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TENARIS SA
Form 6-K
August 07, 2006

FORM 6 - K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

As of August 7, 2006

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

TENARIS, S.A.
46a, Avenue John F. Kennedy
L-1855 Luxembourg
(Address of principal executive offices)

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

Form 20-F Form 40-F

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

Yes No

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

The attached material is being furnished to the Securities and Exchange Commission pursuant to Rule 13a-16 and Form 6-K under the Securities Exchange Act of 1934, as amended. This report contains Tenaris' Consolidated Condensed Interim Financial Statements as of June 30, 2006.

TENARIS S.A.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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JUNE 30, 2006

46a, Avenue John F. Kennedy - 2nd Floor.
L - 1855 Luxembourg

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the
six-month period ended June 30, 2006

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

(all amounts in thousands of U.S.
dollars, unless otherwise stated)

| | | Three-month period ended June 30, | | Six-month period ended June 30, | |
|--|-------|--------------------------------------|-------------|------------------------------------|-------------|
| | Notes | 2006 | 2005 | 2006 | 2005 |
| | | (Unaudited) | | | |
| Net sales | 2 | 1,962,265 | 1,744,311 | 3,745,417 | 3,197,238 |
| Cost of sales | 3 | (1,019,036) | (1,043,774) | (1,991,528) | (1,908,902) |
| Gross profit | | 943,229 | 700,537 | 1,753,889 | 1,288,336 |
| Selling, general and administrative expenses | 4 | (248,492) | (212,510) | (466,376) | (397,593) |
| Other operating income (expenses), net | | (1,939) | 2,602 | 6,191 | 5,569 |
| Operating income | | 692,798 | 490,629 | 1,293,704 | 896,312 |
| Financial income (expenses), net | 5 | 4,065 | (42,643) | 14,661 | (84,450) |
| Income before equity in earnings of associated companies and income tax | | 696,863 | 447,986 | 1,308,365 | 811,862 |
| Equity in earnings of associated companies | | 25,551 | 38,279 | 47,072 | 68,442 |
| Income before income tax | | 722,414 | 486,265 | 1,355,437 | 880,304 |
| Income tax | | (226,650) | (144,645) | (417,983) | (258,714) |
| Income for the period | | 495,764 | 341,620 | 937,454 | 621,590 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 471,771 | 313,456 | 891,459 | 577,690 |
| Minority interest | | 23,993 | 28,164 | 45,995 | 43,900 |
| | | 495,764 | 341,620 | 937,454 | 621,590 |

Earnings per share attributable to the

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| | | | | |
|---|-----------|-----------|-----------|-----------|
| equity holders of the Company during the period | | | | |
| Weighted average number of ordinary shares in issue (thousands) | 1,180,537 | 1,180,537 | 1,180,537 | 1,180,537 |
| Earnings per share (U.S. dollars per share) | 0.40 | 0.27 | 0.76 | 0.49 |
| Earnings per ADS (U.S. dollars per ADS) | 0.80 | 0.53 | 1.51 | 0.98 |

The ratio of ordinary shares per American Depositary Shares (ADSs) was changed from a ratio of one ADS equal to ten ordinary shares to a new ratio of one ADS equal to two ordinary shares. The implementation date for this change was April 26, 2006, for shareholders of record at April 17, 2006. Earnings per ADS reflected above are adjusted for this change in the conversion ratio.

The accompanying notes are an integral part of these consolidated condensed interim financial statements. The Report of the Independent Registered Public Accounting Firm on these consolidated condensed interim financial statements is issued as a separate document. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2005.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2006

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

| (all amounts in thousands of U.S. dollars) | Notes | At June 30, 2006 (Unaudited) | At December 31, 2005 | |
|---|-------|---------------------------------|----------------------|-----------|
| | | | ----- | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment, net | 6 | 2,319,381 | 2,230,038 | |
| Intangible assets, net | 6 | 164,993 | 159,099 | |
| Investments in associated companies | | 355,652 | 257,234 | |
| Other investments | | 25,711 | 25,647 | |
| Deferred tax assets | | 213,715 | 194,874 | |
| Receivables | | 27,706 | 3,107,158 | 2,932,744 |
| | | ----- | ----- | |
| Current assets | | | | |
| Inventories | | 1,550,704 | 1,376,113 | |
| Receivables and prepayments | | 182,332 | 143,282 | |
| Current tax assets | | 127,163 | 102,455 | |
| Trade receivables | | 1,458,265 | 1,324,171 | |
| Other investments | | 296,437 | 119,907 | |
| Cash and cash equivalents | | 776,146 | 4,391,047 | 3,773,284 |
| | | ----- | ----- | |
| Total assets | | 7,498,205 | 6,706,028 | |
| | | ===== | ===== | |
| EQUITY | | | | |
| Capital and reserves attributable to the Company's equity holders | | | | |

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| | | | | |
|----------------------------------|-----------|-----------|-----------|-----------|
| Share capital | 1,180,537 | | 1,180,537 | |
| Legal reserves | 118,054 | | 118,054 | |
| Share premium | 609,733 | | 609,733 | |
| Currency translation adjustments | (62,218) | | (59,743) | |
| Other reserves | 29,331 | | 2,718 | |
| Retained earnings | 2,343,729 | 4,219,166 | 1,656,503 | 3,507,802 |
| | ----- | | ----- | |
| Minority interest | | 304,525 | | 268,071 |
| | | ----- | | ----- |
| Total equity | | 4,523,691 | | 3,775,873 |
| | | ----- | | ----- |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 584,962 | | 678,112 | |
| Deferred tax liabilities | 354,716 | | 353,395 | |
| Other liabilities | 159,661 | | 154,378 | |
| Provisions | 48,464 | | 43,964 | |
| Trade payables | 703 | 1,148,506 | 1,205 | 1,231,054 |
| | ----- | | ----- | |
| Current liabilities | | | | |
| Borrowings | 405,389 | | 332,180 | |
| Current tax liabilities | 345,605 | | 452,534 | |
| Other liabilities | 178,955 | | 138,875 | |
| Provisions | 37,976 | | 36,945 | |
| Customer advances | 96,753 | | 113,243 | |
| Trade payables | 761,330 | 1,826,008 | 625,324 | 1,699,101 |
| | ----- | | ----- | |
| Total liabilities | | 2,974,514 | | 2,930,155 |
| | | ===== | | ===== |
| Total equity and liabilities | | 7,498,205 | | 6,706,028 |
| | | ===== | | ===== |

Contingencies, commitments and restrictions to the distribution of profits are disclosed in Note 8.

The accompanying notes are an integral part of these consolidated condensed interim financial statements. The Report of the Independent Registered Public Accounting Firm on these consolidated condensed interim financial statements is issued as a separate document. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2005.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2006

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(all amounts in thousands of U.S. dollars)

Attributable to equity holders of the Company

Currency Retai

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| | Share Capital | Legal Reserves | Share Premium | Other Reserves | translation adjustment | Earni (* |
|---|------------------|-------------------|------------------|-------------------|---------------------------------------|----------------|
| Balance at January 1, 2006 | 1,180,537 | 118,054 | 609,733 | 2,718 | (59,743) | 1,656 |
| Currency translation differences | - | - | - | - | (2,475) | |
| Change in equity reserves (see Notes 1 and 9) | - | - | - | 26,613 | - | |
| Acquisition of minority interest | - | - | - | - | - | |
| Dividends paid in cash | - | - | - | - | - | (204) |
| Income for the period | - | - | - | - | - | 891 |
| Balance at June 30, 2006 | 1,180,537 | 118,054 | 609,733 | 29,331 | (62,218) | 2,343 |
| Attributable to equity holders of the Company | | | | | | |
| | Share Capital | Legal Reserves | Share Premium | Other Reserves | Currency translation adjustment | Retai Earni |
| Balance at January 1, 2005 | 1,180,537 | 118,054 | 609,733 | 82 | (30,020) | 617 |
| Effect of adopting IFRS 3 (see Note 1) | - | - | - | - | - | 110 |
| Adjusted balance at January 1, 2005 | 1,180,537 | 118,054 | 609,733 | 82 | (30,020) | 728 |
| Currency translation differences | - | - | - | - | (21,602) | |
| Acquisition and increase of minority interest | - | - | - | - | - | |
| Dividends paid in cash | - | - | - | (82) | - | (199) |
| Income for the period | - | - | - | - | - | 577 |
| Balance at June 30, 2005 | 1,180,537 | 118,054 | 609,733 | - | (51,622) | 1,106 |

(*) Retained Earnings calculated in accordance with Luxembourg Law are disclosed in Note 8 (ii).

The accompanying notes are an integral part of these consolidated condensed interim financial statements. The Report of the Independent Registered Public Accounting Firm on these consolidated condensed interim financial statements is issued as a separate document. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2005.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2006

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT

Six-month period
ended June 30,

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| (all amounts in thousands of U.S. dollars) | 2006 | 2005 |
|---|-------------|-----------|
| | ----- | |
| | (Unaudited) | |
| Cash flows from operating activities | | |
| Income for the period | 937,454 | 621,590 |
| Adjustments for: | | |
| Depreciation and amortization | 109,790 | 103,743 |
| Income tax accruals less payments | (90,160) | 35,756 |
| Equity in earnings of associated companies | (47,072) | (68,442) |
| Interest accruals less payments, net | (1,464) | 6,210 |
| Income from disposal of Investment | (6,933) | - |
| Changes in provisions | 5,531 | (2,636) |
| Proceeds from Fintecna arbitration award net of BHP settlement | - | 66,594 |
| Changes in working capital | (219,541) | (334,106) |
| Other, including currency translation adjustment | 26,472 | 16,979 |
| | ----- | |
| Net cash provided by operating activities | 714,077 | 445,688 |
| | ===== | |
| Cash flows from investing activities | | |
| Capital expenditures | (169,101) | (131,634) |
| Acquisitions of subsidiaries (see Note 9) | (39,110) | (47,930) |
| Proceeds from disposal of property, plant and equipment and intangible assets | 3,388 | 2,890 |
| Dividends and distributions received from associated companies | - | 41,118 |
| Changes in restricted bank deposits | 627 | 9,634 |
| Reimbursement from trust funds | - | 119,666 |
| Investments in short terms securities | (176,530) | - |
| | ----- | |
| Net cash used in investing activities | (380,726) | (6,256) |
| | ===== | |
| Cash flows from financing activities | | |
| Dividends paid | (204,233) | (199,511) |
| Dividends paid to minority interest in subsidiaries | (16,001) | (2,730) |
| Proceeds from borrowings | 234,563 | 645,763 |
| Repayments of borrowings | (270,159) | (734,247) |
| | ----- | |
| Net cash used in financing activities | (255,830) | (290,725) |
| | ===== | |
| Increase in cash and cash equivalents | 77,521 | 148,707 |
| Movement in cash and cash equivalents | | |
| At beginning of the period | 680,591 | 293,824 |
| Effect of exchange rate changes | (5,853) | (12,247) |
| Increase in cash and cash equivalents | 77,521 | 148,707 |
| | ----- | |
| At June 30, | 752,259 | 430,284 |
| | ===== | |
| | ----- | |
| Cash and cash equivalents | At June 30, | |
| | ----- | |
| | 2006 | 2005 |
| Cash and bank deposits | 776,146 | 450,586 |
| Bank overdrafts | (22,466) | (16,436) |
| Restricted bank deposits | (1,421) | (3,866) |
| | ----- | |
| | 752,259 | 430,284 |

=====

The accompanying notes are an integral part of these consolidated condensed interim financial statements. The Report of the Independent Registered Public Accounting Firm on these consolidated condensed interim financial statements is issued as a separate document. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2005.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2006

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Index to the notes to the consolidated condensed interim financial statements

- 1 General information and basis of presentation
- 2 Segment information
- 3 Cost of sales
- 4 Selling, general and administrative expenses
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- 9 Business acquisitions, incorporation of subsidiaries and other significant events
- 10 Related party disclosures

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Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2006

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
(In the notes all amounts are shown in U.S. dollars, unless otherwise stated)

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1 General information and basis of presentation

Tenaris S.A. (the "Company" or "Tenaris"), a Luxembourg corporation (societe anonyme holding), was incorporated on December 17, 2001 as a holding company for investments in steel pipe manufacturing and distribution companies. The Company consolidates its subsidiary companies, as detailed in Note 31 to the audited Consolidated Financial Statements for the year ended December 31, 2005, and modified as discussed in Note 9 to these consolidated condensed interim financial statements.

These consolidated condensed interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". The accounting policies used in the preparation of these consolidated condensed interim financial statements are consistent with those used in the audited consolidated financial statements for the year ended December 31, 2005. These consolidated condensed interim financial statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2005, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The preparation of consolidated condensed interim financial statements in conformity with IFRS requires management to make certain accounting estimates and assumptions that might affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet dates, and also the reported amounts of revenues and expenses for the reported periods. Actual results may differ from these estimates.

Material intercompany transactions and balances between Tenaris subsidiaries have been eliminated in consolidation. However, some financial gains and losses do arise from intercompany transactions because certain subsidiaries use their respective local currencies as their functional currency for accounting purposes. Such gains and losses are included in the consolidated income statement under Financial income (expenses), net.

The Company applies hedge accounting treatment for certain qualifying financial instruments. These transactions are classified as cash flow hedges (mainly currency forward contracts on highly probable forecast transactions and interest rate swaps). The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. Amounts accumulated in equity are charged in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the ineffective portion is recognized in the income statement. The fair value of the Company's derivative financial instruments (asset or liability) is reflected on the Balance Sheet.

For transactions designated and qualifying for hedge accounting, the Company documents at the time of designation of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives. The Company also documents its assessment at hedge designation and at each period end of whether the derivatives that are used in hedging transactions are expected to be effective in offsetting changes in cash flows of hedged items. At June 30, 2006, the effective portion of designated cash flow hedges amounts to \$1.8 million and is included in Other reserves in equity.

Upon the adoption of IFRS 3, which was adopted together with the revised IAS 38, "Intangible Assets", and IAS 36, "Impairment of Assets", previously accumulated negative goodwill is required to be derecognized through an adjustment to retained earnings. The derecognition of negative goodwill in this manner resulted in an increase of \$110.8 million in the beginning balance of the Company's equity at January 1, 2005.

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These consolidated condensed interim financial statements were approved for issue by the Tenaris Board of Directors on August 3, 2006.

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Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2006

2 Segment information

Primary reporting format: business segments

| (all amounts in thousands of U.S. dollars) | Seamless | Welded & Other Metallic Products | Energy | Other | Total |
|--|-------------|--|-----------|-----------|-------------|
| Six-month period ended June 30, 2006 | (Unaudited) | | | | |
| Net sales | 3,077,876 | 244,876 | 283,818 | 138,847 | 3,745,417 |
| Cost of sales | (1,442,438) | (174,818) | (273,516) | (100,756) | (1,991,528) |
| Gross profit | 1,635,438 | 70,058 | 10,302 | 38,091 | 1,753,889 |
| Depreciation and amortization | 93,421 | 9,678 | 985 | 5,706 | 109,790 |
| Six-month period ended June 30, 2005 | | | | | |
| Net sales | 2,413,116 | 415,866 | 256,193 | 112,063 | 3,197,238 |
| Cost of sales | (1,320,512) | (273,314) | (248,406) | (66,670) | (1,908,902) |
| Gross profit | 1,092,604 | 142,552 | 7,787 | 45,393 | 1,288,336 |
| Depreciation and amortization | 88,851 | 7,356 | 1,570 | 5,966 | 103,743 |

Secondary reporting format: geographical segments

| (all amounts in thousands of U.S. dollars) | South America | Europe | North America | Middle East & Africa | Far East & Oceania | Total |
|--|------------------|---------|------------------|----------------------------|--------------------------|-----------|
| Six-month period ended June 30, 2006 | (Unaudited) | | | | | |
| Net sales | 701,398 | 946,622 | 919,647 | 828,315 | 349,435 | 3,745,417 |
| Depreciation and amortization | 45,233 | 30,758 | 30,469 | 387 | 2,943 | 109,790 |
| Six-month period ended June 30, 2005 | | | | | | |
| Net sales | 884,884 | 789,659 | 879,846 | 360,206 | 282,643 | 3,197,238 |
| Depreciation and amortization | 41,578 | 35,471 | 23,472 | 30 | 3,192 | 103,743 |

Allocation of net sales to geographical segments is based on customer location.
Allocation of depreciation and amortization is based on the geographical

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location of the underlying assets.

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Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2006

3 Cost of sales

| | Six-month period ended June 30, | |
|---|------------------------------------|-------------|
| (all amounts in thousands of U.S. dollars) | 2006 | 2005 |
| | (Unaudited) | |
| Inventories at the beginning of the period | 1,376,113 | 1,269,470 |
| Plus: Charges of the period | | |
| Raw materials, energy, consumables and other | 1,588,691 | 1,513,516 |
| Services and fees | 177,990 | 153,656 |
| Labor cost | 227,144 | 201,826 |
| Depreciation of property, plant and equipment | 95,175 | 89,219 |
| Amortization of intangible assets | 1,508 | 3,541 |
| Maintenance expenses | 55,202 | 50,039 |
| Provisions for contingencies | - | 1,200 |
| Allowance for obsolescence | (2,395) | 1,202 |
| Taxes | 1,959 | 1,477 |
| Other | 20,845 | 13,387 |
| | 3,542,232 | 3,298,533 |
| Less: Inventories at the end of the period | (1,550,704) | (1,389,631) |
| | 1,991,528 | 1,908,902 |

4 Selling, general and administrative expenses

| | Six-month period ended June 30, | |
|---|------------------------------------|---------|
| (all amounts in thousands of U.S. dollars) | 2006 | 2005 |
| | (Unaudited) | |
| Services and fees | 56,380 | 63,130 |
| Labor cost | 124,272 | 97,324 |
| Depreciation of property, plant and equipment | 4,400 | 5,014 |
| Amortization of intangible assets | 8,707 | 5,969 |
| Commissions, freight and other selling expenses | 175,385 | 144,549 |
| Provisions for contingencies | 5,587 | 5,439 |
| Allowances for doubtful accounts | 2,288 | 6,936 |
| Taxes | 50,115 | 40,189 |
| Other | 39,242 | 29,043 |
| | 466,376 | 397,593 |

5 Financial income (expenses), net

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| | Six-month period ended June 30, | |
|--|------------------------------------|----------|
| (all amounts in thousands of U.S. dollars) | 2006 | 2005 |
| | (Unaudited) | |
| Interest expense | (26,502) | (29,746) |
| Interest income | 25,868 | 8,781 |
| Net foreign exchange transaction losses and changes in fair value of derivative instruments | 15,007 | (66,564) |
| Other | 288 | 3,079 |
| | 14,661 | (84,450) |

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Tenaris S.A. Consolidated Condensed Interim Financial Statements for the
six-month period ended June 30, 2006

6 Property, plant and equipment and Intangible assets, net

| | Net Property, Plant and Equipment | Net Intangible Assets |
|--|--------------------------------------|--------------------------|
| (all amounts in thousands of U.S. dollars) | (Unaudited) | (Unaudited) |
| Six-month period ended June 30, 2006 | | |
| Opening net book amount | 2,230,038 | 159,099 |
| Currency translation differences | 26,863 | 662 |
| Transfers | (125) | 125 |
| Additions | 154,847 | 14,254 |
| Disposals | (15,559) | (95) |
| Increase due to business acquisition | 22,892 | 1,163 |
| Depreciation / Amortization charge | (99,575) | (10,215) |
| At June 30, 2006 | 2,319,381 | 164,993 |

7 Dividends per share

The shareholders' meeting held on June 7, 2006 approved the payment of a dividend in the amount of \$0.30 per share or approximately \$354 million, corresponding to operating results for 2005. This amount included the interim dividend paid in November, 2005, in the amount of \$0.127 per share or approximately \$149.9 million. Tenaris paid the balance of the annual dividend amounting to approximately \$204.2 million corresponding to \$0.173 per share during 2006. During 2005 Tenaris paid \$199.5 million corresponding to \$0.169 per share.

8 Contingencies, commitments and restrictions to the distribution of profits

This note should be read in conjunction with Note 26 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2005. Significant changes or events since the date of such financial statements are

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the following:

(i) Commitments

- (a) In August 2001, Dalmine Energie S.p.A. ("Dalmine Energie") entered into a ten-year contract ending October 1, 2011 with Eni S.p.A. Gas & Power Division ("Eni") for the purchase of natural gas with certain take-or-pay conditions. The outstanding value of these commitments at June 30, 2006 amounts to approximately EUR 724.5 million (\$921.0 million).
- (b) Under the Gas Release Program enacted by Eni, in August 2004, Dalmine Energie increased its supply of natural gas for the period from October 1, 2004 to September 30, 2008. The gas purchase and sale agreements entered into with Eni contain customary take-or-pay conditions. The additional gas supply mentioned above is valued at approximately EUR 221.8 million (\$281.9 million), based on prices prevailing at June 2006. Dalmine Energie has also obtained the necessary capacity on the interconnection infrastructure at the Italian border to transport the natural gas to Italy for the supply period.
- (c) Dalmine Energie has entered into arrangements and expects to obtain additional gas transportation capacity on the Trans Austria Gasleitung GmbH ("TAG") pipeline, which is presently under construction. This capacity will allow Dalmine Energie to import an incremental 1,176.5 million cubic meters of natural gas per year. The additional transportation capacity, which is subject to "ship or pay" provisions, will be available on a firm basis on the TAG pipeline beginning October 2008 and through September 2028.

The expected annual value of this "ship or pay" commitment is approximately EUR 5.0 million per year. Tenaris provided bank guarantees in the amount of EUR 15.1 million in support of Dalmine Energie. The value of the bank guarantees corresponds to the termination penalties that would be due to TAG in the event of termination due to shipper's default.

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Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2006

8 Contingencies, commitments and restrictions to the distribution of profits (Cont'd)

(ii) Restrictions to the distribution of profits and payment of dividends

As of June 30, 2006, shareholders' equity as defined under Luxembourg law and regulations consisted of the following:

| | |
|---|-------------|
| (all amounts in thousands of U.S. dollars) | (unaudited) |
| Share capital | 1,180,537 |
| Legal reserve | 118,054 |
| Share premium | 609,733 |
| Retained earnings including net income for the six month period ended June 30, 2006 | 1,102,589 |
| Total shareholders equity in accordance with Luxembourg law | 3,010,913 |

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At least 5% of the net income per year as calculated in accordance with Luxembourg law and regulations must be allocated to the creation of a legal reserve equivalent to 10% of share capital. As of June 30, 2006, this reserve is fully allocated and additional allocations to the reserve are not required under Luxembourg law. Dividends may not be paid from this reserve.

Tenaris may pay dividends to the extent, among other conditions, that it has distributable retained earnings calculated in accordance with Luxembourg law and regulations.

At June 30, 2006, Tenaris's retained earnings under Luxembourg law totalled \$1,102.6 million, as detailed below.

| | |
|--|-------------|
| (all amounts in thousands of U.S. dollars) | (unaudited) |
| Retained earnings at December 31, 2005 under Luxembourg law | 1,171,738 |
| Dividends received | 130,000 |
| Other income and expenses for the six-month period ended June 30, 2006 | 5,084 |
| Dividends paid | (204,233) |
| | ----- |
| Retained earnings at June 30, 2006 under Luxembourg law | 1,102,589 |
| | ===== |

9 Business acquisitions, incorporation of subsidiaries and other significant events

(a) Agreement to acquire Maverick Tube Corporation ("Maverick")

On June 12, 2006, Tenaris entered into a merger agreement (the "agreement") to acquire Maverick, pursuant to which Maverick will merge with and into a wholly owned subsidiary of Tenaris. With operations in the United States, Canada and Colombia, Maverick is a leading North American producer of welded oil country tubular goods (OCTG), line pipe and coiled tubing for use in oil and natural gas wells, and also produces welded pipes for electrical conduits. Maverick has a combined annual capacity of two million short tons of steel pipes with a size range from one-quarter inch to 16 inches, and approximately 4,650 employees. In 2005, reported net revenues of approximately \$1.8 billion, of which 82% were from its energy products division. The transaction remains subject to regulatory approvals, majority approval of Maverick's shareholders and other customary conditions. The transaction is valued at \$3,185 million, including Maverick's net debt. The value of the transaction is based on the assumption that the holders of Maverick's convertible notes elect to exercise their conversion rights pursuant to their applicable terms and conditions.

Tenaris expects to finance the Maverick acquisition mainly through debt. BNP Paribas Securities Corp. and Citigroup Global Markets Inc. have provided to Tenaris commitments for several syndicated five-year term loan facilities in an aggregate principal amount of up to \$2.7 billion. If Tenaris enters into these facilities, the relevant loan documentation would contain customary terms and covenants that may limit the Company's ability to, among other things, pay dividends or make other restricted payments in excess of amounts to be agreed, make capital expenditures in excess of specified thresholds, dispose of material assets or amend certain significant agreements. The loan documentation would also require the Company and its subsidiaries to meet certain financial covenants, ratios and other tests.

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Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2006

9 Business acquisitions, incorporation of subsidiaries and other significant events (Cont'd)

(a) Agreement to acquire Maverick Tube Corporation ("Maverick") (Cont'd)

This agreement could be terminated in certain circumstances at any time upon the mutual written consent of the parties with certain exceptions. In the event that Maverick's board accepts an unsolicited superior proposal, there would be a termination fee of \$72.5 million plus up to \$5 million of out-of-pocket expenses that Maverick would pay to Tenaris. If the agreement is terminated because of failure to obtain required regulatory approvals, Tenaris would pay Maverick a termination fee of \$30 million.

(b) Investment in Ternium S.A. ("Ternium")

On September 9, 2005, the Company exchanged its 21.2% equity interest in Consorcio Siderurgia Amazonia Ltd. ("Amazonia") and its 24.4% equity interest in Ylopa Servicios de Consultoria Ltda. ("Ylopa"), for 209,460,856 shares in Ternium, the company into which San Faustin N.V. (a Netherlands Antilles corporation and the controlling shareholder of Tenaris) consolidated its Latin American holdings in flat and long steel producers Siderar S.A.I.C. ("Siderar"), Sidor C.A. ("Sidor") and Hylsamex, S.A de C.V. As a result of the exchange, which was carried out based on fair values as determined by an internationally recognized investment bank engaged for this purpose, Tenaris obtained an initial ownership interest of approximately 17.9% in Ternium.

Subsequently, on October 27, 2005, Usinas Siderurgicas de Minas Gerais S.A. reached an agreement with Ternium to exchange its interests in Amazonia, Ylopa and Siderar, plus additional consideration of approximately \$114.1 million provided as a convertible loan, for an equity stake in Ternium. As a consequence of the additional shares issued under this transaction, Tenaris' ownership stake was reduced to 15.0% of Ternium's outstanding common stock at December 31, 2005. The effect of this transaction resulted in an increase of the Company's proportional ownership in Ternium's equity of approximately \$2.7 million, which Tenaris recognized in Other Reserves in equity.

In addition, in August 2005 Tenaris extended to Ternium two subordinated convertible loans consisting of principal amount of \$39.7 million. The principal amount of these loans at the date issue corresponded to the amount of certain distributions received from Amazonia during the second and third quarters of 2005 in connection with Ternium's participation in Amazonia's financial debt restructuring in 2003. At the date of Ternium's initial public offering ("IPO"), the loans totaled approximately \$40.5 million, including accrued interest.

On February 6, 2006, Ternium completed its IPO, issuing an additional 248,447,200 shares (equivalent to 24,844,720 ADS) at a price of \$2.00 per share, or \$20.00 per ADS. Tenaris received an additional 20,252,338 shares upon the mandatory conversion of its loans to Ternium. In addition to the shares issued to Tenaris, Ternium issued shares to other shareholders corresponding to their mandatory convertible loans. On February 23, 2006,

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the underwriters of Ternium's IPO exercised an overallotment option under which Ternium issued an additional 37,267,080 shares (equivalent to 3,726,708 ADS). As a result of the IPO and the conversion of loans, as of February 6, 2006, Tenaris' ownership stake in Ternium amounted to 11.46%. The effect of these transactions resulted in an additional increase of the Company's proportional ownership in Ternium's equity of approximately \$27.7 million, which Tenaris recognized in Other Reserves in equity.

At June 30, 2006, the closing price of Ternium shares as quoted on the New York Stock Exchange was \$24.17 per ADS, giving Tenaris' ownership stake a market value of approximately \$555 million. At June 30, 2006, the carrying value of Tenaris's ownership stake in Ternium was approximately \$353 million.

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Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2006

9 Business acquisitions, incorporation of subsidiaries and other significant events (Cont'd)

(c) Acquisition of Welded Pipe Business in Argentina

On January 31, 2006, Siat S.A., a subsidiary of Tenaris, completed its acquisition of the welded pipe assets and facilities located in Villa Constitucion, province of Santa Fe, Argentina, belonging to Industria Argentina de Acero, S.A. ("Acindar") for \$29.1 million. The acquisition was approved by the Argentine antitrust authorities (Comision Nacional de Defensa de la Competencia). The facilities acquired have an annual capacity of 80,000 tons of welded pipes whose small diameter range largely complements the range of welded pipes that Tenaris produces in Argentina.

The acquired business did not materially contribute to the Company's revenue and income. The fair value of acquired assets and liabilities were:

| | Six-month period ended June 30, 2006 |
|--|---|
| | (Unaudited) |
| (all amounts in thousands of U.S. dollars) | |
| Other assets and liabilities (net) | 5,033 |
| Property, plant and equipment | 22,892 |
| Goodwill | 1,163 |
| Net assets acquired | 29,088 |

(d) Minority Interest

During the six month period ended June 30, 2006, additional shares of Silcotub and Dalmine were acquired from minority shareholders for approximately \$9.7 million.

10 Related party disclosures

The Company is controlled by San Faustin N.V., a Netherlands Antilles corporation, which owns 60.45% of the Company's outstanding shares, either directly or through its wholly-owned subsidiary I.I.I. Industrial Investments

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Inc., a Cayman Islands corporation. San Faustin N.V. is controlled by Rocca & Partners, a British Virgin Islands corporation.

Transactions and balances disclosed as with "Associated" companies are those with companies in which Tenaris owns 20% to 50% of the voting rights or over which Tenaris exerts significant influence in accordance with IFRS, but does not have control. All other transactions with related parties which are not Associated and which are not consolidated are disclosed as "Other".

The following transactions were carried out with related parties:

| (all amounts in thousands of U.S. dollars) | | | |
|--|----------------|--------|--------|
| Six-month period ended June 30, 2006 | | | |
| | Associated (1) | Other | Total |
| (i) Transactions | | | |
| (a) Sales of goods and services | | | |
| Sales of goods | 59,285 | 27,974 | 87,259 |
| Sales of services | 7,887 | 1,741 | 9,628 |
| | ----- | ----- | ----- |
| | 67,172 | 29,715 | 96,887 |
| | ===== | ===== | ===== |
| (b) Purchases of goods and services | | | |
| Purchases of goods | 41,623 | 12,384 | 54,007 |
| Purchases of services | 2,419 | 33,545 | 35,964 |
| | ----- | ----- | ----- |
| | 44,042 | 45,929 | 89,971 |
| | ===== | ===== | ===== |

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Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2006

10 Related party disclosures (Cont'd)

| Six-month period ended June 30, 2005 | | | |
|--|----------------|--------|---------|
| | Associated (2) | Other | Total |
| (i) Transactions | | | |
| (a) Sales of goods and services | | | |
| Sales of goods | 51,322 | 42,806 | 94,128 |
| Sales of services | 1,541 | 4,800 | 6,341 |
| | ----- | ----- | ----- |
| | 52,863 | 47,606 | 100,469 |
| | ===== | ===== | ===== |
| (b) Purchases of goods and services | | | |
| Purchases of goods | 21,079 | 21,821 | 42,900 |
| Purchases of services | 9,835 | 25,285 | 35,120 |
| | ----- | ----- | ----- |
| | 30,914 | 47,106 | 78,020 |
| | ===== | ===== | ===== |
| At June 30, 2006 | | | |
| | Associated | Other | Total |
| | ----- | ----- | ----- |
| (ii) Period-end balances | | | |

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| | | | |
|--|----------|---------|----------|
| (a) Related to sales/purchases of goods/ services | | | |
| Receivables from related parties | 31,151 | 22,985 | 54,136 |
| Payables to related parties | (20,045) | (9,456) | (29,501) |
| | ----- | | |
| | 11,106 | 13,529 | 24,635 |
| | ===== | | |

| | | | |
|--------------------|----------|---|----------|
| (b) Other balances | | | |
| Receivables | 2,079 | - | 2,079 |
| (c) Financial debt | | | |
| Borrowings (4) | (56,500) | - | (56,500) |

At December 31, 2005

| | Associated | Other | Total |
|--|------------|---------|----------|
| | ----- | | |
| (ii) Period-end balances | | | |
| (a) Related to sales/purchases of goods/ services | | | |
| Receivables from related parties | 30,988 | 15,228 | 46,216 |
| Payables to related parties | (21,034) | (8,413) | (29,447) |
| | ----- | | |
| | 9,954 | 6,815 | 16,769 |
| | ===== | | |
| (b) Other balances (3) | 42,437 | - | 42,437 |
| (c) Financial debt | | | |
| Borrowings (4) | (54,801) | - | (54,801) |

- (1) Includes Ternium S.A. and its subsidiaries and Condisid C.A.
- (2) Includes: Condisid, Ylopa, Amazonia and Sidor.
- (3) Includes convertible loan to Ternium S.A. of \$40.4 million.
- (4) Convertible loan from Sidor C.A. to Matesi (Materiales Siderurgicos S.A.).

Carlos Condorelli
Chief Financial Officer

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 7, 2006

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Tenaris, S.A.

By: /s/ Cecilia Bilesio

Cecilia Bilesio
Corporate Secretary