain monetary amounts, percentages and other figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

No Internet Site is Part of This Annual Report

Tenaris maintains an Internet site at www.tenaris.com. Information contained in or otherwise accessible through these websites is not a part of this annual report. All references in this annual report to these Internet sites are inactive textual references to these URLs, or uniform resource locators and are for your informational reference only.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This annual report contains certain statements that we consider to be forward-looking statements as defined in and subject to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. The statements appear throughout this annual report and are subject to risks and uncertainties. These statements include information regarding:

- management strategy;
- capital spending;
- development and growth of the seamless steel pipe and oil and gas industries;
- trends and other prospective data, including trends regarding the levels of investment in oil and gas drilling worldwide and the business development and operations of Dalmine Energie S.p.A; and
- general economic conditions in Argentina, Mexico, Italy and Venezuela and other countries in which Tenaris operates and distributes pipes.

Sections of this annual report that by their nature contain forward-looking statements include Item 3. Key Information, Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects and Item 11. Quantitative and Qualitative Disclosure About Market Risk.

Forward-looking statements also may be identified by the use of words such as believes, expects, anticipates, projects, intends, should, s estimates, probability, risk, target, goal, objective, future or similar expressions or variations of such expressions.

The forward-looking statements contained in this annual report speak only as of the date of this document, and we do not undertake to update any forward-looking statement to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

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Item 3. Key Information

A. Selected Financial Data

The summary selected consolidated combined financial data of Tenaris have been derived from its consolidated combined financial statements, which are prepared in accordance with IAS (unless otherwise indicated) for each of the periods and at the dates indicated. The consolidated combined financial statements as of December 31, 2002 and 2001, and for the years ended December 31, 2002, 2001 and 2000, included in this annual report, have been audited by PricewaterhouseCoopers S.à.r.l., independent accountants in Luxembourg and member firm of PricewaterhouseCoopers. IAS differ in certain significant respects from U.S. GAAP. See notes U and 31 to Tenaris s audited consolidated combined financial statements included in this annual report, which provide a description of the principal differences between IAS and U.S. GAAP as they relate to Tenaris s consolidated combined financial statements and a reconciliation to U.S. GAAP of net income (loss) and shareholders equity for the periods and at the dates indicated therein. The consolidated combined financial statements of Tenaris at December 31, 2002 and for the year ended December 31, 2002 included in this annual report consolidate at December 31, 2002, and for the period that began on October 18, 2002 and ended December 31, 2002, the consolidated financial statements of each of Siderca, Tamsa, Dalmine, Invertub S.A. and Tenaris Global Services, as well as the consolidated financial statements of five smaller companies (Metalcentro S.A., Tenaris Connections A.G., Lomond Holdings B.V., Information Systems and Technologies B.V. and Siderestiba S.A.) and combine, for the period that began on January 1, 2002 and ended October 17, 2002, the consolidated financial statements of all these companies on the basis that such companies were under the common control of San Faustín for such period. October 18, 2002 is the date on which these companies, which include the Tenaris companies and Tenaris Global Services, were reorganized as subsidiaries of the Company. The effect of this presentation is to show the combined historical results, financial condition and other data of the various steel pipe manufacturing and distributing companies under the common control of San Faustín as though these companies had been our subsidiaries at the dates and during the periods presented. For comparative purposes, the audited consolidated combined financial statements of Tenaris for the years ended December 31, 2001 and 2000, combine, at each of the dates and for each of the periods presented therein, the consolidated financial statements of all these companies on the basis that such companies were under the common control of San Faustín at each such date and for each such period. See notes A and B to Tenaris s audited consolidated combined financial statements included in this annual report. For a discussion of the currencies used in this annual report, exchange rates and accounting principles affecting the financial information contained in this annual report, see Currencies, Item 3.E. Key Information Exchange Rates and Accounting Principles.

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Thousands of U.S. dollars (except number of shares and per share amounts)	2002	2001	2000	1999	1998
Summary selected consolidated combined income statement data					
IAS					
Net sales	3,219,384	3,174,299	2,361,319	1,835,211	2,839,382
Cost of sales	(2,168,594)	(2,165,568)	(1,692,412)	(1,481,552)	(2,095,260)
Gross profit	1,050,790	1,008,731	668,907	353,659	744,122
Selling, general and administrative expenses	(568,149)	(502,747)	(433,617)	(306,471)	(348,712)
Other operating income (expenses), net	(10,764)	(64,352)	5,877	(55,084)	123,889
Operating profit (loss)	471,877	441,632	241,167	(7,896)	519,299
Financial income (expenses), net	(20,597)	(25,595)	(47,923)	(37,118)	(68,182)
Income (loss) before income tax, effect of currency translation on tax bases, equity in earnings (losses) of associated companies and minority interest	451,280	416,037	193,244	(45,014)	451,117
Equity in earnings (losses) of associated companies	(6,802)	(41,296)	(3,827)	(39,296)	(17,436)
Income (loss) before income tax, effect of currency translation on tax bases and minority interest	444,478	374,741	189,417	(84,310)	433,681
Income tax	(182,505)	(108,956)	(63,299)	(6,065)	(65,663)
Effect of currency translation on tax bases	(25,266)	(109,882)	(2,011)	(2,961)	(3,198)
Net income (loss) before minority interest	236,707	155,903	124,107	(93,336)	364,820
Minority interest	(142,403)	(74,557)	(47,401)	38,521	(211,245)
Net income (loss)	94,304	81,346	76,706	(54,815)	153,575
Depreciation and amortization	(176,315)	(161,710)	(156,643)	(165,847)	(167,348)
Weighted average number of shares outstanding(1)	732,936,680	710,747,187	710,747,187	710,747,187	710,747,187
Combined earnings (loss) per share(2)	0.13	0.11	0.11	(0.08)	0.22
Dividends per share(3)	0.06	0.15	0.16	0.13	0.05
U.S. GAAP					
Net sales(4)	3,219,384	2,313,162	1,166,293		
Operating income (loss)(4)	476,107	422,014	102,740		
Income before cumulative effect of accounting changes	110,049	163,921	77,333		
Cumulative effect of accounting changes	(17,417)	(1,007)			
Net income (loss)	92,632	162,914	77,333		
Weighted average number of shares outstanding(1)	732,936,680	710,747,187	710,747,187		
Combined earnings (loss) per share before effect of accounting changes(2)	0.15	0.23	0.11		
Cumulative effect of accounting changes per share(2)	(0.02)	(0.00)			
Combined earnings (loss) per share(2)	0.13	0.23	0.11		

(1) Prior to October 18, 2002, the Company had 30,107 shares issued and outstanding. On October 18, 2002, Sidertubes S.A., a wholly-owned subsidiary of San Faustín, contributed all of its assets (including 30,010 shares of Tenaris) and liabilities to the Company, in exchange for 710,747,090 shares of Tenaris. The 30,010 shares contributed by Sidertubes to the Company were cancelled and, accordingly, upon consummation of this contribution the Company had a total of 710,747,187 shares issued and outstanding. For a detailed description of Sidertubes contribution to the Company, see Item 7.B. Related Party Transactions Corporation Reorganization Transactions. On December 17, 2002, Tenaris consummated an offer to exchange its shares and American Depositary Shares, or ADSs, for shares and ADS of Siderca and Tamsa and shares of Dalmine. Upon consummation of the exchange offer, the Company had a total of 1,160,700,794 shares issued and outstanding.

(2) Tenaris s combined earnings (loss) per share before effect of accounting changes, cumulative effect of accounting changes per share and combined earnings per share for the periods presented have been calculated based on the assumption that 710,747,187 shares were issued

and outstanding in each of the periods presented prior to October 18, 2002.

(3) Tenaris s dividends per share for the periods presented have been calculated based on the assumption that 710,747,187 shares were issued and outstanding in each of the periods presented.

(4) For U.S. GAAP purposes, Dalmine s results were not consolidated for the years ended December 31, 2001 and 2000, and Tamsa s results were not consolidated for the year ended December 31, 2000.

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Thousands of U.S. dollars (except number of shares and per share amounts)	2002	2001	2000	1999	1998
Summary selected consolidated combined income statement data					
IAS					
Current assets	1,810,581	1,619,136	1,419,747	1,270,109	1,650,643
Property, plant and equipment, net	1,934,237	1,971,318	1,941,814	1,909,924	1,955,426
Other non-current assets	272,628	247,500	282,976	246,317	395,800
Total assets	4,017,446	3,837,954	3,644,537	3,426,350	4,001,869
Current liabilities	1,203,278	1,084,913	951,444	792,716	883,728
Non-current borrowings	322,205	393,051	355,628	212,012	449,169
Deferred tax liabilities	320,753	262,963	292,849	290,727	354,611
Other non-current liabilities	290,373	302,645	199,548	196,964	176,532
Total liabilities	2,136,609	2,043,572	1,799,469	1,492,419	1,864,040
Minority interest	186,783	918,981	919,710	979,067	1,023,165
Shareholders equity[(1)]	1,694,054	875,401	925,358	954,864	1,114,664
Total liabilities and shareholders equity	4,017,446	3,837,954	3,644,537	3,426,350	4,001,869
Number of shares outstanding[(2)]	1,160,700,794	710,747,187	710,747,187	710,747,187	710,747,187
Shareholders equity per share[(3)]	1.46	1.23	1.30	1.34	1.57
U.S. GAAP					
Total assets	3,988,765	3,075,455	1,905,732		
Net assets	1,935,698	1,781,814	1,341,854		
Total shareholders equity	1,745,883	941,926	908,872		
Number of shares outstanding[(2)]	1,160,700,794	710,747,187	710,747,187		
Combined shareholders equity per share[(3)]	1.50	1.33	1.28		

(1) The Company s common stock as of December 31, 2002, was represented by 1,160,700,794 shares, par value USD1.00 per share, for a total amount of USD1,160.7 million.

(2) Prior to October 18, 2002, the Company had 30,107 shares issued and outstanding. On October 18, 2002, Sidertubes contributed all of its assets (including 30,010 shares of Tenaris) and liabilities to the Company, in exchange for 710,747,090 shares of Tenaris. The 30,010 shares contributed by Sidertubes to the Company were cancelled and, accordingly, upon consummation of this contribution the Company had a total of 710,747,187 shares issued and outstanding. For a detailed description of Sidertubes contribution to the Company, see Item 7.B. Related Party Transactions Corporation Reorganization Transactions. On December 17, 2002, Tenaris consummated an offer to exchange its shares and ADSs for shares and ADS of Siderca and Tamsa and shares of Dalmine. Upon consummation of the exchange offer, the Company had a total of 1,160,700,794 shares issued and outstanding.

(3) Tenaris s combined shareholders 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 following risks, together with the other information contained in this annual report, before making any investment decision. Any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn affect the price of our ordinary shares and American Depositary Shares, or ADSs.

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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 for seamless steel pipe products.

Demand for these 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 general 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 may also affect drilling activity and, as a result, cause pipe consumption to decline. For example, in 2002, although oil prices remained at levels which, under typical circumstances, would have been expected to result in sustained levels of investment in oil and gas drilling, oil and gas exploration and production activity were affected by increased uncertainty over the future level of oil prices as a result of the prospects of military action against Iraq and production cutbacks established by the Organization of Petroleum Exporting Countries, or OPEC. As a result, Tenaris s sales volume of seamless steel pipes for 2002 decreased 15% compared for the previous year.

In the future, sales and revenues may again fall as a result of downturns in the international price of oil and other circumstances affecting the oil and gas industry.

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 Tenaris to lose market share in particular markets and hurt its sales and revenues.

The global market for the seamless steel pipe products is highly competitive, with the primary competitive factors being price, quality and service. Tenaris competes against four major exporters of premium-quality steel pipe products worldwide. In addition, a large number of producers manufacture and export generally lower quality steel pipes. Competition from these lower-end producers, particularly those from Russia, China and the Ukraine, have, at times, adversely affected Tenaris 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 Tenaris. Tenaris may not continue to compete effectively against existing or potential producers and preserve its current shares of geographic or product markets. In addition, if import restrictions are imposed upon Tenaris s competitors, they may increase their marketing efforts in other countries where Tenaris sells its products and thus increase the competitive pressure on Tenaris in such markets. Furthermore, because two of Tenaris s four major competitors are Japanese companies, any decline in the value of the Japanese yen relative to the U.S. dollar could make those Japanese companies more competitive.

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Our main domestic markets are removing barriers to imported products which will lead to increased competition in these countries and may hurt Tenaris s sales and revenues.

As part of the increasing globalization of major economic markets, some countries are lifting quotas and other restrictions on imports, including imports of seamless steel pipe products, and are forming trade blocs. Argentina is a member of the *Mercado Común del Sur*, or Mercosur, Mexico is party to the North American Free Trade Agreement, or NAFTA, and Italy is a member of the EU. In addition, Argentina, Mexico and Italy are each 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 have fallen, the domestic markets in Argentina, Mexico and Italy for seamless steel pipe products have become more competitive. Tenaris may not be able to maintain its share of its domestic markets as foreign producers take advantage of recent trade liberalization and the expected elimination of remaining barriers to foreign trade in their respective domestic markets. Furthermore, while trade liberalization may also provide Tenaris with greater access to foreign markets, increases in sales to those foreign markets may not adequately offset any loss in domestic sales arising from increased foreign competition.

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

Local producers have filed antidumping, countervailing duty actions and safeguard actions against Tenaris 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 seamless steel products manufactured by Tenaris 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 Tenaris s access to one or more important export markets for its products and in the future additional markets could be closed to Tenaris as a result of similar proceedings. The U.S. market is effectively closed to some of Tenaris s principal products, limiting Tenaris s current business and potential growth in that market.

Further consolidation among oil and gas companies may force Tenaris to reduce its prices and hurt its profits.

A large percentage of Tenaris s sales are directed to international oil and gas companies. Recently, oil and gas companies throughout the world have experienced a high level of consolidation which has reduced the number of companies dedicated to providing these services. To the extent this consolidation trend continues, the surviving companies may enjoy significant bargaining power that could affect the prices of Tenaris s products and services.

Fluctuations in the cost of raw materials and energy may hurt Tenaris s profits.

The manufacturing of seamless steel pipe products requires substantial amounts of raw materials and energy from domestic and foreign suppliers. The availability and price of a significant portion of the raw materials and energy required by Tenaris are subject to market conditions and government regulation affecting supply and demand that can affect their continuity and cost of production. Increased costs of production may not be recoverable through increased product prices, and could adversely affect Tenaris s profitability.

Tenaris s inability to reduce some of its costs in response to lower sales volume may hurt its profits.

Like other manufacturers of steel-related products, Tenaris has fixed and semi-fixed costs that cannot adjust rapidly to fluctuations in the demand for its products. We estimate that Tenaris s fixed and semi-fixed costs of sale (excluding depreciation and amortization) have averaged approximately 15% over the last three years. If demand for Tenaris s products falls significantly, these costs may adversely affect Tenaris s profitability.

Potential environmental, product liability and other claims may create significant liabilities for Tenaris that would hurt its net worth.

Tenaris s 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

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hazards and risks can result in the loss of hydrocarbons, environmental liabilities, personal injury claims and property damage. Correspondingly, defects in specialty tubing products could result in death, personal injury, property damage, environmental pollution or damage to equipment and facilities. Tenaris warrants the oilfield products and specialty tubing products it sells or distributes in accordance with customer specifications. Actual or claimed defects in its products may give rise to claims against Tenaris for losses and expose it to claims for damages. The insurance maintained by Tenaris may not be adequate or available to protect it in the event of a claim or its coverage may be canceled or otherwise terminated.

Risks Relating to Tenaris s Business

Adverse economic or political conditions in the countries where Tenaris operates or sells its products may decrease its sales and revenues.

Tenaris is exposed to adverse economic and political conditions in the countries where it operates or sells its products. The economies of these countries are in different stages of socioeconomic development. Like other companies with significant international operations, Tenaris is exposed to risks from changes in foreign currency exchange rates, interest rates, inflation, governmental spending, social instability and other political, economic or social developments in the countries in which it operates. Risks associated with foreign political, economic or social developments also may adversely affect Tenaris s sales volume or revenues from exports and, as a result, its financial condition and results of operations. For example, in Argentina, due to the current social and political crisis, Tenaris confronts high fiscal pressure, changes in laws and policies affecting foreign trade and investment, exchange controls, expropriation and forced modification of existing contracts and loss of competitiveness due to mismatch between inflation and exchange rate movements. For additional information on risks relating to Tenaris s operations in Argentina, see Risks Relating to Argentina and Mexico Negative economic, political and regulatory developments in Argentina may hurt Siderca s financial condition, revenues and sales volume and disrupt its manufacturing operations, thereby adversely affecting Tenaris s results of operations and financial condition. Similarly, continuing adverse political and economic developments in Venezuela have already had an adverse impact on Tenaris s sales in that country.

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

We plan to continue implementing Tenaris s business strategy of completing the integration of its subsidiaries, developing value-added services and pursuing strategic acquisition opportunities. As part of this business strategy, Tenaris established business units to coordinate its commercial activities and made acquisitions in various jurisdictions, including Japan and Canada. Any of these components of Tenaris s overall business strategy may not be successfully implemented. Even if we successfully implement Tenaris s business strategy, it may not yield the desired goals. We may fail to find suitable acquisition targets or to consummate those acquisitions under favorable conditions, or we may be unable to successfully integrate any acquired businesses into our operations.

Recent and future acquisitions and strategic partnerships may disrupt Tenaris s operations and hurt its profits.

In the past five years, Tenaris has acquired interests in various companies and engaged in strategic partnerships. Tenaris has invested in NKKTUBES K.K., or NKKTubes, Algoma Tubes Inc., or AlgomaTubes, Confab Industrial, S.A., or Confab, and Tubos de Acero de Venezuela S.A., or Tavsa. Tenaris may not be successful in its plans regarding the operation of these companies and strategic partnerships or they could be affected by developments affecting Tenaris s partners. For example, on September 27, 2002, Tenaris s partner in NKKTubes consummated a business combination with one of Tenaris s principal competitors through which they became subsidiaries of a newly-formed holding company, and the new company continues to operate that competitor s seamless steel pipe business in competition with NKKTubes. See Item 4. Information on the Company Competition Global Market Japan. 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 acquisition and partnership activities may not perform in accordance with our expectations and could adversely affect Tenaris s operations and profitability.

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Our ability to pay cash dividends depends on the results of operations and financial condition of our subsidiaries and may be restricted by legal, contractual or other limitations.

We conduct all of our operations through subsidiaries. Dividends or other intercompany transfers of funds from our subsidiaries are our primary source of funds to pay our expenses and dividends. While we do not anticipate conducting operations at the holding company level, any expenses that we incur, in excess of minimal levels, that cannot be otherwise financed will reduce amounts available to be distributed to our shareholders. This may result in our being unable to pay dividends on our shares or ADSs. The ability of our subsidiaries to pay dividends and make other payments to us will depend on their results of operations and financial condition and may be restricted by, among other things, applicable corporate and other laws and regulations (including those imposing exchange controls or transfer restrictions) and agreements and commitments of such subsidiaries. In addition, our ability to pay dividends is subject to legal and other requirements and restrictions at the holding company level. For example, we may only pay dividends out of retained earnings as defined under Luxembourg law and regulations. See Item 8.C. Dividend Policy and Item 7.B. Related Party Transactions .

Tenaris s results of operations and financial condition may be adversely affected by movements in exchange rates.

Tenaris has primarily U.S. dollar-denominated revenues and a significant portion of its costs are denominated in local currency. As a result, movements in the exchange rate of the U.S. dollar against the respective local currencies can have a significant impact on Tenaris s revenue, results and financial condition. A rise in the value of the local currencies relative to the U.S. dollar will increase Tenaris s relative production costs, thereby reducing Tenaris s operating margins.

Tenaris s related party transactions with members of the Techint group may not always be on terms as favorable as those that could be obtained from unaffiliated third parties.

Some of Tenaris s sales and purchases 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 that they are made on terms no less favorable than those Tenaris could obtain from unaffiliated third parties. Tenaris will continue to engage in related party transactions in the future and intends that these transactions be on terms as favorable as those that could be obtained from unaffiliated third parties, but no assurance can be given in this respect.

Tenaris s sales of welded steel pipe products are volatile and dependent on specific projects.

Tenaris s sales of welded products depend substantially on securing contracts to supply major pipeline projects and fluctuate significantly from year to year based on the number of active pipeline projects under contract and their rate of progress. For example, in 2000, demand for Tenaris s welded products was substantially below levels of previous years due to the postponement of several regional gas pipeline projects. In 2001 and 2002, sales of welded steel pipes were strong, reflecting a period of high demand for such products in connection with the construction of large pipeline projects in South America, such as those in Ecuador and Peru, as well as ongoing pipeline network integration projects in the region. Deliveries of welded steel pipes to those projects in Ecuador and Peru have now been substantially completed. Tenaris s welded pipe revenues may fluctuate significantly in future years depending on its success at winning large supply contracts or if specific projects are postponed or delayed due to adverse economic, political or other factors.

The cost of complying with environmental regulations and paying unforeseen environmental liabilities may increase Tenaris s operating costs or hurt its net worth.

Tenaris is subject to a wide range of local, provincial and national laws, regulations, permits and decrees in their respective jurisdictions relating to the protection of human health and the environment. In Argentina, Italy, Mexico, Venezuela, Brazil, Canada and Japan, Tenaris will continue to incur expenditures to comply with those regulations. The expenditures necessary for Tenaris to remain in compliance with environmental laws and regulations, including site or other remediation costs, or unforeseen environmental liabilities, could have a material adverse effect on its financial condition and results of operations.

Any decline in purchases by Petróleos Mexicanos may hurt Tenaris s sales and revenues in the future.

Tenaris enjoys a strong relationship with Petróleos Mexicanos, or Pemex, one of the world s largest crude oil and condensates producers. Pemex has been Tamsa s single largest customer and one of Tenaris s largest customers. Sales to Pemex, including drilling companies contracted by Pemex, as a percentage of Tenaris s total seamless steel pipe sales volume, amounted to 4.4% in 2002. The volume of sales to Pemex has fluctuated historically and may continue to fluctuate in the future in response to diverse factors, such as changes in the amounts budgeted by Pemex for exploration and production and changes in drilling activity by Pemex or the drilling companies contracted by Pemex, as they may not maintain their current volume of purchases of Tenaris s products. The loss of Pemex as a customer or a reduction in the volume of sales to Pemex (or drilling companies contracted by Pemex) would have a material adverse effect on Tenaris s results of operations.

Tamsa may continue to lose the value of its investment in Siderúrgica del Orinoco, C.A., or Sidor, which would have a negative impact on Tenaris s net worth.

In January 1998, an international consortium of companies, the *Consorcio Siderurgia Amazonia Ltd*, or Amazonia, purchased a 70.0% equity interest in Sidor from the Venezuelan government, which retained the remaining 30.0%. Tamsider, a wholly-owned subsidiary of Tamsa, held an initial 12.5% equity interest in Amazonia, which increased to 14.1% in March 2000 as a result of additional investments described below. As of December 31, 2002, Tamsider s equity interest in Amazonia remained at 14.1%.

In connection with the 2003 restructuring of Sidor and Amazonia s debt discussed below, Tamsider is in the process of purchasing a 24.4% equity interest in Ylopa Serviços de Consultadoria Lda., or Ylopa, a newly created company. After the consummation of the restructuring on June 20, 2003, Tamsider capitalized in Amazonia a convertible subordinated loan made to Amazonia in connection with the 2000 restructuring described below and, as a result, increased its participation in Amazonia to a 14.5% equity interest, and Ylopa held new debt instruments of Amazonia convertible, at Ylopa s option at any time after June 20, 2005, into a 67.4% equity interest of Amazonia. In addition, the Venezuelan government s ownership in Sidor increased to 40.3%, while Amazonia s beneficial ownership in Sidor decreased to 59.7%. As part of the June 2003 restructuring, all the Amazonia shares, as well as all the shares of Sidor held by Amazonia, were placed in trust with Banesco Banco Universal, C.A., as trustee.

Sidor has experienced significant financial losses and other problems since the acquisition by Amazonia in January 1998, despite a significant reduction in Sidor s workforce and management s efforts to improve the production process and reduce operating costs. In 1999, due to negative conditions in the international steel market, a sustained and intensifying domestic recession in Venezuela, deteriorating conditions in the credit markets, an increase in the value of the Venezuelan currency relative to the U.S. dollar and other adverse factors, Sidor and Amazonia incurred substantial losses and were unable to make payments due under loan agreements with their respective creditors. In 2000, these loan agreements were restructured. Despite continued efforts by Sidor s management to improve technology and optimize production levels, in late 2001 Sidor and Amazonia were again unable to make payments due under the restructured loan agreements, following a continuation and aggravation of the same negative factors described above accompanied by increased competition from steel imports in Venezuela. As of December 31, 2002, Sidor had approximately USD1.58 billion of indebtedness (secured in part by fixed assets valued at USD827 million as determined at the time Sidor s loans were restructured in March 2000) and Amazonia had approximately USD313 million of indebtedness.

2000 Restructuring. As a result of the adverse trends discussed above, in connection with the restructuring concluded in 2000 Tamsider made additional capital contributions to Amazonia, while recording significant losses in the value of its investment. In addition to its initial capital contribution of USD87.8 million, Tamsider was required to make capital contributions to Amazonia in the amount of USD36.1 million (of which USD18.1 million was an additional capital contribution and USD18.0 million took the form of a convertible subordinated loan to Amazonia). The value of Tamsider s investments (as recorded in our audited consolidated financial statements) has decreased significantly since 1998, from USD94.2 million as of December 31, 1998, to USD13.2 million as of December 31, 2002. Due to Sidor s financial situation, as described above, at December 31, 2001, Tamsider recorded a valuation allowance in the amount of MXP154,688 thousand in order to reduce the value of its investment in Amazonia and the subordinated convertible debentures.

Expiration of Performance Bond. The Sidor purchase agreement between Amazonia and the Venezuelan government required the shareholders of Amazonia, including Tamsider, to indemnify the government for breaches by Amazonia of the Sidor purchase agreement up to a maximum amount of USD150 million, for five years from the acquisition. In connection with this indemnity, the shareholders of Amazonia were required to maintain a performance bond (which Tamsa guaranteed directly in proportion to its interest in Amazonia) for five years, beginning in 1998, in the amount of USD150 million during the first three years, USD125 million in the fourth year and USD75 million in the fifth year. The guarantee expired in January 2003.

2003 Restructuring. On June 20, 2003, Sidor, Amazonia and their creditors (including the Venezuelan government) consummated a restructuring of the Sidor and Amazonia debt. Under the terms of the restructuring:

- Ylopa purchased all of Amazonia s bank debt and a portion of Sidor s bank debt for a total amount of USD133.5 million;
- Sidor purchased a portion of its own bank debt for a total amount of USD37.9 million;
- the remainder of Sidor s bank debt was refinanced and the lenders agreed to the payment by Sidor of lower interest rates and a longer tenor;
- Ylopa assigned to Amazonia all of the debt it purchased in exchange for debt instruments of Amazonia convertible into a 67.4% equity interest in Amazonia at Ylopa s option;
- the Venezuelan government capitalized half of the debt owed to it by Sidor and consequently increased its equity ownership interest in Sidor to 40.3%;
- the remainder of the debt owed to the Venezuelan government was refinanced;
- certain agreements entered to in connection with the 2000 restructuring were terminated and the Amazonia shareholders, including Tamsider, were released from:
  - the guarantees they had provided with respect to the principal and a portion of the interest payable under the loan made to Sidor by the Venezuelan government;
  - their obligations under a certain put agreement that previously required them to purchase up to USD25 million in loans payable by Amazonia to its private lenders; *and*
  - their obligations under a letter to these lenders contemplating the possibility of additional capital contributions of up to USD20 million in the event of extreme financial distress of Sidor; *and*
- beginning in 2004, but in no event before the first USD11 million of Sidor s excess cash (determined in accordance with the restructuring documents) has been applied to repay Sidor s bank debt, 30.0% of Sidor s distributable excess cash for each year (determined in accordance with the restructuring documents) will be applied to repay Sidor s restructured debt, and any remaining distributable excess cash for such year will be paid as follows:
  - 59.7% to Ylopa (until 2012 or such earlier year in which Ylopa has received an aggregate amount of USD324 million) or Amazonia (after expiration of Ylopa s right to receive Sidor s remaining distributable excess cash), as the case may be, *and*
  - 40.3% to the Venezuelan government.

Tenaris, through Tamsider, participated in the 2003 restructuring by making an aggregate cash contribution (mainly in the form of subordinated convertible debt) of USD32.9 million to Ylopa and by capitalizing in Amazonia convertible debt previously held by Tamsa in the amount of USD18.0 million plus accrued interest. Tenaris s indirect participation in Amazonia increased from 14.1% to 14.5% and may further increase up to 21.2% if and when all of its subordinated convertible debt is converted into equity.

Following completion of the restructuring between Sidor, Amazonia and their creditors (including the Venezuelan government), Sidor had approximately USD791.0 million of indebtedness outstanding and Amazonia had no financial indebtedness outstanding. Sidor s financial indebtedness was made up of three tranches, one of USD350.5 million to be repaid over 8 years with one year of grace, one of USD26.3 million to be repaid over 12 years with one year of grace and the remaining tranche of USD368.6 million, to be repaid over 15 years with one year of grace. In addition, Sidor s commercial indebtedness with certain Venezuelan government-owned suppliers amounted to USD45.4 million, to be repaid over the next five years.

After consummation of the 2003 restructuring, Tamsider continues to bear the risk of further losses in the equity value of its investment in Amazonia as well as losses in the equity value of its investment in Ylopa, but none of Tamsa, Tamsider or Ylopa guarantees the restructured indebtedness of Sidor. The restructuring agreements contemplate, however, certain continuing obligations and restrictions, including:

- pledges to the Sidor financial lenders of Sidor and Amazonia shares, which will remain in effect for two years from the date of the restructuring so long as no event of default has occurred and is continuing under Sidor s refinanced loan agreements;

- pledges to the Sidor financial lenders of any future debt of Amazonia, which will remain in effect until such time as the pledges of the Amazonia and Sidor shares referred to above are released;

- negative pledges not to create, incur or suffer to exist a lien (other than certain permitted liens) over any of the equity or debt of Amazonia held by, or owed to, the Amazonia shareholders; *and*

- restrictions on the ability to institute or join a proceeding seeking the liquidation, bankruptcy or reorganization of Amazonia or Sidor.

Significant indebtedness of Dalmine, Tenaris s main operating subsidiary in Italy, could limit such subsidiary s ability to compete effectively in the future or to operate successfully under adverse economic conditions.

As of December 31, 2002, Dalmine had total indebtedness of 301.8 million, including short-term financial indebtedness and current maturities of long-term financial debt of 124.6 million. Dalmine s percent of net financial debt to capitalization was approximately 56.8% as of December 31, 2002. Dalmine s amount of total financial debt presents the risk that Dalmine might not have sufficient cash to service its indebtedness or might not have access to the capital or bank markets to refinance its indebtedness or incur additional indebtedness and that Dalmine s leveraged capital structure could limit its ability to finance acquisitions, capital expenditures or additional projects to compete effectively in the future or to operate successfully under adverse economic conditions. Dalmine is not currently in violation of any financial covenant under any of its loan facilities.

Tenaris s results of operations, financial condition and net worth may suffer as a result of a lawsuit in Great Britain against Dalmine.

A consortium led by BHP Petroleum Limited, or BHP, has sued Dalmine before the Commercial Court of the High Court of Justice Queen s Bench Division of London in connection with alleged defects in a pipe manufactured by Dalmine for use in constructing a submarine gas pipeline. BHP has alleged inconsistencies between the results of internal chemical tests performed by Dalmine on the pipe and the results shown in the quality certificates issued to BHP by Dalmine. In May 2002, the trial court issued a judgment in favor of BHP, holding that the products supplied by Dalmine were the cause for the failure of the gas pipeline and that Dalmine was liable for damages to BHP. The court s judgment was limited to the issue of liability, and the amount of damages to be awarded to BHP is being determined in a separate proceeding. Dalmine s petition to the trial court for leave to appeal its judgment was denied, but subsequently granted by the Court of Appeals. However, on February 5, 2003, the Court of Appeals dismissed Dalmine s appeal, closing the dispute on the issue of liability.

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BHP has indicated in court proceedings that it will seek damages of approximately 35 million British pounds to cover the cost of replacing the pipeline, 70 million British pounds to compensate for consequential damages, 73 million British pounds to cover loss or deferred revenues, 31 million British pounds to compensate for increased income tax resulting from a change in law and interest and costs for unspecified amounts. Subsequent to the court s recent judgment in favor of BHP on the issue of liability, BHP petitioned the court for an interim judgment of damages in the amount of approximately 37 million British pounds to cover the cost of replacing the pipeline. On July 31, 2002, Dalmine agreed to pay BHP 15 million British pounds in interim damages. The court is expected to hear arguments regarding, and issue its final judgment on total damages during the first half of 2004.

Dalmine created a provision in the amount of 45 million in its results for 2001 to account for probable losses as a result of BHP s lawsuit, which had a substantial adverse effect on its earnings for that year. Subsequently, Dalmine increased in its results for 2002 the amount of the provision by 20 million, inclusive of interest accrued and legal expenses incurred in connection with such proceedings.

The pipe that is the subject of this lawsuit was manufactured and sold, and the tort alleged by BHP took place, prior to the privatization of Dalmine, and Techint Investments Netherlands B.V. (the Siderca subsidiary party to the contract pursuant to which Dalmine was privatized) believes that, under the Dalmine privatization contract, Techint Investments should be entitled to recover from Fintecna S.p.A., an Italian state-owned corporation whose indirect predecessor formerly owned Dalmine, on behalf of Dalmine (as a third party beneficiary under the Dalmine privatization contract), 84.08% of any damages it may be required to pay BHP. Techint Investments has commenced arbitration proceedings against Fintecna to compel it to indemnify Dalmine for any amounts Dalmine may be required to pay BHP. Fintecna has denied that it has any contractual obligation to indemnify Dalmine, asserting that the indemnification claim is time-barred under the terms of the privatization contract and, in any event, subject to a cap of 13 million. Techint Investments disputes this assertion. The arbitration proceedings were suspended at a preliminary stage pending a decision by the British trial court in BHP s lawsuit against Dalmine. Upon request by Techint Investments and Dalmine, the arbitration panel decided to resume the proceedings in light of the court of appeal s recent decision to dismiss Dalmine s appeal against the judgment of liability in favor of BHP.

If Dalmine were required to pay damages to BHP substantially in excess of its provision of 65 million (including consequential damages or deferred revenues), and those damages were not reimbursed to Dalmine by Fintecna, Dalmine s (and, consequently, Tenaris s) results of operations, financial condition and net worth would be further materially and adversely affected.

Risks Relating to Argentina and Mexico

Holders of Tenaris shares and ADSs will be primarily exposed to country-specific risks relating to developments in, among others, Argentina and Mexico.

Negative economic, political and regulatory developments in Argentina may hurt Siderca s financial condition, revenues and sales volume and disrupt its manufacturing operations, thereby adversely affecting Tenaris s results of operations and financial condition.

Many of the manufacturing operations and assets of Siderca, Tenaris s main subsidiary in Argentina, are located in Argentina, and approximately one third of Siderca s sales have historically been made in Argentina. Siderca s business may be materially and adversely affected by economic, political and regulatory developments in Argentina, thereby affecting Tenaris s results of operations and financial condition. The discussion of recent developments in Argentina that follows was mainly derived from statements of Argentine public officials.

Economic and political situation. After decades of major volatility, with periods of low or negative economic growth, inflation reaching three and even four digit levels and repeated devaluations of the Argentine currency, in 1991 the Argentine government launched a plan aimed at controlling inflation and restructuring the economy, whose centerpiece was the Convertibility Law. The Convertibility Law fixed the exchange rate at one Argentine peso per U.S. dollar and required that the Argentine Central Bank maintain reserves in gold and foreign currency at least equivalent to the monetary base. As a result, inflation declined steadily and the economy experienced growth through most of the period from 1991 to

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1997. Nevertheless, starting in the fourth quarter of 1998, the Argentine economy entered into a recession which led to a cumulative drop in the gross domestic product, or GDP, in excess of 8% by the end of 2001, and a deterioration of other variables such as GDP per capita, unemployment rate and tax collections.

In the second half of 2001, this sustained period of economic contraction culminated in severe social, monetary and financial turmoil and a series of dramatic political and legislative developments in Argentina. President de la Rúa resigned on December 21, 2001, in the face of large-scale, violent demonstrations against his administration. After three interim presidents in rapid succession, Senator Eduardo Duhalde, a member of the opposition Peronist party, was elected by the Legislative Assembly and assumed the presidency on January 2, 2002, to serve for the remainder of former President de la Rúa s term until December 10, 2003. The Duhalde administration quickly adopted a series of emergency measures affecting Argentina s monetary and fiscal policies. On January 6, 2002, the Argentine Congress approved the Public Emergency Law, ending more than a decade of uninterrupted U.S. dollar Argentine peso parity under the Convertibility Law, eliminating the requirement that the Argentine peso be fully backed by gold and foreign reserves and establishing a framework for the resulting devaluation of the Argentine peso. Other emergency measures included:

- ratifying the suspension of payments on a significant portion of Argentina s sovereign external debt declared on December 23, 2001, by one of the interim presidents;
- converting U.S. dollar-denominated debts into Argentine peso-denominated debts at an exchange rate of ARP1.00 per U.S. dollar (for internal debts other than federal and provincial government debts) and ARP1.40 per U.S. dollar (for internal federal and provincial government debts);
- converting U.S. dollar-denominated bank deposits into Argentine peso-denominated bank deposits at an exchange rate of ARP1.40 per U.S. dollar;
- restructuring bank deposits and continuing or expanding restrictions on bank withdrawals (including a freeze on withdrawals from U.S. dollar accounts) and transfers abroad;
- introducing legislation requiring U.S. dollar revenues from most export sales of Argentine products to be repatriated and exchanged for Argentine pesos at a free floating exchange rate;
- enacting amendments to the bankruptcy law to protect Argentine debtors (although certain of these amendments were later repealed);
- enacting an amendment to the Argentine Central Bank s charter to allow it to print currency in excess of the amount of foreign reserves it holds, make short-term advances to the federal government and provide financial assistance to financial institutions with liquidity constraints or solvency problems; *and*
- imposing a 5% tax on industrial exports.

In the months following the adoption of the Public Emergency Law and other emergency measures, the country continued to deteriorate economically, politically and socially. During the first half of 2002, the events described above caused an abrupt rise in the exchange rate, reaching a high of ARP3.90 per U.S. dollar in June 2002. Inflation continued to increase, in part due to the devaluation of the Argentine peso, with the cumulative consumer price index, or CPI, rising by 42.8% from December 2001 through January 2003 and the cumulative wholesale price index, or WPI, rising by 119.1% during the same period. The Duhalde administration responded to the worsening crisis by introducing new measures and amendments to the existing measures. The absence of legal protections and of a sustainable economic and fiscal plan, coupled with a general distrust of the Argentine government and financial institutions, has nonetheless impaired recovery.

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At this time, Argentina faces considerable political uncertainty and the degree of internal and external support for the current administration remains unclear. Although presidential elections were held on April 27, 2003, no candidate obtained the requisite percentage of votes to be elected president. Although a run-off election between the two candidates that obtained the highest number of votes, Carlos Menem and Néstor Kirchner, was initially required, Carlos Menem withdrew from the run-off election and, as a result, Néstor Kirchner was elected president; the new president assumed office on May 25, 2003. The effect of the new government s economic policy on the economy and on Tenaris s operations in Argentina is impossible to predict.

Government control of the economy. The Argentine government has historically exercised significant influence over the economy. In response to the current crisis, since December 2001 the Argentine government has promulgated numerous, far-reaching and sometimes inconsistent laws and regulations affecting the economy. We cannot assure you that laws and regulations currently governing the economy will not continue to change in the future, particularly in light of the continuing economic crisis, or that any changes will not adversely affect Siderca s or Tenaris s business, financial condition or results of operations.

Due to the current social and political crisis, investing in companies with Argentine operations entails risks of loss resulting from:

- taxation policies, including direct and indirect tax increases;
- potential interruptions in the supply of electricity, gas or other utilities;
- expropriation, nationalization and forced renegotiation or modification of existing contracts;
- restrictions on repatriation of investments and transfer of funds abroad;
- civil unrest, rioting, looting, nation-wide protests, road blockades, widespread social unrest and strikes; *and*
- changes in laws and policies of Argentina affecting foreign trade, taxation and investment.

Several of the steps taken by the Argentine government as described above have had and could continue to have an adverse effect on the ability of Siderca to make payment of dividends or other amounts to us. Pursuant to certain decrees and implementing regulations of the Argentine Central Bank, Argentine individuals and companies, including Siderca, are subject to restrictions on the making of certain transfers of funds abroad and to the prior approval of the Argentine Central Bank. Until February 7, 2003, transfers by Siderca of U.S. dollars destined to the payment of dividends outside of Argentina were subject to the prior approval of the Argentine Central Bank. For example, on December 4, 2001, Siderca distributed a dividend consisting of cash and shares of Siderar S.A.I.C. Instead of distributing the unregistered Siderar shares directly to holders of the ADSs, the depositary, pursuant to the Siderca American Depositary Receipt, or ADR, deposit agreement, chose to liquidate the Siderar shares in the Argentine market and deliver the cash proceeds to holders of Siderca ADSs. However, due to the Argentine government s emergency measures, the depositary was prevented from transferring out of Argentina either the ADS holders cash payments or the proceeds from the sale of the Siderar shares until March 3, 2003. If restrictions of this kind were to be imposed again in the future, Siderca s ability to transfer funds in U.S. dollars outside Argentina for the purpose of making payments of dividends or other amounts to us and to undertake investments and other activities that require payments in U.S. dollars would be impaired.

International financing and investor confidence. To date, the International Monetary Fund, or the IMF, and other multilateral and official sector lenders have indicated an unwillingness to provide any significant financial aid to Argentina until a sustainable economic program has been presented. It is unclear whether President Kirchner will have the necessary support from the Argentine Congress, provincial and local authorities and political parties to implement the reforms required to restore economic growth and public confidence and to obtain international assistance. In addition, the principal international rating agencies downgraded the rating of Argentina s sovereign debt, which currently reflects its default status. Consequently, Argentina is not expected to have access to the international credit markets on economically feasible terms, if at all, for the foreseeable future. The Argentine government s insolvency, credit default and effective inability to obtain financing can be expected to affect significantly its ability to implement any reforms, undermining the private sector s ability to restore economic growth, and may result in deeper recession, higher inflation and unemployment and greater social unrest. This negative environment may, in turn, materially and adversely affect Siderca s (and thereby Tenaris s) operations and financial condition.

Devaluation of the Argentine peso. The Public Emergency Law ended more than a decade of U.S. dollar Argentine peso parity and eliminated the requirement that the Argentine Central Bank s reserves be at all times at least equal to the aggregate amount of Argentine pesos in circulation and Argentine peso deposits of the financial sector with the Argentine Central Bank.

On January 11, 2002, the exchange rate began to float for the first time since April 1991. Heightened demand for scarce U.S. dollars caused the Argentine peso to trade well above the one-to-one parity. The Argentine Central Bank s ability to lower the Argentine peso-U.S. dollar exchange rate by selling U.S. dollars depends on its limited U.S. dollar reserves. In response to high demand for U.S. dollars and the scarcity of U.S. dollars to meet that demand, the Argentine government instituted numerous policies, including imposing several temporary freezes (or holidays) on exchange transactions and requiring the export sector to settle on a daily basis its non-Argentine currencies through the Argentine Central Bank. The devaluation of the Argentine peso and the uncertainty surrounding its future value place the Argentine economy at risk for further deterioration, which, in turn, may have a significant impact on our business, results of operations and financial condition.

Financial systems. In the last quarter of 2001, a very significant amount of deposits were withdrawn from Argentine financial institutions as a result of increasing political instability. As a result, banks suspended the disbursement of new loans and focused on collection activities, thereby creating a liquidity crisis which has undermined the ability of many Argentine banks to pay their depositors. Like other Argentine companies, Siderca continues to have virtually no access to credit from the local market.

For much of 2002, the Argentine government restricted the amount of cash that depositors could withdraw from financial institutions through restrictions referred to as the *corralito.* On February 3, 2002, pursuant to an emergency decree, the Argentine government announced the mandatory conversion of virtually all non-Argentine currency-denominated deposits into Argentine peso-denominated deposits and set the exchange rate for this conversion at ARP1.40 per U.S. dollar. In addition, the emergency decree converted virtually all debts to Argentine financial institutions denominated in non-Argentine currency into Argentine pesos at a rate of ARP1.00 per U.S. dollar and provided that some debts be adjusted according to an index rate determined by the Argentine Central Bank based on variations in the Argentine consumer price index or salary variations, as appropriate. On December 6, 2002, the Argentine government began relaxing the *corralito* by lifting certain restrictions on withdrawals from deposits and savings accounts, and on April 1, 2003, the government published the timetable for the termination of the remaining restrictions.

On March 5, 2003, the Argentine Supreme Court ruled that the mandatory conversion of non-Argentine peso-denominated deposits into Argentine peso-denominated deposits is unconstitutional. Lower courts may follow the Argentine Supreme Court precedent and order banks to return deposits in U.S. dollars or in Argentine pesos at a free exchange rate. To the extent the impact of these potential court decisions is not covered by adequate compensation for banks, this precedent could have a material adverse impact on the Argentine financial system and could cause it to collapse.

The crisis in Argentina and its financial sector has adversely affected and will likely continue to adversely affect Siderca s ability to borrow funds (including the establishment of lines of credit), requiring Siderca to continue to rely on internally generated funds to sustain its operations. In addition, Tenaris s customers in Argentina could be materially and adversely affected if the troubled Argentine financial system were to collapse.

Inflation. Argentina experienced significant inflation from December 2001 through May 30, 2003, with cumulative changes in the CPI of 43.98% and in the WPI of 112.73%. This level of inflation reflected both the effect of the peso devaluation on production costs as well as a substantial modification of relative prices, partially offset by the elimination of tariff adjustments and the large drop in demand resulting from the severe recession.

On January 24, 2002, the Argentine government amended the charter of the Argentine Central Bank to enable the Argentine Central Bank to print currency without having to maintain a fixed and direct relationship with its foreign currency and gold reserves and to make short-term advances to the federal government. Argentina s experience prior to the adoption of the Convertibility Law raises serious doubts as to the government s ability to maintain a strict monetary and fiscal policy and control inflation, and there is considerable concern that if the Argentine Central Bank prints currency to finance deficit spending, it will likely trigger significant inflation. The unpredictability of Argentina s inflation rate makes it impossible for us to foresee how Siderca s business and results of operations may be affected by future inflation. Continued inflation in Argentina would likely deepen Argentina s current economic recession and could adversely affect Siderca s (and thereby Tenaris s) operating costs and sales in Argentina.

Business environment. Tenaris s business and operations in Argentina have been and will likely continue to be adversely affected by the crisis in Argentina and by the Argentine government s response to the crisis. For example, Siderca exports a very large percentage of its products and accepts payment in U.S. dollars. Until current emergency measures are removed or revised, Siderca is required to repatriate the U.S. dollars collected in connection with these exports (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 conversion date. This requirement subjects Siderca to Argentine peso devaluation risk (notwithstanding the fact that a majority of its revenues are in U.S. dollars) and generates significant transactional costs (resulting, in part, from the applicable exchange rate spread when those Argentine pesos are converted back into U.S. dollars). Also, under current emergency measures, the Argentine Central Bank is requiring up to 360 days to approve payments abroad for products imported into Argentina. While Siderca has attempted to mitigate the impact of this requirement by establishing a trust fund outside Argentina to pay for imported products, the Argentine government may take steps in the future to prohibit or severely reduce the effectiveness of this mechanism.

Siderca has also experienced reduced domestic sales in the last quarter of 2001 and in 2002 (which it expects to continue in the foreseeable future) fueled by the economic slowdown and the export tariffs imposed on the oil sector, which have impacted its local customers investment programs. Furthermore, the 5% tax on Siderca s exports and any additional taxes or surcharges on Siderca s products the Argentine government may choose to impose in the future, represent an additional cost to Siderca, which may adversely effect Siderca s (and thereby Tenaris s) results of operation.

Negative economic, political and regulatory developments in Mexico may hurt Tamsa s domestic sales volume and disrupt its manufacturing process, thereby adversely affecting Tenaris s results of operations and financial condition.

Most of Tamsa s manufacturing operations and assets are located in Mexico and a substantial portion of Tamsa s sales are made in Mexico. Tamsa s business may be affected by economic, political and regulatory developments in Mexico. The discussion of recent developments in Mexico that follows was mainly derived from information recently filed by the Mexican government and Pemex with the SEC.

Economic situation. Beginning in December 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 in 1996 and 1997. However, a combination of factors led to a reduction of Mexico s economic growth in

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1998, including the economic crises in Asia, Russia, Brazil and other emerging markets that began in late 1997.

In 1999, GDP grew by 3.6% and in 2000, by 6.6%. During 2001, the Mexican economy experienced a slowdown, which was mainly due to a decline in global and domestic consumption. GDP decreased by 0.3% in 2001 and increased by 0.9% in 2002. The Mexican government currently estimates that GDP will increase by 3.0% in 2003. A deterioration in Mexico s economic conditions may adversely affect Tamsa s business, results of operations, financial condition, liquidity or prospects.

Impact of significant inflation and interest rates. In recent years, Mexico has experienced high levels of inflation. The annual rate of inflation, as measured by changes in the Consumer Price Index, was 9.0% during 2000, 4.4% in 2001 and 5.7% in 2002. *Banco de México* currently estimates that the annual rate of inflation for 2003, as measured by changes in the Consumer Price Index, will be 4.3%, which is above the official target established for the year of 4.2%. Interest rates on 28-day Mexican treasury bills, or *Cetes*, averaged 15.27% in 2000, 11.26% in 2001 and 7.08% in 2002, and closed on June 24, 2003 at 5.11%.

If inflation in Mexico is not maintained within the government s projections, the Mexican economy and, consequently, Tamsa s financial condition and results of operations may be adversely affected.

Price controls. Seamless steel pipe products, like most products in Mexico, historically were subject to price controls imposed by the Mexican government. Although seamless steel pipe prices were officially decontrolled in September 1989, the Mexican government maintained other price restrictions until August 1990 as an inflation reduction measure. In 1995, as part of its response to the Mexican economic crisis, the Mexican government sought to minimize inflation by promoting the gradual implementation of domestic price increases. Currently, domestic steel pipe prices are not regulated; if any price control regulations were reimposed in the future, Tamsa s sales revenues might be adversely affected.

Government control of the economy. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy may have adverse effects on private sector entities in general and on Tenaris in particular. Further, the Mexican government exercises significant influence over Pemex and its budget for exploration, which largely determines the volume of Pemex s purchase of seamless steel pipe products from Tenaris. Economic plans of the Mexican government in the past have not, in many respects, fully achieved their objectives, and these and other economic plans of the Mexican government may not achieve their stated goals. Similarly, it is not possible to determine what effect those plans or their implementation will have on the Mexican economy or on Tenaris s financial condition or results of operations.

Political events. Mexican political events may also affect Tenaris s financial condition and results of operations and the performance of securities issued by Mexican companies. The Mexican political environment is in a period of change. 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). In addition, parties opposed to the PRI increased their representation in the Mexican Congress, and, as a result, the PRI lost its congressional majority. Currently, no party has a working majority in either house of the Mexican Congress, which has made governability and the passage of legislation more difficult. The next major federal election will be held in July 2003, when all seats in the Chamber of Deputies will be at stake. The Senate will maintain its current composition until 2006. If neither the PAN (which currently holds 206 of the 500 seats), nor the PRI (which currently holds 211 of the 500 seats) gains a working majority in the Chamber of Deputies, problems of gridlock will persist in both houses of the Mexican Congress.

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Risks Relating to Our Shares and ADSs

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

As of May 30, 2003, San Faustín beneficially owned 61.2% of our outstanding voting stock. Until June 10, 2003, San Faustín was ultimately controlled by Roberto Rocca, either directly or through Rocca & Partners S.A., a British Virgin Islands corporation. Following Mr. Rocca s death on June 10, 2003, 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 our controlling shareholder may not reflect the will or best interests of other shareholders.

The trading price of our shares and ADSs may suffer as a result of lower liquidity in the Argentine and Mexican equity markets.

Our shares are listed on several exchanges, including the Buenos Aires Stock Exchange and the Mexican Stock Exchange, and the liquidity of our ADSs on the NYSE will be determined in part by the liquidity of our shares on the Buenos Aires Stock Exchange and the Mexican Stock Exchange. The Argentine and Mexican equity markets are less liquid than that of the United States and other major world markets. Reduced liquidity in these markets may increase the volatility of the trading price of our shares and ADSs and may impair your ability to readily buy or sell our shares and ADSs in desired amounts and at satisfactory prices.

Prices in publicly-traded Argentine equity securities have been more volatile than in many other markets. Total capitalization increased from USD44.7 billion as of December 31, 1996 to USD192.50 billion as of December 31, 2001 and decreased to USD103.3 billion as of December 31, 2002. The average volume of shares traded daily on the Buenos Aires Stock Exchange decreased from USD125.3 million in 1996 to USD37.0 million in 1999, USD24.1 million in 2000, and USD17.4 million in 2001, due to the decrease in capital inflows in 1999, 2000 and 2001, and increased slightly to USD17.8 million in 2002.

Prices in publicly-traded Mexico equity securities have been more volatile than in many other markets, despite an increase in total capitalization from USD106.8 billion as of December 31, 1996 to USD126.6 billion as of December 31, 2001 and decreased to USD104.7 billion as of December 31, 2002. The average daily trading volume of shares included in the principal equity index on the Mexican Stock Exchange decreased from USD144.6 million in 1996 to USD137.8 million in 1999, increased to USD165.1 million in 2000 and decreased to USD150.9 million in 2001 and USD105.9 million in 2002, due to the fluctuation in capital inflows in 1999, 2000, 2001 and 2002.

The trading price of our shares and ADSs may suffer as a result of developments in emerging markets.

Although we are organized as a Luxembourg corporation, a substantial portion of our assets and operations is located in Latin America. Financial and securities markets for companies with a substantial portion of their assets and operations in Latin America are, to varying degrees, influenced by economic and market conditions in emerging market countries. 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, Mexico and Venezuela. In late October 1997, prices of Latin American debt and equity securities dropped substantially, precipitated by a sharp drop in value of Asian markets. Similarly, in the second half of 1998, prices of Latin American securities were adversely affected by the economic crises in Russia and in Brazil. Various markets in Latin America, notably Argentina and Venezuela, are currently experiencing severe political and economic crises, which adversely affect the prices of securities of Latin American issuers or issuers with significant Latin American operations.

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

A principal objective of the securities laws of the other markets in which our securities are quoted, like those of the United States, is to promote the full and fair disclosure of all material information. There may, however, be less publicly available information about us than is regularly published by or about U.S. issuers. Also, the accounting standards in accordance with which our consolidated combined financial statements are prepared differ in certain material respects from the accounting standards used in the United States. See notes U and 31 to Tenaris s audited consolidated combined financial statements included in this annual report, which provide a description of the principal differences between IAS and U.S. GAAP as they related to Tenaris s audited consolidated combined financial statements and a reconciliation to U.S. GAAP of net income and shareholders equity for the periods and at the dates indicated therein. Further, regulations governing our securities 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 corporations laws 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 ordinary shares. If we make a distribution in the form of securities and you have the right to acquire a portion of them, the depositary is allowed, in its discretion, to sell on your behalf that right to acquire those securities and instead distribute the net proceeds to you. Also, under some 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 on how to vote for you.

Holders of our ADSs in the United States may not be able to exercise preemptive rights in certain cases.

Under our articles of association, we are generally required, in the event of a capital increase, to offer rights to our existing shareholders to subscribe for a number of shares sufficient to maintain the holders existing proportionate holdings of shares of that class. We may, however, issue shares without preemptive rights if the newly-issued shares are issued for consideration other than money, are issued as compensation to directors, officers, agents or employees of the Company or its affiliates, or are issued to satisfy conversion or option rights created to provide compensation to directors, officers, agents or employees of the Company, its subsidiaries or its affiliates. Furthermore, holders of our ADSs in the United States may, in any event, not be able to exercise any preemptive rights, if granted, for ordinary shares underlying their ADSs unless additional ordinary shares and ADSs are registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We intend to evaluate at the time of any rights offering the costs and potential liabilities associated with the exercise by holders of ADSs of the preemptive rights for ordinary shares underlying their ADSs and any other factors we consider appropriate at the time and then to make a decision as to whether to register additional ordinary shares and ADSs. We may decide not to register any additional ordinary shares or ADSs, in which case the depositary would be required to sell the holders rights and distribute the proceeds thereof. Should the depositary not be permitted or otherwise be unable to sell preemptive rights, the rights may be allowed to lapse with no consideration to be received by the holders of the ADSs.

It may be difficult to enforce judgments against us in U.S. courts.

We are a corporation organized under the laws of Luxembourg, and most of Tenaris s assets are located in Argentina, Mexico and Italy. Furthermore, most of our directors and officers and some experts named in this annual report reside outside the United States. As a result, investors may not be able to effect service of process within the United States upon us or our directors or officers or some experts or to enforce against us or them in U.S. courts judgments predicated upon the civil liability provisions of U.S. federal securities law. There is doubt as to the enforceability in original actions in Luxembourg, Argentine, Mexican and Italian courts of civil liabilities predicated solely upon U.S. federal securities laws, and the enforceability in Luxembourg, Argentine, Mexican and Italian courts of judgments entered by U.S. courts predicated upon the civil liability provisions of U.S. federal securities law will be subject to compliance with procedural requirements under applicable local law, including the condition that the judgment does not violate the public policy of the applicable jurisdiction.

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E. Exchange Rates

The following tables show, for the periods indicated, information concerning the exchange rate between (1) the U.S. dollar and the Argentine peso, (2) the U.S. dollar and the Mexican peso and (3) the U.S. dollar and the euro. The average rates presented in these tables were calculated by using the average of the exchange rates on the last day of each month during the relevant period. We do not represent that Argentine pesos, Mexican pesos or euros could be converted into U.S. dollars at these rates or at any other rate.

Argentine peso

The data provided in the following table is expressed in nominal pesos per dollar and is based on information reported by the Argentine Central Bank. The Federal Reserve Bank of New York does not publish a noon buying rate for the Argentine peso. On June 24, 2003, the exchange rate between the Argentine peso and the U.S. dollar expressed in nominal Argentine pesos per dollar was ARP2.77 = USD1.00.

Year ended December 31,	High	Low	Average	Period end
1998	1.00	1.00	1.00	1.00
1999	1.00	1.00	1.00	1.00
2000	1.00	1.00	1.00	1.00
2001(1)	1.00	1.00	1.00	1.00
2002	3.90	1.40	3.27	3.37

(1) As described in the paragraph below, the Argentine Central Bank imposed a banking holiday from December 21, 2001, to January 11, 2002, during which time there was no official exchange rate for the Argentine peso.

	Price Per Share	
	High	Low
Last Six Months		
December 2002	3.58	3.37
January 2003	3.35	3.10
February 2003	3.21	3.11
March 2003	3.21	2.88
April 2003	2.96	2.82
May 2003	2.94	2.76

Beginning on April 1, 1991, under the Convertibility Law, the Argentine Central Bank was required to buy or sell dollars to any person at a rate of one Argentine peso per U.S. dollar. The Convertibility Law was repealed on January 6, 2002. On January 11, 2002, after the Argentine Central Bank ended a banking holiday that it had imposed on December 21, 2001, the exchange rate began to float for the first time since April 1991. Heightened demand for scarce U.S. dollars caused the Argentine peso to trade well above the one-to-one parity under the Convertibility Law. As a result, the Argentine Central Bank intervened on several occasions by selling U.S. dollars in order to lower the exchange rate. The Argentine Central Bank s ability to support the Argentine peso by selling U.S. dollars depends, however, on its limited U.S. dollar reserves and the value of the Argentine peso has continued to fluctuate significantly. In response to high demand for U.S. dollars in Argentina and the scarcity of U.S. dollars to meet that demand, the Argentine government has imposed several temporary freezes, or holidays, on exchange transactions since the abrogation of the Convertibility Law. For additional information regarding factors affecting the value of the Argentine peso, see Item 3.D. Risk Factors Risks Relating to Argentina and Mexico.

Mexican peso

The data provided in the following table is expressed in nominal Mexican pesos per dollar and is based on noon buying rates published by the Federal Reserve Bank of New York for the Mexican peso. On June 24, 2003, the exchange rate between the Mexican peso and the U.S. dollar expressed in nominal Mexican pesos per dollar was MXP10.53 = USD1.00.

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Year ended December 31,	High	Low	Average	Period end
1998	10.63	8.04	9.25	9.90
1999	10.60	9.24	9.56	9.48
2000	10.09	9.18	9.47	9.62
2001	9.97	8.95	9.33	9.16
2002	10.43	9.00	9.67	10.43

	Price Per Share	
	High	Low
Last Six Months		
December 2002	10.43	10.10
January 2003	10.98	10.32
February 2003	11.06	10.77
March 2003	11.24	10.66
April 2003	10.76	10.31
May 2003	10.42	10.11

Between November 1991 and December 1994, the Mexican Central Bank maintained the exchange rate between the U.S. dollar and the Mexican peso within a prescribed range through intervention in the foreign exchange market. The Mexican Central Bank intervened in the foreign exchange market as the exchange rate reached either the minimum or the maximum of the prescribed range in order to reduce day-to-day fluctuations in the exchange rate. On December 20, 1994, the Mexican government modified the prescribed range within which the Mexican peso was permitted to float by increasing the maximum Mexican peso price of the U.S. dollar by MXP0.53, equivalent to an effective devaluation of 15.3%. On December 22, 1994, the Mexican government suspended intervention by the Mexican Central Bank and allowed the Mexican peso to float freely against the U.S. dollar. Factors that contributed to this decision included the size of Mexico s current account deficit, a decline in the Mexican Central Bank s foreign exchange reserves, rising interest rates for other currencies (especially the U.S. dollar) and reduced confidence in the Mexican economy on the part of investors due to political uncertainty associated with events in the state of Chiapas and presidential and congressional elections that year. The value of the Mexican peso against the U.S. dollar rapidly declined by 42.9% from December 19, 1994, to December 31, 1994. The Mexican government has since allowed the Mexican peso to float freely against the U.S. dollar.

Historically, the Mexican economy has suffered balance of payment deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert Mexican pesos to U.S. dollars and the terms of NAFTA, to which Mexico is a signatory, generally prohibit exchange controls, the Mexican government could attempt to institute a restrictive exchange control policy in the future.

Euro

The data provided in the following table is expressed in nominal euros per dollar and is based on noon buying rates published by the Federal Reserve Bank of New York for the euro. On June 24, 2003, the exchange rate between the euro and the U.S. dollar expressed in euros per dollar was 0.8697 = USD1.00. The data provided in the following table for the period prior to January 1999 is based on noon buying rates for the lira converted into the euro at the fixed rate established by the European Council of Ministers of ITL1,936.27 = 1.00.

Year ended December 31,	High	Low	Average	Period end
1998	1.1946	1.0764	1.1148	1.1707
1999	0.9984	0.8466	0.9445	0.9930
2000	1.2092	0.9676	1.0861	1.0652
2001	1.1723	1.0666	1.1225	1.1235
2002	1.1636	0.9537	1.0531	0.9537

	Price Per Share	
	High	Low
Last Six Months		
December 2002	1.0074	0.9537
January 2003	0.9652	0.9207
February 2003	0.9339	0.9195
March 2003	0.9483	0.8606
April 2003	0.9415	0.8945
May 2003	0.8929	0.8437

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Item 4. Information on the Company

Overview

Tenaris is a leading global manufacturer and supplier of seamless steel pipe products and associated services to the oil and gas, energy and other industries, with production, distribution and service capabilities in key markets worldwide. Tenaris s principal products include casing, tubing, line pipe, and mechanical and structural pipes.

In the last decade, Tenaris has successfully expanded its business through a series of strategic investments. Tenaris now operates a worldwide network of seamless steel pipe operations with manufacturing facilities in South America, North America, Europe and Asia and an annual production capacity of over three million tons of seamless steel pipe products, compared to 800,000 tons in the early 1990s. In addition, Tenaris has developed competitive and far reaching global distribution capabilities, with a direct presence in most major oil and gas markets. In 2002, Tenaris had net sales of USD3,219.4 million, operating income of USD471.9 million and net income of USD94.3 million (Net income before the minority interest attributable to shares in Siderca, Tamsa and Dalmine that were acquired pursuant to the exchange offer completed on December 17, 2002, was USD193.8 million).

Tenaris believes that it is a leading player in the international trade market of seamless pipes based on estimated market share, with particular strength in the international trade market of seamless casing and tubing for the oil and gas industry, which are collectively known as oil country tubular goods, or OCTGs.

Tenaris provides tubular products and associated services to its customers around the world through global business units serving specific market segments and local business units serving the local markets where it has production facilities. The global business units include:

- Tenaris Oilfield Services, responding to the tubular needs of oil and gas companies in their drilling activities;
- Tenaris Pipeline Services, responding to the tubular needs of oil and gas and other energy companies in their activities of transporting fluids and gases;
- Tenaris Process and Power Plant Services, responding to the tubular needs of refineries, petrochemical companies and energy generating plants for construction and maintenance purposes; *and*
- Tenaris Industrial and Automotive Services, responding to the tubular needs of automobile and other industrial manufacturers.

In addition to its investments in seamless steel pipe operations worldwide, Tenaris controls a 100% interest in Siat S.A.I.C., or Siat, and holds 99.2% of the voting stock of Confab. We believe that Siat and Confab are the leading producers of welded steel pipes in Argentina and Brazil, respectively, with a combined annual production capacity of 850,000 tons.

Tenaris also beneficially owns 100% of the capital stock of Dalmine Energie, S.p.A., or Dalmine Energie, a supplier of electricity and natural gas to many industrial companies in central and northern Italy.

History and Corporate Organization

Tenaris began with the formation of Siderca by San Faustín s predecessor in Argentina in 1948. Siat, an Argentine welded steel pipe manufacturer, was acquired in 1986. Tenaris grew organically in Argentina and then, in the early 1990s, began to evolve beyond its initial base in Argentina into a global business through a series of strategic investments. These investments included the acquisition, directly or indirectly, of controlling or substantial interests in:

- Tamsa, the sole Mexican producer of seamless steel pipe products (June 1993);

Dalmine, a leading Italian producer of seamless steel pipe products (February 1996);

Tavsa, the sole Venezuelan producer of seamless steel pipe products (October 1998);

Confab, the leading Brazilian producer of welded steel pipe products (August 1999);

NKKTubes, a leading Japanese producer of seamless steel pipe products and source of advanced seamless steel pipe manufacturing technology (August 2000); *and*

AlgomaTubes, the sole Canadian producer of seamless steel pipe products (October 2000).

In addition, Tenaris, through Tenaris Global Services, has developed a global network of pipe distribution and service facilities with a direct presence in most major oil and gas markets.

In December 2002, Tenaris became a publicly listed company after completing an exchange offer for the outstanding shares and ADSs of its three main operating subsidiaries.

Below is a simplified diagram of Tenaris s corporate structure, as of May 30, 2003:

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(1) The remainder of Confab is owned by the public. As of May 30, 2003, Siderca held 99.22% of Confab s voting stock.

(2) As of May 30, 2003, the remainder of NKKTubes was beneficially owned by JFE Holdings Inc.

(3) As of May 30, 2003, the remainder of Tavsa was owned by the Republic of Venezuela through the Corporación Venezolana de Guayana.

Our Competitive Strengths

Tenaris believes its main competitive strengths include:

its global production, commercial and distribution capabilities, offering a full product range with flexible supply options backed up by local service capabilities in important oil and gas producing and industrial regions around the world;

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- its ability to provide value-added services worldwide;
- its ability to design and manufacture technologically advanced products;
- its solid and diversified customer base and historic relationships with major international oil and gas companies around the world;
- its low-cost operations, primarily at state-of-the-art, strategically located production facilities with favorable access to raw materials, energy and labor, and more than 45 years of operating experience; *and*
- its strong balance sheet.

Tenaris s Business Strategy

Tenaris s business strategy is to continue expanding its operations internationally and further consolidate its position as a leading supplier of high-quality tubular products and services worldwide to the oil and gas, energy and mechanical industries by:

- completing the integration of the operations of its subsidiaries to provide customers a complete range of products worldwide and to maximize operational flexibility and synergies;
- developing a comprehensive range of value-added services designed to enable customers to reduce working capital and inventory requirements while integrating Tenaris s production activities with the customer supply chain; *and*
- continuing to pursue strategic acquisition opportunities.

Completing the integration of the operations of its subsidiaries

Tenaris believes that it will reinforce its strong position in the international seamless steel pipe market and its leading presence in the domestic markets of its operating subsidiaries by completing the integration of the operations of those subsidiaries following the consummation of the exchange offer concluded in December 2002. Tenaris has taken and continues to take several steps to integrate these operations, including:

- the reorganization of the commercial activities of its subsidiaries under global and local customer-focused business units;
- the common use of the Tenaris brand, launched in May 2001, with which Tenaris is positioning itself as an integrated supplier of high-value products and industry-leading services;
- the sharing of operational technology and coordination of Tenaris s research and development activities; *and*
- the reorganization of Tenaris s procurement, information technology, or IT, and premium joint licensing activities.

By aligning the interests of all shareholders through the exchange offer concluded in December 2002, Tenaris seeks to pursue further integration of its operations and thereby expects to continue to increase flexibility and synergies across six seamless and two welded pipe mills and their common commercial network organized under Tenaris Global Services.

Developing value-added services

Tenaris continues to develop its capabilities to supply value-added services to its customers worldwide. These services seek to enable its customers to reduce costs and concentrate on their core businesses. They are also intended to enable Tenaris to differentiate itself from its competition, further strengthen Tenaris s relationship with its customers worldwide through long-term agreements and to capture more of the value in the supply chain. These value-added services include:

- working with its customers to anticipate their needs and develop customized products for particular applications;
- providing comprehensive pipe management services, including just-in-time, or JIT, delivery and stocking programs; *and*
- developing integrated supply chain management services through alliances with specialist service providers and extensive use of information technology.

Pursuing strategic acquisition opportunities

Tenaris has a solid record of growth through strategic acquisitions. Tenaris is actively pursuing selective strategic acquisitions as a means to expand its operations, enhance its global competitive position and capitalize on potential operational synergies.

Tenaris s Products

Tenaris s principal finished products are seamless steel pipes casing and tubing, seamless steel line pipe and various other mechanical and structural seamless pipes for different uses. Tenaris also produces welded steel pipes for oil and gas pipelines and industrial uses, as well as pipe accessories. Tenaris manufactures most of its seamless steel products in a wide range of specifications, which vary in width, length, thickness, finishings and grades.

Seamless steel casing. Seamless steel casing is used to sustain the walls of oil and gas wells during and after drilling.

Seamless steel tubing. Seamless steel tubing is used to extract crude oil and natural gas after drilling has been completed.

Seamless steel line pipe. Seamless steel line pipe is used to transport crude oil and natural gas from wells to refineries, storage tanks and loading and distribution centers.

Seamless steel mechanical and structural pipes. Seamless steel mechanical and structural pipes are used by the general industry for various applications, including the transportation of other forms of gas and liquids under high pressure.

Cold-drawn pipe. The cold-drawing process permits the production of pipe with the diameter and wall thickness required for use in boilers, superheaters, condensers, heat exchangers, automobile production and several other industrial applications.

Premium joints and couplings. Premium joints and couplings are specially designed connections used to join lengths of seamless steel casing and tubing for use in high temperature or high pressure environments. A significant portion of our seamless steel casing and tubing products are supplied with premium joints and couplings. Tenaris owns the intellectual property rights to the Antares and NKK range of premium connections and holds licensing rights to manufacture and sell the Atlas Bradford range of premium connections outside of the United States.

Welded steel pipes. Welded steel pipes are processed from steel sheets and plates and are used for the conveying of fluids at low, medium and high pressure, and for mechanical and structural purposes.

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Production Process and Facilities

Tenaris believes its primarily low-cost production facilities are a result of:

- state-of-the-art, strategically located plants;
- favorable access to high quality raw materials, energy and labor at competitive costs;
- operating history of more than 45 years, which translates into solid industrial know-how;
- constant benchmarking and best-practices sharing among the different facilities;
- increasing specialization of each of our facilities in specific product ranges; *and*
- intensive use of information technology in our production processes.

Tenaris s seamless steel pipe production facilities are located in South America, North America, Europe and Asia. In addition, Tenaris manufactures welded pipe products in facilities in Argentina and Brazil, and tubular accessories such as sucker rods (used in oil and gas drilling) and couplings in Argentina and pipe fittings in Mexico.

The following table shows Tenaris s aggregate installed production capacity of seamless and welded steel pipes and steel bars at the dates indicated as well as the aggregate actual production volumes for the periods indicated. The figures for effective annual capacity are based on Tenaris s estimates of effective annual production capacity under present conditions.

	At or for the year ended December 31,		
Thousands of tons	**2002**	**2001**	**2000**
Seamless Steel Pipe			
Effective Capacity (annual)	3,125	3,125	3,100
Actual Production	2,194	2,462	2,146
Steel Bars			
Effective Capacity (annual)	2,850	2,850	2,850
Actual Production	2,310	2,544	2,381
Welded Steel Pipe			
Effective Capacity (annual)	850	850	850
Actual Production	561	470	257

South America

Tenaris s principal manufacturing facility in South America, operated by Siderca, is a fully integrated, strategically located plant on the banks of the Paraná river near the town of Campana, approximately 80 kilometers from Buenos Aires, Argentina. The Campana plant was inaugurated in 1954. Situated on over 300 hectares, the plant includes a state-of-the-art seamless pipe mill and has an effective annual production capacity of 820,000 tons of seamless steel pipe (with an outside diameter range of 1-1/4 to 11 inches) and 1,100,000 tons of steel bars.

The Campana facility comprises:

- a Midrex direct reduced iron, or DRI, production plant;
- a steel shop with two production lines, each including an electric arc furnace, refining equipment, four-strand continuous caster and a cooling bed;
- two continuous mandrel mills, each including a rotary furnace, direct piercing equipment, a stretch reducing mill and a cooling bed;

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six finishing lines, including heat treatment facilities, upsetting machines, threading and inspection equipment and make-up facilities;

a cold-drawn mill; *and*

a port on the Paraná river for the supply of raw materials and the shipment of finished products.

The major operational units at the Campana facility and corresponding effective annual production capacity (in thousands of tons per year) as of December 31, 2002, the year operations commenced and the year of the latest major overhaul, are as follows:

	Effective Production Capacity (annual)	Year Operations Commenced
DRI	820	1976
Steel Shop		
Production Line I	400	1971
Production Line II	700	1987
Mandrel Mill I	300	1977
Mandrel Mill II	520	1988
Cold-Drawn Mill	20	1962

In addition to the Campana facility, Tenaris has manufacturing facilities, operated by Metalmecánica S.A. and Metalcentro, at Villa Mercedes in the province of San Luis, Argentina, for the production of tubular accessories such as sucker rods and pipe protectors.

In South America, Tenaris also has a seamless steel pipe plant in Venezuela, operated by Tavsa and located within the Sidor manufacturing complex on the banks of the Orinoco river in the eastern part of the country. Situated on an area of 38 hectares, the plant includes a pilger mill and finishing line (including threading facilities) and produces seamless pipe products with an outside diameter range of 6 to 16 inches. The plant was operated as part of Sidor until shortly before it was privatized and sold to Tamsa in 1998. After conclusion of a modernization program in 2000, Tavsa reached an annual production capacity of 65,000 tons. Steel bars used to produce seamless steel pipe in Venezuela are supplied by Sidor.

North America

Tenaris s principal manufacturing facility in North America, operated by Tamsa, is an integrated plant located near Pemex s major exploration and drilling operations, about thirteen kilometers from the port of Veracruz. Veracruz is located on the east coast of Mexico, approximately 400 kilometers from Mexico City. The Veracruz plant was inaugurated in 1954. Situated on an area of 200 hectares, the plant includes a state-of-the-art seamless pipe mill and has an installed annual production capacity of 780,000 tons of seamless steel pipes (with an outside diameter range of 2 to 20 inches) and 850,000 tons of steel bars. The plant is served by two highways and a railroad and is close to the port of Veracruz.

The Veracruz facility comprises:

a steel shop, including an electric arc furnace, refining equipment, four-strand continuous caster and a cooling bed;

a multi-stand pipe mill, including a continuous mandrel mill, rotary furnace, direct piercing equipment and a cooling bed;

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a pilger pipe mill, including a rotary furnace, direct piercing equipment, a reheating furnace and a cooling bed;

six finishing lines, including heat treatment facilities, upsetting machines and threading and inspection equipment;

a stretch reducing mill, including cutting saws and a cooling bed;

a cold-drawn mill; *and*

automotive components production machinery.

The major operational units at the Veracruz facility and corresponding annual installed production capacity (in thousands of tons per year, except for auto components facility, which is in millions of parts) as of December 31, 2002, and the year operations commenced, are as follows:

	Installed Production Capacity (annual)	Year Operations Commenced
Steel Shop	850	1986
Multi-Stand Pipe Mill	700	1983
Pilger Mill	80	1954
Cold-Drawn Mill	10	1963
Auto Components Facility	5	2001

In addition to the Veracruz facility, Tamsa operates a recently-acquired manufacturing facility near Monterrey in the state of Nuevo León, Mexico, for the production of pipe fittings. This facility has an annual production capacity of 15,000 tons.

Tenaris also has a seamless steel pipe manufacturing facility in Canada, operated by AlgomaTubes and located adjacent to the Algoma Steel manufacturing complex in Sault Ste. Marie near the mouth of Lake Superior in the province of Ontario. The facility includes a retained mandrel mill, a stretch reducing mill and heat treatment and finishing facilities producing seamless pipe products with an outside diameter range of 2 to 7 inches. The effective annual capacity of the facility is 250,000 tons. The plant was originally inaugurated in 1986 and was operated as part of Algoma Steel until shortly before it was leased to Tenaris in 2000. Steel bars are sourced from excess steelmaking capacity at the Campana and Veracruz plants and from third party suppliers. On May 23, 2003, Tenaris announced that it had signed a letter of intent to purchase for a price of 12.5 million Canadian dollars land and manufacturing facilities in Canada currently leased by AlgomaTubes. The purchase is scheduled to be completed by the end of the year but remains subject to an agreement with the United Steelworkers of America and various approvals by the Canadian government.

Europe

Tenaris s principal manufacturing facility in Europe, operated by Dalmine, is an integrated plant located in the town of Dalmine close to the industrial region of Bergamo, about 40 kilometers from Milan in northern Italy. Situated on an area of 150 hectares, the plant includes a state-of-the-art seamless pipe mill and has an annual production capacity of 800,000 tons of seamless steel pipes and 900,000 tons of steel bars.

The main Dalmine facility comprises:

a steel shop, including an electric arc furnace, two ladle furnaces, two continuous casters and a cooling bed;

a continuous floating mandrel mill with two finishing lines;

a retained mandrel mill with three finishing lines;

a rotary expander with a finishing line;

a pilger pipe mill with a finishing line; *and*

cold drawing facilities.

The major operational units at the main Dalmine facility and corresponding annual effective production capacity (in thousands of tons per year) as of December 31, 2002, the year operations commenced and the year of the latest major overhaul, are as follows:

	Effective Production Capacity (annual)	Year Operations Commenced
Steel Shop	900	1976
Pilger Mill	110	1937
Continuous Floating Mandrel Mill:		
Floating Mandrel Mill Small Diameter	140	1952
Mandrel Mill Medium Diameter	550	1978

The main Dalmine facility manufactures seamless steel pipes with an outside diameter range of 17 to 711 mm (0.67 to 27.99 inches), mainly from carbon, low alloy and high alloy steels for diverse applications. The Dalmine facility also manufactures steel bars for processing at our other facilities in Italy.

Together, the Dalmine facility and Tenaris s other production facilities in Europe, all of which are located in Italy, have an effective annual production capacity of 950,000 tons of seamless steel pipes. These other facilities include:

the Costa Volpino facility, which covers an area of approximately 31 hectares and comprises a cold-drawn mill and an auto components facility producing cold-drawn carbon, low alloy and high alloy steel pipes with an outside diameter range of 12 to 273 mm (0.47 to 10.75 inches), mainly for automotive, mechanical and machinery companies in Europe and the United States. The Costa Volpino facility has an annual production capacity of approximately 95,000 tons;

the Arcore facility, which covers an area of approximately 16 hectares and comprises a Deischer mill with associated finishing lines and multiple cold pilger pipe mills for cold-drawn pipes. Production is concentrated in heavy-wall mechanical pipes with an outside diameter range of 48 to 203 mm (1.89 to 7.99 inches). The Arcore facility has an annual production capacity of approximately 160,000 tons; *and*

the Piombino facility, which covers an area of approximately 67 hectares and comprises a welded pipe production line (Fretz Moon type) with a hot stretch reducing mill, two hot dip galvanizing lines and associated finishing facilities. Production is focused on welded pipe and finishing of small diameter seamless and welded pipe for sanitation applications in the domestic market, such as residential water and gas transport. The Piombino facility has an annual production capacity of approximately 150,000 tons.

Far East

Tenaris s manufacturing facility in Asia, operated by NKKTubes, is a seamless steel pipe plant located in Kawasaki, Japan, in the Keihin steel complex owned by JFE Holdings Inc., or JFE, the successor company of NKK Corporation, or NKK, resulting from the business combination of NKK with Kawasaki Steel Corporation, or Kawasaki Steel. The facility includes a retained mandrel mill, a plug mill and heat treatment, upsetting, threading and cold drawing facilities producing seamless pipe products with an outside diameter range of 1 to 17 inches. The effective annual capacity of the facility is 260,000 tons. The plant was operated by NKK until its acquisition by Tenaris in 2000. Steel bars and other essential inputs and services are supplied by JFE, which retains a 49% interest

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in NKKTubes. The NKKTubes facility produces a wide range of carbon, alloy and stainless steel pipes for the local market and high value-added products for export markets. For a discussion of NKK s business combination with Kawasaki Steel, see Competition Global Market.

Welded Pipes

Tenaris has two major welded pipe facilities, one in Brazil and one in Argentina. The Brazilian facility, operated by Confab, is located at Pindamonhangaba, 160 kilometers from the city of São Paulo. The facility includes an ERW (electric resistant welding) rolling mill and a SAW (submerged arc welding) rolling mill with two spiral lines. The facility, which was originally inaugurated in 1959, processes steel plates and coils to produce welded steel pipes with an outside diameter range of 4-1/2 to 100 inches for various applications, including oil, petrochemical and gas applications. The facility also supplies anticorrosion pipe coating made of extruded polyethylene or polypropylene, external and internal fusion bonded epoxy and paint for internal pipe coating. The facility has an annual production capacity of 500,000 tons.

The Argentine facility, operated by Siat, is located at Valentín Alsina just south of the city of Buenos Aires. The facility includes ERW and SAW rolling mills with one spiral line. The facility was originally inaugurated in 1948 and processes steel plates and coils to produce welded steel pipes with an outside diameter range of 4-1/2 to 100 inches, which are used for the conveying of fluids at low, medium and high pressure and for mechanical and structural purposes. The facility has an annual production capacity of 350,000 tons.

Sales and Marketing

The following table shows Tenaris s steel pipe sales by product and geographic region in terms of volume for the periods indicated.

Thousands of tons (unaudited)	For the year ended December 31,		
	2002	**2001**	**2000**
Seamless Steel Pipe Sales			
South America	324	490	435
North America	401	438	350
Europe	644	715	664
Middle East and Africa	522	582	451
Far East and Oceania	392	448	262
Total Seamless Steel Pipe Sales	2,283	2,673	2,162
Welded Steel Pipe Sales	585	432	253
Total Steel Pipe Sales	2,868	3,105	2,415

The following table shows Tenaris s total net sales by geographical region in terms of U.S. dollars for the periods indicated.

Millions of U.S. dollars	For the year ended December 31,		
	2002	**2001**	**2000**
South America	956	971	668
North America	577	612	422
Europe	830	681	591
Middle East and Africa	511	521	429
Far East and Oceania	345	390	252
Total Sales	3,219	3,174	2,361

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Seamless Steel Pipes

The following table indicates the percentage market distribution of Tenaris s seamless steel pipe sales volume by region for the periods shown.

Percentage of total seamless steel pipe sales volume (unaudited)	For the year ended December 31, 2002	2001	2000
South America	14	18	20
North America	18	16	16
Europe	28	27	31
Middle East and Africa	23	22	21
Far East and Oceania	17	17	12
	100	100	100

South America

Sales to Tenaris s customers in South America accounted for 14% of Tenaris s total consolidated sales volume of seamless steel pipe products in 2002, 18% in 2001 and 20% in 2000.

Tenaris s largest markets in South America are Argentina and Venezuela, countries in which Tenaris has manufacturing subsidiaries. Tenaris s sales in the Argentine and Venezuelan markets are sensitive to the international price of oil and gas and its impact on the drilling activity of participants in the domestic oil and gas sectors, as well as to general economic conditions in these countries. In addition, sales in Argentina, as well as export sales from Tenaris s manufacturing facilities in Argentina, are affected by government actions and policies, including measures adopted in 2002 in response to the crisis in Argentina, such as the taxation of oil exports, restrictions on certain transfers of currency abroad, mandatory repatriation of certain export revenues and other matters affecting the investment climate. See Item 3.D. Risk Factors Risks Relating to Argentina and Mexico. Sales in Venezuela are also affected by government actions and policies and their consequences, including recent politically motivated strike action at the state-owned oil company, agreements to vary domestic production pursuant to quotas established by OPEC, measures relating to the taxation of oil and gas production activities and other matters affecting the investment climate.

A principal component of Tenaris s marketing strategy in the Argentine and Venezuelan markets is the establishment of long-term supply agreements with significant local and international oil and gas companies operating in those markets. In recent years, Tenaris has sought to retain and expand its sales to those customers by offering value-added services.

In Argentina, Tenaris has enjoyed a sustained, close business relationship with Repsol YPF S.A., an integrated oil and gas company engaged in all aspects of the oil and gas business. Repsol YPF, one of the world s ten largest oil and gas companies, was created as a result of the acquisition in 1999 of YPF S.A., the leading oil and gas producer in Argentina, by Repsol S.A., a Spanish oil and gas producer. Tenaris has strengthened its relationships with Repsol YPF and other participants in the Argentine oil sector through JIT agreements, which allow Tenaris to provide these customers with comprehensive pipe management services on a continuous basis. These agreements provide for delivery of pipe to our customers on short notice, usually within 72 hours. Under JIT and stocking supply arrangements, Tenaris is kept informed of its customers drilling program and pipe requirements. In addition, Tenaris is permitted to bring its engineers to the customers drilling locations in order to maintain adequately supplied warehouse inventories. In June 2001, Tenaris renewed and extended the scope of its JIT agreement with Repsol YPF for a period of five years.

Tenaris also serves the demand for seamless steel pipes for other applications in the Argentine market.

In 2002, demand from oil and gas customers in Argentina was adversely affected by the political and economic crisis and government actions, including the application of export taxes on oil exports and the non-adjustment of gas tariffs following the devaluation of the local currency. This led to a significant decline in sales particularly during the first half of the year compared to the levels in 2001. In the second half of the year, there was a pick-up in demand from the oil, but not the gas, sector and, albeit from very low levels, from the non-oil sector.

In Venezuela, Tenaris has a significant share of the market for OCTG products. Tenaris enjoys ongoing business relationships with Petróleos de Venezuela S.A., or PDVSA, the state-owned oil company, and many private-sector operators in the oil and gas sector. In 2001 and 2002, OPEC production quota cutbacks and adverse political and economic developments led to a substantial decline in exploration and production activity in the oil and gas sector. Additionally, PDVSA decided to implement a significant reduction in its inventories of seamless pipes. These factors led to a substantial decline in Tenaris s sales of seamless pipes in 2002 compared to the previous year and in January 2003 Tenaris s sales of seamless pipes to PDVSA effectively came to a halt following politically motivated strike action involving the state-owned company. Sales have, however, subsequently resumed and are slowly increasing.

North America

Sales to customers in North America accounted for 18% of Tenaris s total consolidated sales volume of seamless steel pipe products in 2002, 16% in 2001 and 16% in 2000.

Tenaris s largest markets in North America are Mexico and Canada, countries in which Tenaris has manufacturing subsidiaries.

Tenaris, through its operating subsidiary in Mexico, has enjoyed a long and mutually beneficial relationship with Pemex, one of the world s largest crude oil and condensates producers. In 1994, Tenaris began supplying Pemex under JIT arrangements, similar to its JIT arrangements with Repsol YPF. In March 2001, Tenaris renewed its relationship with Pemex under a new three year JIT agreement. Combined sales to Pemex (including drilling companies contracted by Pemex) represented 4.4% of Tenaris s total seamless steel pipe sales volume in 2002, compared to 3.1% in 2001 and 3.5% in 2000.

Sales to non-oil related customers in Mexico are made directly to those customers or through authorized distributors. The principal Mexican end users other than Pemex (including drilling companies contracted by Pemex) rely on Tenaris s products primarily for automotive, thermal, mechanical, conduction and hydraulic uses. In 2001 and continuing in 2002, Tenaris s sales to domestic non-oil related customers declined reflecting the direct relationship this market maintains with the Mexican and U.S. economies, which experienced a slowdown during 2001 and 2002.

Tenaris s sales in Canada are mainly directed to the oil and gas drilling and transportation sectors and are primarily made through distributors. During 2001, Tenaris s sales in Canada increased following a recovery in oil and gas drilling activity and the start-up of our Canadian subsidiary. In 2002, demand from the oil and gas sector declined due to low levels of oil and particularly gas prices immediately prior to and during the winter drilling season that led to a sharp slowdown in the annual level of drilling activity. Sales to Canadian oil and gas drilling customers are also affected by seasonal factors relating to the difficulty of conducting oil and gas drilling activities during the spring thaw.

Tenaris s sales to the United States are mainly directed to the industrial sector and are affected by trends in industrial activity since anti-dumping duties apply in respect of the import of OCTGs produced by Tenaris s main manufacturing subsidiaries.

Europe

Sales to Tenaris s customers in Europe accounted for 28% of Tenaris s total consolidated sales volume of seamless steel pipe products in 2002, 27% in 2001 and 31% in 2000.

Tenaris s largest single country market in Europe is Italy. The market for seamless pipes in Italy (as in most of the EU) is affected by general industrial production trends, including investment in power generation, petrochemical and oil refining facilities. The European market also includes the North Sea area, which is affected by oil and gas prices in the international markets and their consequent impact on oil and gas drilling activities in that area.

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In response to competitive pressures, particularly the increase in low-priced imports from producers in Russia, Ukraine and other Eastern European countries, and consequent decline in market share in the period 1999-2001, Tenaris has recently completed a restructuring of its sales activities in the Italian market. This restructuring involved the substitution of sales to large distributors with direct sales to end users and sales to small regional distributors and implementing an electronic sales platform on its website. These efforts to restructure its sales were supported by increased provision of services, such as JIT delivery and cutting-to-length, and the implementation of customer relationship management systems to help Tenaris manage the increased number of direct customers. These efforts initially resulted in a loss of market share which in 2002 was more than recouped. Tenaris plans to extend this restructuring of its sales activities to the rest of the European industrial market.

After showing small increases in the previous two years, we estimate that apparent consumption of seamless pipes in the EU market fell by approximately 10% during 2002 compared to the levels of 2001 in response to declining levels of investment in industrial activity.

Middle East and Africa

Sales to customers in the Middle East and Africa accounted for 23% of Tenaris s total consolidated sales volume of seamless steel pipe products in 2002, 22% in 2001 and 21% in 2000.

Tenaris s sales in the Middle East and Africa are sensitive to the international price of oil and its impact on drilling activities as well as to the production policies pursued by OPEC, many of whose members are located in this region. After a downturn in 1998 and 1999 as a result of the decline in oil prices, drilling activity in the Middle East and Africa began to recover in 2000 and sales of seamless steel pipes have increased. In 2001, an increase in oil and gas exploration and production activity in 2001 (particularly in West Africa) resulted in higher sales of seamless pipes, a trend which was reversed at the end of 2002.

In addition, Tenaris s sales in the Middle East and Africa could be adversely affected by political events, military action and other events in the region, such as the war in Iraq and social unrest in Nigeria, that materially impact the operations of companies active in the region s oil and gas industry.

Far East and Oceania

Sales to customers in the Far East and Oceania accounted for 17% of Tenaris s total consolidated sales volume of seamless steel pipe products in 2002, 17% in 2001 and 12% in 2000.

Tenaris s largest markets in the Far East and Oceania are China and Japan. Tenaris s seamless steel pipe sales in China are predominantly OCTGs for use in the Chinese oil and gas drilling industry. Sales have grown in this market in the past years as China increased investment in oil and gas exploration and production activities. In 2002, there was a slight decline in sales due to temporary import restrictions, now removed, associated with the consideration of whether to apply safeguards similar to the Section 201 safeguards imposed by the United States on certain steel products.

In Japan, NKKTubes competes against other domestic producers. The market for seamless steel pipe products in Japan is mostly industrial and depends on general factors affecting domestic investment, including production activity. In recent years, demand has weakened in line with the general downturn in the Japanese economy.

Sales to other markets in the Far East and Oceania are affected by the level of oil and gas drilling activity in countries such as Indonesia and engineering activity particularly related to investment in petrochemical plants and oil refineries.

Welded Steel Pipes

We believe that Tenaris is the leading supplier of welded pipes in Brazil and Argentina for gas pipeline construction and industrial applications and the leading supplier of welded steel pipe products for gas pipeline construction in South America. Tenaris also supplies welded steel pipes to selected gas pipeline construction projects worldwide.

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Demand for Tenaris s welded steel pipes is principally affected by investment in gas pipeline projects, especially in South America. In 2002 and in 2001, sales of welded steel pipes were strong, reflecting a period of high demand for such products in connection with the construction of large pipeline projects in South America, such as those in Ecuador and Peru, as well as ongoing pipeline network integration projects in the region. Deliveries of welded steel pipes to those projects in Ecuador and Peru have now been substantially completed but demand from oil and gas pipeline projects in Tenaris s local market of Brazil has increased beginning in 2003. In 2000, demand for welded steel pipe products was substantially below levels of previous years due to the postponement of several regional gas pipeline projects.

Trends in Oil and Gas Prices

As discussed above, sales to oil and gas companies worldwide represent a high percentage of Tenaris s total sales and demand for seamless steel pipes from the global oil and gas industry is a significant factor affecting the general level of prices for our products. Downward pressures on oil and gas prices in the international markets usually result in lower demand for our seamless steel pipe products from Tenaris s oil and gas customers and, in some circumstances, upward pressures can result in higher demand from these customers.

Major oil and gas producing nations and companies frequently collaborate to control the supply (and thus the price) of oil in the international markets. A major vehicle for this collaboration is OPEC. Many of Tenaris s larger customers are state-owned companies in member countries of OPEC, or otherwise cooperate with OPEC in controlling the supply and price of oil.

In response to depressed oil prices in 1998, major oil producing countries began to cooperate closely and intensely to raise prices. In March 1998, Mexico, Venezuela and Saudi Arabia, encouraged by proposals of other oil producers to strengthen world oil markets, announced that they would reduce the oil supply. A second reduction was agreed upon in June 1998. In March 1999, OPEC and several non-OPEC oil producers ratified an agreement to cut crude oil production by 2,104,000 barrels per day in the aggregate. Oil prices increased significantly as a result of these production cuts. Subsequently, oil consuming nations began to pressure OPEC to raise production to ease the upward pressure on oil prices. In April 2000, OPEC announced an increase in production by 1,452,000 barrels per day. This was followed by additional increases of 708,000 barrels per day in June 2000, 800,000 barrels per day in September 2000 and 500,000 barrels per day in October 2000. In 2001, in response to weakening price pressures, OPEC (excluding Iran) announced a reduction in production of 1,500,000 barrels per day, effective February 1, 2001; of 1,000,000 barrels per day, effective April 1, 2001; of 1,000,000 barrels a day, effective September 1, 2001; and of 1,500,000 barrels a day, effective January 1, 2002. More recently, in response to supply tightness resulting from the threat of military action against Iraq and strike action in Venezuela, OPEC announced an increase of 1,300,000 barrels per day, effective January 1, 2003, an increase of 1,500,000 barrels per day, effective February 1, 2003 and a further increase of 900,000 barrels per day, effective June 1, 2003. We are unable to forecast the direction of international oil and gas prices in the future, and the consequent impact on investment programs and purchases, including pipe purchases, by Tenaris s oil and gas customers.

Energy

Tenaris, through an indirect subsidiary formed in 1999, Dalmine Energie, has developed a small energy business in Italy, following the partial deregulation of the energy sector by the Italian government. Initially formed to supply electricity to Dalmine and to other users in the Bergamo area, Dalmine Energie has rapidly expanded and currently supplies electricity to many industrial companies in northern and central Italy. Dalmine Energie purchases electricity principally from *GRTN Gestore della Rete di Trasmissione Nazionale S.p.A.*, or GRTN, formerly known as Enel Distribuzione S.p.A., at wholesale market prices under volume and delivery conditions that closely match those at which it sells to its customers. Dalmine Energie enjoyed a high operating margin in its first year of business due to its position as a first mover, but in 2001 its operating margins declined as the business matured and competition increased. In December 2001, Dalmine Energie began operating in the natural gas business. Dalmine Energie purchases its natural gas requirements from Snam S.p.A. under a long-term contract that expires on October 1, 2011, which contains annual, quarterly and daily take-or-pay provisions and had an outstanding value, as of December 31, 2002, of approximately 680 million. At December 31, 2002, Dalmine Energie had approximately 450 customers and traded 2.7 Twh (billions of kilowatt/hour) of electricity and 579 million standard cubic meters, or scm, of natural gas.

Dalmine Energie recognizes revenue only upon delivery of electricity and gas and other services to its customers. Revenues are calculated based on actual consumption, which is measured by meter readings carried out at set intervals. Of its 275 million in revenues in 2002 (compared to 165 million in 2001), 19% were derived from sales to Dalmine (24.7% in 2001) and the remainder represented sales to third parties (of which 64% represented sales of electricity and the remainder represented sales of natural gas).

Other products

Prior to the reorganization of Tenaris Global Services as a subsidiary of Tenaris in October 2002, some of the subsidiary companies representative offices and other assets of Tenaris Global Services were involved in the sale and marketing of other steel products (principally sales in North America and Europe of steel products produced by Sidor and Siderar, a Techint group company producing flat steel in Argentina). Sales of these products are recorded in Tenaris s consolidated combined financial statements. Since October 2002, Tenaris has been in the process of discontinuing such sales.

Competition

Global Market

The global market for seamless steel pipe products is highly competitive, with the primary competitive factors being price, quality and service. Seamless steel pipe products are produced in specialized mills using round steel billets and ingots, which are produced almost exclusively for seamless steel pipe applications. Steel companies that manufacture steel sheet and wire rods and bars and other steel products but do not operate specialized seamless steel mills are generally not competitors in the market for seamless steel pipe products, although they often produce welded steel pipes or sell steel sheets and plates used to produce welded steel pipe.

The production of seamless steel pipe products that meet the stringent requirements of major oil and gas companies requires the development of specialized skills and significant investments in manufacturing facilities. By contrast, the seamless pipe products for standard applications can be produced in most seamless pipe mills worldwide and sometimes compete with welded pipe products for such applications. Welded pipe, however, is not generally considered a satisfactory substitute for seamless steel pipe in high-pressure or high-stress applications, which constitute a significant source of our business.

Tenaris s principal competitors in the international seamless steel pipe markets can be grouped by origin as described below.

Japan. Sumitomo Metal Industries Ltd. and Kawasaki Steel in the aggregate enjoy a significant share of the international market, having established strong positions in markets in the Far East and the Middle East. They are internationally recognized for the high quality of their products and for their supply of high-alloy grade pipe products. In April 2001, Nippon Steel Corporation, in connection with ongoing rationalization measures, withdrew from the export market for seamless steel pipe products and shut down its seamless steel pipe facility in Yawata, Japan. On September 27, 2002, Kawasaki Steel and NKK, Tenaris s partner in NKKTubes, consummated a business combination through which they became subsidiaries of JFE. JFE continues to operate the former Kawasaki Steel s seamless steel pipe business in competition with NKKTubes.

Western Europe. Vallourec & Mannesman Tubes, or V&M Tubes, a Franco-German venture, has mills in Brazil, France, Germany and the United States. V&M Tubes has a strong presence in the European market for seamless pipes for industrial use and a significant market share in the international market with customers primarily in Europe, the United States and the Middle East. V&M Tubes is an important competitor in the international OCTG market, particularly for high-value premium joint products. In May 2002, V&M Tubes purchased the seamless tubes division of North Star Steel, a leading U.S. producer of OCTGs for the domestic market. Tubos Reunidos S.A. of Spain and Voest Alpine AG of Austria each has a significant presence in the European market for seamless steel pipes for industrial applications while the latter also has a presence in the international OCTG market with sales mostly directed to the United States and the Commonwealth of Independent States, or CIS.

United States. U.S. steel producers, including US Steel Corporation and North Star Steel, are largely focused on supplying the U.S. market. Some of them, however, periodically enter the international market in response to decreased domestic demand or perceived opportunities in the export markets. As mentioned above, V&M Tubes purchased in May 2002 the seamless tubes division of North Star Steel.

Eastern Europe, CIS and China. Producers from these regions compete in the commodity sector of the market and have been increasing their participation in the international market for standard products where quality and service are not the prime consideration.

Domestic Markets

Tenaris competes against importers of seamless steel pipe products and, to a lesser extent, against welded steel pipe products in the domestic markets of its manufacturing subsidiaries in Argentina, Venezuela, Mexico and Canada (countries in which it is the sole domestic producer) and against domestic, regional and other competitors in Italy and Japan.

Producers of seamless steel pipe products can maintain a strong competitive position in their domestic markets due to logistical and other advantages which permit them to offer value-added services and maintain strong relationships with domestic customers, particularly in the oil and gas sector. Tenaris s subsidiaries have established strong ties with major consumers of steel pipe products in their home markets, reinforced by JIT arrangements as discussed above.

Argentina

Siderca is the sole producer of seamless steel pipe in Argentina. Accordingly, Tenaris s competition in the Argentine seamless steel pipe products market is limited to imported products manufactured by foreign companies.

In recent years, Tenaris has faced increased competitive challenges from outside Argentina as a result of the Argentine government s trade liberalization policies. In early 1991, the Argentine government reduced import tariffs and eliminated most non-tariff restrictions on trade as part of an effort to open the Argentine economy to foreign competition. Argentina, Brazil, Uruguay and Paraguay entered into the Treaty of Asunción in March 1991, formally establishing Mercosur, a common market organization composed of the four signatory nations. The Mercosur treaty and other subsequent related agreements provide for the gradual economic integration of the member countries, the creation of a free trade zone, the elimination or significant reduction, in some cases over a period of years, of import duties, tariffs and other barriers to trade among the four nations and the creation of a common external tariff. Tariffs on seamless steel pipe products were eliminated progressively by January 1, 1999, between Brazil and Argentina and by January 1, 2000, among all four member nations. The tariff applicable to seamless steel pipe products imported from outside Mercosur was 16% as of January 1, 2002. In addition, a supplemental tariff of 1.5% currently applies to these imports.

Venezuela

Tenaris competes in the Venezuelan market as a domestic producer and as a foreign supplier with imported products manufactured by non-Venezuelan companies.

Venezuela applies tariffs ranging from 5% to 15% on steel imports, including seamless steel pipe products, from countries with which it does not have free trade agreements. In April 2002, the Venezuelan government increased its standard tariff from 20% to 30% for a temporary period of four months. This tariff was subsequently extended on two occasions and is now scheduled to expire in October 2003. No tariff applies to steel imports from member countries of the Andean pact or from Chile, and imports from Mexico are subject to a reduced tariff. As a result of an antidumping investigation, Venezuela imposed antidumping duties of 87.0% on steel pipe imports from Japan in 1996. The preliminary determination was confirmed in June 2000 and continues to apply.

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Mexico

Tamsa is the only producer of seamless steel pipe in Mexico. Accordingly, Tenaris s competition in the Mexican market is limited to imported products manufactured by foreign companies.

Competition in the Mexican market has been increasing in recent years, as the Mexican government has entered into free trade agreements that reduce trade barriers and gradually eliminate tariffs on steel imports from these countries, including seamless steel pipes. In December 1992, Mexico became party to NAFTA, which became effective in January 1994. Under NAFTA, duties on OCTG products have been reduced from 15% in 1993 to their current level of 0%, since the beginning of 2003. In 2000, Mexico signed a trade agreement with the EU, as a result of which EU seamless steel pipe imports have been subject to a 7% duty since 2002. This duty will be gradually eliminated by 2007.

In addition to the NAFTA and EU agreements, the Mexican government has signed trade agreements with various countries such as Chile, Bolivia, Nicaragua, Costa Rica and Uruguay. Mexico also participates with Colombia and Venezuela in the Group of Three, or the G-3. Under the G-3 agreements, duties on seamless steel pipes are being eliminated by means of a reduction of 1.08% and 0.72% (depending on the product) per year over a ten-year period beginning in 1995. Furthermore, under the agreement, there is an acceleration clause allowing acceleration of the tariff reduction as deemed convenient upon acceptance by two of the parties. Beginning July 1, 2002, the import tariff for the G-3 was set at 2.1% and 1.4% depending on the product. Presently, Mexican products exported to Chile are not subject to any import tariff.

On January 1, 1999, a new tariff of 18% became applicable to seamless steel pipe from other countries with which Mexico does not have trade agreements; this represents an increase of 3 percentage points from the previous tariff of 15%, which had been effective since 1989. The tariff was temporarily increased for some steel products (including seamless pipes) to 25% in September 2001 and again to 35% in March 2002, and remained at 35% until September 2002, at which point it was reduced to 25%. The tariff is scheduled to be reduced to 18% in September 2003.

On October 5, 1993, Tamsa formally requested that the Mexican *Secretaría de Economía*, or SECON (formerly SECOFI), initiate an antidumping investigation into the importation of seamless steel commercial pipes from the United States. On October 11, 1995, SECON published a final determination, which continues to apply, imposing a tariff of 82.4% on specified seamless steel cold-drawn pipes from the United States. On May 22, 2001, SECON published in the Official Gazette a resolution revoking the antidumping duties against cold-drawn carbon steel pipes produced in the United States.

On March 11, 1999, Tamsa formally requested that SECON initiate an antidumping investigation into the import of seamless steel line pipes from Japan. This investigation led to the imposition of preliminary dumping duties of 99.9% in November 1999, and to definitive duties in the same amount in November 2000, that continue to apply to these products.

Canada

Tenaris makes domestic sales in Canada through AlgomaTubes, the sole producer of seamless steel pipe in Canada, as well as export sales to Canada by Tenaris s other manufacturing companies. In both cases, Tenaris competes in the Canadian market against other Canadian welded pipe producers and against other importers of seamless and welded pipe. Canada does not impose significant tariffs on seamless steel pipe imports, creating a competitive market that resembles the international markets for those products.

Italy

In Italy and elsewhere in the EU, Tenaris competes against European and non-European producers of seamless steel pipe products, most notably V&M Tubes. In Italy, Dalmine faces additional competition in the commercial, gas and standard pipe sector from Pietra S.p.A, a privately-owned Italian tube producer.

As import barriers have fallen, the Italian and other EU markets for seamless steel pipe products have become increasingly competitive. During 2002, imports of seamless pipes into the EU from countries outside of the EU, which maintained their share of the market in products of medium-to-low quality, were again strong. Tenaris s sales in Italy were adversely affected by these imports because they were often offered at prices significantly lower than Tenaris s prices. In February 2000, the European Commission granted the requests of the European seamless pipe industry and acknowledged that competing exports from Ukraine and Croatia were being dumped into the EU and were causing serious injury to EU manufacturers. As a result, substantial antidumping duties and restrictions were imposed on both these countries. This action followed a successful similar proceeding brought by the European seamless steel pipe industry against producers in Russia, Poland, the Czech Republic, Slovakia, Romania and Hungary, which resulted in antidumping penalties and other equitable remedies in November 1997. These measures, which are still being enforced in spite of having expired in 2002, are currently under review by the European Commission.

Japan

NKKTubes is a leading producer of seamless steel pipes in Japan. In the domestic market, it competes against Sumitomo Metal, Kawasaki Steel and Nippon Steel. On September 27, 2002, Kawasaki Steel and NKK, Siderca s partner in NKKTubes, consummated a business combination through which they became subsidiaries of JFE. JFE continues to operate the former Kawasaki Steel s seamless steel pipe business in competition with NKKTubes.

Capital Expenditure Program

In recent years, Tenaris has undertaken a major round of capital investment projects at its three integrated facilities in Argentina, Mexico and Italy. The focus of these major capital investment projects has been to upgrade these facilities to state-of-the-art status in terms of automation and quality control, and to expand Tenaris s capacity to produce premium quality and other high-grade products.

At Tenaris s Campana facility in Argentina, as a result of a three year program completed in 2000 at a cost of approximately USD160 million, Tenaris added new heat treatment facilities, completed the modernization of the steel shop, expanded rolling mill capacity that allowed production of products with restricted tolerances, expanded the finishing line for premium joints and added processes in the mid-range cold rolling mill to simplify production flows and optimize manufacturing times. Subsequently, Tenaris added a new threading line for premium joints, installed a phosphorus coating plant, expanded coupling producing facilities and installed electromagnetic stirring capabilities.

At Tenaris s Veracruz facility in Mexico, approximately USD144 million was invested in the capital expenditure program over the last three years with a focus on automation, production, benchmarking, mill compliance and increased capacity for value-added products. Tenaris completed improvements in the melt shop and in the continuous casting process, which involved the installation of a new vacuum degassing system, a new vibramold oscillator and touch-panel control systems that monitor each phase of the production process throughout the entire Veracruz facility. In addition, in the finishing areas, Tenaris completed improvements for wall thickness assurance and threading and finishing lines, and added a new hydraulic testing system and a new straightening machine. Tenaris also expanded and modernized the heat treatment facilities, raising capacity for heat-treated pipes by 20% from 375,000 tons per year to 450,000 tons per year, by expanding the existing furnaces and adding a quenching head, a straightening machine, a finishing line and additional floor space to the heat treatment area. In addition, Tenaris completed the construction of a 12,000 square meter office complex and made investments in its auto components facility, which has an annual production capacity of five million parts. Tenaris continued to make investments in its environmental compliance program, including investments in a waste-monitoring system, as well as in an Enterprise Resource Program and the SAP/R3 in the administration, financing and purchasing departments.

At Tenaris s Dalmine facility in Italy, approximately 158 million was invested over the past four years as part of a major overhaul capital expenditure program. Tenaris gave particular attention to automation, mill compliance, production cost reduction, quality enhancement and new product development. In the melt shop and in the continuous casting machines, Tenaris nearly finished implementation of a new automation system and enhanced process control. In addition, to satisfy higher quality demand, Tenaris invested in vacuum degassing and new electromagnetic stirring and refurbished various equipment. Tenaris completely redesigned the small diameter pipe

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mill to attain higher productivity and achieve better quality. Tenaris also substituted all the control and finishing lines with a new automated production line up to the pipe packing stage. This enhanced line can process pipes up to 24 meters long. In the medium size pipe mill, Tenaris invested in new automation and process control, redesigning the control pulpits with touch-panel control systems. Tenaris also heavily renovated the mill to enable it to produce heavier and longer pipes with higher productivity and better yield. In addition, Tenaris refurbished all the finishing lines and the heat treatment to reduce production costs, achieve better quality and comply with new products requirements. Tenaris made similar investments in its other facilities located in Italy.

As part of Tenaris s capital expenditure program, Tenaris makes regular expenditures at all of its facilities to respond to changes in market environment, maintain flexible operations and improve environmental and safety conditions. The total amount spent by Tenaris for capital expenditure programs in 2002 was USD124.6 million.

Capital expenditure projects planned for 2003 include further enhancements to the premium joint finishing lines at the Campana facility, enhancement of the cold-rolling mill and coupling production facilities at the Veracruz facility, improving the medium sized rolling mill s productivity and finishing line dimensional tolerances at Dalmine, updatin