

TENARIS SA  
Form 6-K  
February 24, 2011

**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**

This Report on Form 6-K shall be incorporated by reference in our automatic shelf Registration Statement on Form F-3 as amended (File No. 333-171751), to the extent not superseded by documents or reports subsequently filed by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, in each case as amended

**As of February 24, 2011**

**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- .

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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 Financial Statements for the years ended December 31, 2010, 2009 and 2008.

## **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: February 24, 2011

Tenaris, S.A.

By: /s/ Cecilia Bilesio

Cecilia Bilesio

Corporate Secretary

**TENARIS S.A.**

**CONSOLIDATED  
FINANCIAL STATEMENTS**

**For the years ended December 31, 2010, 2009 and 2008**

46a, Avenue John F. Kennedy 2nd Floor.

L 1855 Luxembourg

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**CONSOLIDATED INCOME STATEMENT**

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

		<b>Year ended December 31,</b>		
	<b>Notes</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Continuing operations</b>				
Net sales	<b>1</b>	7,711,598	8,149,320	11,987,760
Cost of sales	<b>1 &amp; 2</b>	(4,700,810)	(4,864,922)	(6,698,285)
<b>Gross profit</b>		<b>3,010,788</b>	<b>3,284,398</b>	<b>5,289,475</b>
Selling, general and administrative expenses	<b>1 &amp; 3</b>	(1,515,870)	(1,473,791)	(1,787,952)
Other operating income	<b>5 (i)</b>	85,658	7,673	35,140
Other operating expenses	<b>5 (ii)</b>	(7,029)	(4,673)	(411,013)
<b>Operating income</b>		<b>1,573,547</b>	<b>1,813,607</b>	<b>3,125,650</b>
Interest income	<b>6</b>	32,855	30,831	48,711
Interest expense	<b>6</b>	(64,103)	(118,301)	(179,885)
Other financial results	<b>6</b>	(21,305)	(64,230)	(99,850)
<b>Income before equity in earnings of associated companies and income tax</b>		<b>1,520,994</b>	<b>1,661,907</b>	<b>2,894,626</b>
Equity in earnings of associated companies	<b>7</b>	70,057	87,041	89,423
<b>Income before income tax</b>		<b>1,591,051</b>	<b>1,748,948</b>	<b>2,984,049</b>
Income tax	<b>8</b>	(450,004)	(513,211)	(1,015,334)
<b>Income for continuing operations</b>		<b>1,141,047</b>	<b>1,235,737</b>	<b>1,968,715</b>
<b>Discontinued operations</b>				
Result for discontinued operations	<b>29</b>	-	(28,138)	306,905
<b>Income for the year</b>		<b>1,141,047</b>	<b>1,207,599</b>	<b>2,275,620</b>
<b>Attributable to:</b>				
Equity holders of the Company		1,127,367	1,161,555	2,124,802
Non-controlling interests		13,680	46,044	150,818
		<b>1,141,047</b>	<b>1,207,599</b>	<b>2,275,620</b>
<b>Earnings per share attributable to the equity holders of the Company during year:</b>				
Weighted average number of ordinary shares (thousands)	<b>9</b>	1,180,537	1,180,537	1,180,537
<b>Continuing and Discontinued operations</b>				
Basic and diluted earnings per share (U.S. dollars per share)	<b>9</b>	0.95	0.98	1.80
Basic and diluted earnings per ADS (U.S. dollars per ADS)	<b>9</b>	1.91	1.97	3.60
<b>Continuing operations</b>				
Basic and diluted earnings per share (U.S. dollars per share)		0.95	1.00	1.49
Basic and diluted earnings per ADS (U.S. dollars per ADS)		1.91	2.00	2.99

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

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(all amounts in thousands of U.S. dollars)

	<b>Year ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Income for the year</b>	<b>1,141,047</b>	<b>1,207,599</b>	<b>2,275,620</b>
<b>Other comprehensive income:</b>			
Currency translation adjustment	108,184	357,511	(486,636)
Changes in the fair value of derivatives held as cash flow hedges	7,649	1,384	(8,513)
Share of other comprehensive income of associates:			
- Currency translation adjustment	11,413	(1,302)	(51,004)
- Changes in the fair value of derivatives held as cash flow hedges	1,049	2,722	(6,044)
Income tax relating to components of other comprehensive income (*)	(3,316)	2,089	3,003
<b>Other comprehensive income for the year, net of tax</b>	<b>124,979</b>	<b>362,404</b>	<b>(549,194)</b>
<b>Total comprehensive income for the year</b>	<b>1,266,026</b>	<b>1,570,003</b>	<b>1,726,426</b>
<b>Attributable to:</b>			
Equity holders of the Company	1,211,945	1,423,986	1,620,640
Non-controlling interests	54,081	146,017	105,786
	<b>1,266,026</b>	<b>1,570,003</b>	<b>1,726,426</b>

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(\*) Relates to Cash flow hedges.

The accompanying notes are an integral part of these Consolidated Financial Statements.

## Consolidated STATEMENT OF FINANCIAL POSITION

(all amounts in thousands of U.S. dollars)	Notes	At December 31, 2010		At December 31, 2009	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment, net	<b>10</b>	3,780,580		3,254,587	
Intangible assets, net	<b>11</b>	3,581,816		3,670,920	
Investments in associated companies	<b>12</b>	671,855		602,572	
Other investments	<b>13</b>	43,592		34,167	
Deferred tax assets	<b>21</b>	210,523		197,603	
Receivables	<b>14</b>	120,429	8,408,795	101,618	7,861,467
<b>Current assets</b>					
Inventories	<b>15</b>	2,460,384		1,687,059	
Receivables and prepayments	<b>16</b>	282,536		220,124	
Current tax assets	<b>17</b>	249,317		260,280	
Trade receivables	<b>18</b>	1,421,642		1,310,302	
Available for sale assets	<b>32</b>	21,572		21,572	
Other investments	<b>19</b>	676,224		579,675	
Cash and cash equivalents	<b>19</b>	843,861	5,955,536	1,542,829	5,621,841
<b>Total assets</b>			<b>14,364,331</b>		<b>13,483,308</b>
<b>EQUITY</b>					
Capital and reserves attributable to the Company's equity holders			9,902,359		9,092,164
Non-controlling interests			648,221		628,672
<b>Total equity</b>			<b>10,550,580</b>		<b>9,720,836</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	<b>20</b>	220,570		655,181	
Deferred tax liabilities	<b>21</b>	934,226		860,787	
Other liabilities	<b>22 (i)</b>	193,209		192,467	
Provisions	<b>23 (ii)</b>	83,922		80,755	
Trade payables		3,278	1,435,205	2,812	1,792,002
<b>Current liabilities</b>					
Borrowings	<b>20</b>	1,023,926		791,583	
Current tax liabilities	<b>17</b>	207,652		306,539	

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Other liabilities	<b>22 (ii)</b>	233,590		192,190	
Provisions	<b>24 (ii)</b>	25,101		28,632	
Customer advances		70,051		95,107	
Trade payables		818,226	2,378,546	556,419	1,970,470
<b>Total liabilities</b>			<b>3,813,751</b>		<b>3,762,472</b>
<b>Total equity and liabilities</b>			<b>14,364,331</b>		<b>13,483,308</b>

Contingencies, commitments and restrictions to the distribution of profits are disclosed in Note 26.

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Consolidated statement of changes in equity**

(all amounts in thousands of U.S. dollars)

	Attributable to equity holders of the Company						Total
	Share Capital (1)	Legal Reserves	Share Premium	Currency Translation Adjustment	Other Reserves	Retained Earnings (2)	
<b>Balance at January 1, 2010</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>29,533</b>	<b>10,484</b>	<b>7,143,823</b>	<b>9,092,110</b>
<b>Income for the year</b>	-	-	-	-	-	<b>1,127,367</b>	<b>1,127,367</b>
Currency translation adjustment	-	-	-	67,473	-	-	67,473
Hedge reserve, net of tax	-	-	-	-	4,643	-	4,643
Share of other comprehensive income of associates	-	-	-	11,413	1,049	-	12,462
<b>Other comprehensive income for the year</b>	-	-	-	<b>78,886</b>	<b>5,692</b>	-	<b>84,578</b>
<b>Total comprehensive income for the year</b>	-	-	-	<b>78,886</b>	<b>5,692</b>	<b>1,127,367</b>	<b>1,211,913</b>
Acquisition and increase of non-controlling interests	-	-	-	-	(367)	-	(367)
Dividends paid in cash	-	-	-	-	-	(401,383)	(401,383)
<b>Balance at December 31, 2010</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>108,419</b>	<b>15,809</b>	<b>7,869,807</b>	<b>9,902,353</b>

(1) The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of \$1.00 per share. As of December 31, 2010 there were 1,180,536,830 shares issued. All issued shares are fully paid.

(2) The Distributable Reserve and Retained Earnings calculated according to Luxembourg Law are disclosed in Note 26.

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Consolidated statement of changes in equity (Cont.)**

(all amounts in thousands of U.S. dollars)

	Attributable to equity holders of the Company						Total
	Share	Legal	Share	Currency	Other	Retained	
	Capital			Translation			
	(1)	Reserves	Premium	Adjustment	Reserves	Earnings	
<b>Balance at January 1, 2009</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>(223,779)</b>	<b>2,127</b>	<b>6,489,899</b>	<b>8,176,577</b>
<b>Income for the year</b>	-	-	-	-	-	<b>- 1,161,555</b>	<b>1,161,551</b>
Currency translation adjustment	-	-	-	254,614	-	-	254,614
Hedge reserve, net of tax	-	-	-	-	6,397	-	6,397
Share of other comprehensive income of associates	-	-	-	(1,302)	2,722	-	1,420
<b>Other comprehensive income for the year</b>	-	-	-	<b>253,312</b>	<b>9,119</b>	-	<b>262,431</b>
<b>Total comprehensive income for the year</b>	-	-	-	<b>253,312</b>	<b>9,119</b>	<b>1,161,555</b>	<b>1,423,980</b>
Acquisition and decrease of non-controlling interests	-	-	-	-	(783)	-	(783)
Change in equity reserves	-	-	-	-	21	-	21
Dividends paid in cash	-	-	-	-	-	(507,631)	(507,631)
<b>Balance at December 31, 2009</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>29,533</b>	<b>10,484</b>	<b>7,143,823</b>	<b>9,092,160</b>

	Attributable to equity holders of the Company						Total
	Share	Legal	Share	Currency	Other	Retained	
	Capital			Translation			
	(1)	Reserves	Premium	Adjustment	Reserves	Earnings	
<b>Balance at January 1, 2008</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>266,049</b>	<b>18,203</b>	<b>4,813,701</b>	<b>7,006,277</b>
<b>Income for the year</b>	-	-	-	-	-	<b>- 2,124,802</b>	<b>2,124,802</b>
Currency translation adjustment	-	-	-	(438,824)	-	-	(438,824)
Hedge reserve, net of tax	-	-	-	-	(8,290)	-	(8,290)
Share of other comprehensive income of associates	-	-	-	(51,004)	(6,044)	-	(57,048)
<b>Other comprehensive income for the year</b>	-	-	-	<b>(489,828)</b>	<b>(14,334)</b>	-	<b>(504,162)</b>
<b>Total comprehensive income for the year</b>	-	-	-	<b>(489,828)</b>	<b>(14,334)</b>	<b>2,124,802</b>	<b>1,620,640</b>
Acquisition and decrease of non-controlling interests	-	-	-	-	(1,742)	-	(1,742)
Dividends paid in cash	-	-	-	-	-	(448,604)	(448,604)
<b>Balance at December 31, 2008</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>(223,779)</b>	<b>2,127</b>	<b>6,489,899</b>	<b>8,176,577</b>

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(1) The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of \$1.00 per share. As of December 31, 2009 and 2008 there were 1,180,536,830 shares issued. All issued shares are fully paid.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

(all amounts in thousands of U.S. dollars)

		<b>Year ended December 31,</b>		
	<b>Note</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>				
Income for the year		1,141,047	1,207,599	2,275,620
Adjustments for:				
Depreciation and amortization	<b>10 &amp; 11</b>	506,902	504,864	532,934
Income tax accruals less payments	<b>28 (ii)</b>	(57,979)	(458,086)	(225,038)
Equity in earnings of associated companies	<b>7</b>	(70,057)	(86,179)	(89,556)
Interest accruals less payments, net	<b>28 (iii)</b>	17,700	(24,167)	55,492
Income from disposal of investment and other		-	-	(394,323)
Changes in provisions		(364)	(7,268)	783
Impairment (reversal) charge	<b>5</b>	(67,293)	-	502,899
Changes in working capital	<b>28 (i)</b>	(644,050)	1,737,348	(1,051,632)
Other, including currency translation adjustment		44,914	189,837	(142,174)
<b>Net cash provided by operating activities</b>		<b>870,820</b>	<b>3,063,948</b>	<b>1,465,005</b>
<b>Cash flows from investing activities</b>				
Capital expenditures	<b>10 &amp; 11</b>	(847,316)	(460,927)	(443,238)
Acquisitions of subsidiaries and associated companies		(302)	(64,029)	-
Proceeds from the sale of pressure control business (*)	<b>29</b>	-	-	1,113,805
Proceeds from disposal of property, plant and equipment and intangible assets		9,290	16,310	17,161
Dividends and distributions received from associated companies	<b>12</b>	14,034	11,420	15,032
Investments in short terms securities		(96,549)	(533,812)	41,667
Other		-	-	(3,428)
<b>Net cash (used in) provided by investing activities</b>		<b>(920,843)</b>	<b>(1,031,038)</b>	<b>740,999</b>
<b>Cash flows from financing activities</b>				
Acquisitions of non-controlling interests	<b>27</b>	(3,018)	(9,555)	(18,585)
Dividends paid		(401,383)	(507,631)	(448,604)
Dividends paid to non-controlling interest in subsidiaries		(31,881)	(46,086)	(87,200)
Proceeds from borrowings		647,608	631,544	1,087,649
Repayments of borrowings		(862,921)	(2,096,925)	(2,122,268)
<b>Net cash used in financing activities</b>		<b>(651,595)</b>	<b>(2,028,653)</b>	<b>(1,589,008)</b>
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(701,618)</b>	<b>4,257</b>	<b>616,996</b>
<b>Movement in cash and cash equivalents</b>				
At the beginning of the year		1,528,707	1,525,022	954,303
Effect of exchange rate changes		(6,924)	9,124	(46,277)
Decrease in cash due to deconsolidation	<b>32</b>	-	(9,696)	-
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(701,618)</b>	<b>4,257</b>	<b>616,996</b>

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<b>At December 31,</b>	<b>28 (iv)</b>	<b>820,165</b>	<b>1,528,707</b>	<b>1,525,022</b>
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(\* Includes \$394 million of after-tax gain, \$381 million of assets and liabilities held for sale and \$339 million of income tax charges and related expenses.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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## I. GENERAL INFORMATION

Tenaris S.A. (the Company), a Luxembourg corporation (société anonyme holding), was incorporated on December 17, 2001, as a holding company in steel pipe manufacturing and distributing operations. The Company holds, either directly or indirectly, controlling interests in various subsidiaries. References in these financial statements to Tenaris refer to Tenaris S.A. and its consolidated subsidiaries.

The Company's shares trade on the Milan Stock Exchange, the Buenos Aires Stock Exchange and the Mexico City Stock Exchange; the Company's American Depositary Securities (ADS) trade on the New York Stock Exchange.

These Consolidated Financial Statements were approved for issue by the Company's Board of Directors on February 23, 2011.

## II. Accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### A Basis of presentation

The Consolidated Financial Statements of Tenaris have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and adopted by the European Union, under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The Consolidated Financial Statements are presented in thousands of U.S. dollars ( \$ ).

Certain comparative amounts have been reclassified to conform to changes in presentation in the current year.

The preparation of consolidated 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 at the reporting dates, and the reported amounts of revenues and expenses during the reporting years. Actual results may differ from these estimates.

(1) *New and amended standards effective in 2010 and relevant for Tenaris*

§ IFRS 3 (revised January 2008), Business Combinations

In January 2008, the IASB issued IFRS 3 (revised January 2008), Business Combinations ( IFRS 3 - revised ). IFRS 3 revised includes amendments that are meant to provide guidance for applying the acquisition method.

IFRS 3 revised replaces IFRS 3 (as issued in 2004) and comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

This standard does not impact the current financial statements, and future impact is dependent on the existence of business combinations.

**A Basis of presentation (Cont.)**

*a. New and amended standards effective in 2010 and relevant for Tenaris (Cont.)*

§ IAS 27 Revised, Consolidated and separate financial statements

This revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. This amendment has no material effect on the Company's financial condition and results of operations.

§ Amendment to IFRS 5 Non-current Assets held for sale and Discontinued Operations

In May 2008, the IASB amended IFRS 5 Non-current Assets held for sale and Discontinued Operations by requiring this classification although the entity retains a non-controlling interest.

This standard does not impact the current financial statements, and future impact is dependent on the existence of discontinued operations.

(2) *New standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted*

§ IFRS 9, Financial Instruments

In November 2009, the IASB issued IFRS 9 Financial Instruments which establishes principles for the financial reporting of financial assets by simplifying their classification and measurement.

This interpretation is applicable for annual periods beginning on or after 1 January 2013. Earlier application is not permitted for entities that prepare financial statements in accordance with IFRS as adopted by the EU, since the interpretation is not yet adopted by the EU.

The Company's management has not yet assessed the potential impact that the application of IFRS 9 will have on the Company's financial statements.

#### § Improvements to International Financial Reporting Standards

In May 2010, the IASB issued *Improvements to International Financial Reporting Standards* by which it amended several international accounting and financial reporting standards. Entities shall apply these amendments for annual periods beginning on or after January 1, 2011. Earlier application is not permitted for entities that prepare financial statements in accordance with IFRS as adopted by the EU, since these improved standards are not yet adopted by the EU.

The Company's management estimates that the application of these amendments will not have a material effect on the Company's financial condition or results of operations.

Management assessed the relevance of other new standards, amendments or interpretations not yet effective and concluded that they are not relevant to Tenaris.

#### **B Group accounting**

##### *(1) Subsidiaries*

Subsidiaries are all entities which are controlled by Tenaris as a result of its ability to govern an entity's financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are consolidated from the date on which control is exercised by the Company and are no longer consolidated from the date control ceases.



**B Group accounting (Cont.)**

(1) *Subsidiaries (Cont.)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by Tenaris. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any non-controlling interest in the acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree over the fair value of Tenaris share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the Consolidated Income Statement.

Material inter-company transactions, balances and unrealized gains (losses) on transactions between Tenaris subsidiaries have been eliminated in consolidation. However, since the functional currency of some subsidiaries is its respective local currency, some financial gains (losses) arising from inter-company transactions are generated. These are included in the Consolidated Income Statement under *Other financial results*.

See Note 31 for the list of the principal subsidiaries.

(2) *Associates*

Associates are all entities in which Tenaris has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Company's investment in associates includes goodwill identified in acquisition, net of any accumulated impairment loss.

Unrealized results on transactions between Tenaris and its associated companies are eliminated to the extent of Tenaris' interest in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment indicator of the asset transferred. Financial statements of associated companies have been adjusted where necessary to ensure consistency with IFRS.

The Company's pro-rata share of earnings in associates is recorded in the Consolidated Income Statement under *Equity in earnings of associated companies*. The Company's pro-rata share of changes in other reserves is recognized in the Consolidated Statement of Changes in Equity under *Other Reserves*.

The Company's investment in Ternium S.A. ( Ternium ) has been accounted for by the equity method, as Tenaris has significant influence as defined by IAS 28, *Investments in Associates* . At December 31, 2010, Tenaris holds 11.46% of Ternium's common stock. The Company's investment in Ternium is carried at incorporation cost plus proportional ownership of Ternium's earnings and other shareholders' equity accounts. Because the exchange of its holdings in Amazonia and Ylopa for shares in Ternium was considered to be a transaction between companies under common control of San Faustin N.V., Tenaris recorded its initial ownership interest in Ternium at \$229.7 million, the carrying value of the investments exchanged. This value was \$22.6 million less than Tenaris proportional ownership of Ternium's shareholders' equity at the transaction date. As a result of this treatment, Tenaris investment in Ternium will not reflect its proportional ownership of Ternium's net equity position. Ternium carried out an initial public offering ( IPO ) of its shares on February 1, 2006, listing its ADS on the New York Stock Exchange.

Tenaris reviews investments in associated companies for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable, such as a significant or prolonged decline in fair value below the carrying value. Tenaris carries its investment in Ternium at its proportional equity value, with no additional goodwill or intangible assets recognized. At December 31, 2010, 2009 and 2008, no impairment provisions were recorded on Tenaris' investment in Ternium.



**C Segment information**

The Company is organized in two major business segments: Tubes and Projects, which are also the reportable operating segments.

For purposes of this determination, the Company considered not only the nature of products and services, the economic characteristics and financial effects of each business activities in which the entity engages and the related economic environment in which it operates but particularly also factors such as the nature of the products and services, the nature of the production processes, the type or class of customer for the products and services and the method used to distribute the products or provide the related services.

The Tubes segment includes the operations that consist of the production and selling of both seamless and welded steel tubular products and related services mainly for the oil and gas industry, particularly oil country tubular goods (OCTG) used in drilling operations, and certain other industrial applications with a production process that consists in the transformation of steel into tubular products. Business activities included in this segment are mainly dependent on the oil and gas industry worldwide, as this industry is a major consumer of steel pipe products, particularly OCTG used in drilling activities. Demand for steel pipe products from the oil and gas industry has historically been volatile and depends primarily upon the number of oil and natural gas wells being drilled, completed and reworked, and the depth and drilling conditions of these wells. Sales are generally done to the end user customers, with exports being done through a centrally managed global distribution network and domestic sales done, through local subsidiaries.

The Projects segment includes the operations that consist of the production and selling of welded steel pipe products mainly used in the construction of major pipeline projects for the transportation of gas and fluids with a production process that consists in the transformation of steel into large diameter welded tubular products, including SAW process and specific coating for most of the products. Pipeline projects are typically spread along hundreds of kilometers and are subject to specific government policies and other regulations. Accordingly, this business depends to a large extent on the number of active pipeline projects (and not on the level of drilling activity), particularly in the South American regional market, which is the region from which most revenues in this segment are derived. To a significant extent, products are distributed directly to end customers through the local subsidiaries. Each order involves the delivery of significant volumes of products in stages through an extended period of time.

The Other segment includes all other business activities and operating segments that are not required to be separately reported, including the operations that consist of the production and selling of sucker rods, welded steel pipes for electric conduits, industrial equipment and raw materials that exceed Tenaris internal requirements.

Corporate general and administrative expenses have been allocated to the Tubes segment.

Tenaris groups its geographical information in five areas: North America, South America, Europe, Middle East and Africa, and Far East and Oceania. For purposes of reporting geographical information, net sales are allocated to geographical areas based on the customer's location; allocation of assets and capital expenditures and associated depreciation and amortization are based on the geographic location of the assets.

**D Foreign currency translation**

*(1) Functional and presentation currency*

IAS 21 (revised) defines the functional currency as the currency of the primary economic environment in which an entity operates.

The functional and presentation currency of the Company is the U.S. dollar. The U.S. dollar is the currency that best reflects the economic substance of the underlying events and circumstances relevant to Tenaris global operations.

**D Foreign currency translation (Cont.)**

*(1) Functional and presentation currency (Cont.)*

Generally, the functional currency of the Company's subsidiaries is the respective local currency. Tenaris Argentine operations, however, which consist of Siderca S.A.I.C. ( Siderca ) and its Argentine subsidiaries, have determined their functional currency to be the U.S. dollar, based on the following considerations:

- Sales are mainly negotiated, denominated and settled in U.S. dollars. If priced in a currency other than the U.S. dollar, the price considers exposure to fluctuation in the exchange rate versus the U.S. dollar;
- Prices of critical raw materials and inputs are priced and settled in U.S. dollars;
- The exchange rate of the currency of Argentina has long-been affected by recurring and severe economic crises; and
- Net financial assets and liabilities are mainly received and maintained in U.S. dollars.

In addition to Siderca, the Colombian subsidiaries and most of the Company's distributing subsidiaries and intermediate holding subsidiaries have the U.S. dollar as their functional currency, reflecting the transaction environment and cash flow of these operations.

*(2) Transactions in currencies other than the functional currency*

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured.

At the end of each reporting period: (i) monetary items denominated in currencies other than the functional currency are translated using the closing rates; (ii) non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rates prevailing at the date of the transactions; and (iii) non-monetary items that are measured at fair value in a currency other than the functional currency are translated using the exchange rates prevailing at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recorded as gains and losses from foreign exchange and included in Other financial results in the Consolidated Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, while translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in equity. Tenaris had no such assets or liabilities for any of the periods presented.

*(3) Translation of financial information in currencies other than the functional currency*

Results of operations for subsidiaries whose functional currencies are not the U.S. dollar are translated into U.S. dollars at the average exchange rates for each quarter of the year. Financial Statement positions are translated at the end-of-year exchange rates. Translation differences are recognized in a separate component of equity as currency translation adjustments. In the case of a sale or other disposal of any of such subsidiaries, any accumulated translation difference would be recognized in income as a gain or loss from the sale.

**E Property, plant and equipment**

Property, plant and equipment are recognized at historical acquisition or construction cost less accumulated depreciation and impairment losses; historical cost includes expenditure that is directly attributable to the acquisition of the items. Property, plant and equipment acquired through acquisitions accounted for as business combinations have been valued initially at the fair market value of the assets acquired.

Major overhaul and rebuilding expenditures are capitalized as property, plant and equipment only when the investment enhances the condition of assets beyond its original condition. The carrying amount of the replaced part is derecognized.

**E Property, plant and equipment (Cont.)**

Ordinary maintenance expenses on manufacturing properties are recorded as cost of products sold in the year in which they are incurred.

Borrowing costs that are attributable to the acquisition or construction of certain capital assets are capitalized as part of the cost of the asset, in accordance with IAS 23(R) ( *Borrowing Costs* ). Assets for which borrowing costs are capitalized are those that require a substantial period of time to prepare for their intended use.

Depreciation method is reviewed at each year end. Depreciation is calculated using the straight-line method to depreciate the cost of each asset to its residual value over its estimated useful life, as follows:

Land	No Depreciation
Buildings and improvements	30-50 years
Plant and production equipment	10-30 years
Vehicles, furniture and fixtures, and other equipment	4-10 years

The asset s residual values and useful lives of significant plant and production equipment are reviewed, and adjusted if appropriate, at each year-end date.

Management s re-estimation of assets useful lives, performed in accordance with IAS 16 ( *Property plant and equipment* ), did not materially affect depreciation expenses for 2010.

Tenaris depreciates each significant part of an item of property, plant and equipment for its different production facilities that (i) can be properly identified as an independent component with a cost that is significant in relation to the total cost of the item, and (ii) has a useful operating life that is different from another significant part of that same item of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of assets and are recognized under *Other operating income* or *Other operating expenses* in the Consolidated Income Statement.

**F Intangible assets**

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(1) *Goodwill*

Goodwill represents the excess of the acquisition cost over the fair value of Tenaris' s share of net identifiable assets acquired as part of business combinations determined mainly by independent valuations. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is included on the Consolidated Statement of Financial Position under *Intangible assets, net*.

For the purpose of impairment testing, goodwill is allocated to a subsidiary or group of subsidiaries that are expected to benefit from the business combination which generated the goodwill being tested.

(2) *Information systems projects*

Costs associated with developing or maintaining computer software programs are generally recognized as an expense as incurred. However, costs directly related to the development, acquisition and implementation of information systems are recognized as intangible assets if it is probable they have economic benefits exceeding one year.

Information systems projects recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 3 years. Amortization charges are classified as Selling, general and administrative expenses in the Consolidated Income Statement.

**F Intangible assets (Cont.)**

(3) *Licenses, patents, trademarks and proprietary technology*

Licenses, patents, trademarks, and proprietary technology acquired in a business combination are initially recognized at fair value at the acquisition date. Licenses, patents, proprietary technology and those trademarks that have a finite useful life are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives, and does not exceed a period of 10 years.

The balance of acquired trademarks amounts to \$89.7 million and \$88.0 million at December 31, 2010 and 2009 respectively, have indefinite useful lives according to external appraisal. Main factors considered in the determination of the indefinite useful lives, include the years that they have been in service and their recognition among customers in the industry.

(4) *Research and development*

Research expenditures as well as development costs that do not fulfill the criteria for capitalization are recorded as *Cost of sales* in the Consolidated Income Statement as incurred. Research and development expenditures included in *Cost of sales* for the years 2010, 2009 and 2008 totaled \$61.8 million, \$62.7 million and \$77.3 million, respectively.

(5) *Customer relationships*

In accordance with IFRS 3 and IAS 38, Tenaris has recognized the value of customer relationships separately from goodwill attributable to the acquisition of Maverick and Hydril.

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships acquired in a business combination have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight line method over the expected life of approximately 14 years for Maverick and 10 years for Hydril.

**G Impairment of non financial assets**

Long-lived assets including identifiable intangible assets are reviewed for impairment at the lowest level for which there are separately identifiable cash flows (cash generating units, or CGU). Most of the Company's principal subsidiaries that constitute a CGU have a single main production facility and, accordingly, each such subsidiary represents the lowest level of asset aggregation that generates largely independent cash inflows.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful life, including goodwill, are subject to at least an annual impairment test.

In assessing whether there is any indication that a CGU may be impaired, external and internal sources of information are analyzed. Material facts and circumstances specifically considered in the analysis usually include the discount rate used in Tenaris's cash flow projections and the business condition in terms of competitive and economic factors, such as the cost of raw materials, oil and gas prices, competitive environment, capital expenditure programs for Tenaris's customers and the evolution of the rig count.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's value in use and fair value less costs to sell. Any impairment loss is allocated to reduce the carrying amount of the assets of the CGU in the following order:

- (a) first, to reduce the carrying amount of any goodwill allocated to the CGU; and
- (b) then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units), considering not to reduce the carrying amount of the asset below the highest of its fair value less cost to sell, its value in use or zero.

The value in use of each CGU is determined on the basis of the present value of net future cash flows which would be generated by such CGU. Tenaris uses cash flow projections for a five year period with a terminal value calculated based on perpetuity and appropriate discount rates.



**G Impairment of non financial assets (Cont.)**

For purposes of calculating the fair value less costs to sell Tenaris uses the estimated value of future cash flows that a market participant could generate from the corresponding CGU. Tenaris uses cash flow projections for a five year period with a terminal value calculated based on perpetuity and appropriate discount rates.

Management judgment is required to estimate discounted future cash flows. Actual cash flows and values could vary significantly from the forecasted future cash flows and related values derived using discounting techniques.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date. In 2010, the Company reversed the impairment registered in 2008 corresponding to Prudential CGU's Customer Relationships (see Note 5).

In 2010 and 2009, none of the Company's CGUs including long-lived assets with finite useful lives, were tested for impairment as no impairment indicators were identified. In 2008, Tenaris identified the presence of impairment indicators in certain CGUs and, accordingly, carried out impairment tests (see Note 5 Other operating items Impairment charge for the related disclosures of the CGU's impairment tests) and Note 11 Intangible assets, net for a detail of the different impairment tests for goodwill.

**H Other investments**

Other investments consist primarily of investments in financial debt instruments and time deposits with an original maturity of more than three months.

These investments are classified as financial assets at fair value through profit or loss .

Purchases and sales of financial investments are recognized as of their settlement date.

The fair values of quoted investments are based on current bid prices. If the market for a financial investment is not active or the securities are not listed, Tenaris estimates the fair value by using standard valuation techniques (see Section III Financial Risk Management).

Results from financial investments are recognized in *Financial Results* in the Consolidated Income Statement.

## **I Inventories**

Inventories are stated at the lower of cost (calculated principally on the first-in-first-out FIFO method) and net realizable value. The cost of finished goods and goods in process is comprised of raw materials, direct labor, other direct costs and related production overhead costs. It excludes borrowing costs. Tenaris estimates net realizable value of inventories by grouping, where applicable, similar or related items. Net realizable value is the estimated selling price in the ordinary course of business, less any estimated costs of completion and selling expenses. Goods in transit at year end are valued based on supplier's invoice cost.

Tenaris establishes an allowance for obsolete or slow-moving inventory related to finished goods, supplies and spare parts. For slow moving or obsolete finished products, an allowance is established based on management's analysis of product aging. An allowance for slow-moving inventory of supplies and spare parts is established based on management's analysis of such items to be used as intended and the consideration of potential obsolescence due to technological changes.

## **J Trade and other receivables**

Trade and other receivables are recognized initially at fair value, generally the original invoice amount. Tenaris analyzes its trade accounts receivable on a regular basis and, when aware of a specific counterparty's difficulty or inability to meet its obligations to Tenaris, impairs any amounts due by means of a charge to an allowance for doubtful accounts receivable. Additionally, this allowance is adjusted periodically based on the aging of receivables.

## **K Cash and cash equivalents**

Cash and cash equivalents are comprised of cash in banks, liquidity funds and short-term investments with a maturity of less than three months at the date of purchase. Assets recorded in cash and cash equivalents are carried at fair market value or at historical cost which approximates fair market value.

In the Consolidated Statement of Financial Position, bank overdrafts are included in *Borrowings* in current liabilities.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes overdrafts.

## **L Equity**

### *(1) Equity components*

The Consolidated Statement of Changes in Equity includes:

- The value of share capital, legal reserve, share premium and other distributable reserve calculated in accordance with Luxembourg Law;
- The currency translation adjustment, other reserves, retained earnings and non-controlling interest calculated in accordance with IFRS.

### *(2) Share capital*

The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of \$1.00 per share. Total ordinary shares issued and outstanding as of December 31, 2010, 2009 and 2008 are 1,180,536,830 with a par value of \$1.00 per share with one vote each. All issued shares are fully paid.

### *(3) Dividends distribution by the Company to shareholders*

Dividends distributions are recorded in the Company's financial statements when Company's shareholders have the right to receive the payment, or when interim dividends are approved by the Board of Directors in accordance with the by-laws of the Company.

Dividends may be paid by the Company to the extent that it has distributable retained earnings, calculated in accordance with Luxembourg law (see Note 26).

**M Borrowings**

Borrowings are recognized initially at fair value net of transaction costs incurred. In subsequent years, borrowings are stated at amortized costs.

**N Current and Deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Consolidated Income Statement, except to the extent that it relates to items recognized in the Consolidated Statement of Other Comprehensive Income. In this case, the tax is also recognized in the Consolidated Statement of Other Comprehensive Income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions when appropriate.

Deferred income tax is recognized applying the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from fair value adjustments of assets acquired in business combinations, the effect of currency translation on fixed assets, depreciation on property, plant and equipment, valuation of inventories and provisions for pension plans. Deferred tax assets are also recognized for net operating loss carry-forwards. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the time period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted at the reporting date.

**N Current and Deferred income tax (Cont.)**

Deferred tax assets are recognized to the extent it is probable that future taxable income will be available against which the temporary differences can be utilized. At the end of each reporting period, Tenaris reassesses unrecognized deferred tax assets. Tenaris recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

**O Employee benefits**

*(a) Employee severance indemnity*

Employee severance indemnity costs are assessed at each year-end using the projected unit credit method. Employee severance indemnity obligations are measured at the present value of the estimated future cash outflows, based on actuarial calculations provided by independent advisors and in accordance with current legislation and labor contracts in effect in each respective country. The cost of this obligation is charged to the Consolidated Income Statement over the expected service lives of employees.

This provision is primarily related to the liability accrued for employees at Tenaris Italian subsidiary.

As from January 1, 2007 as a consequence of a change in an Italian law, employees were entitled to make contributions to external funds or to maintain the contributions within the company. If the employee chooses to make contributions to the external funds Tenaris Italian subsidiary pays every year the matured contribution to the funds and no more obligation will be in charge of it. As a consequence of the abovementioned, the structure of the plan could be changed from a defined benefit plan to a defined contribution plan effective from the date of the choice, but only limited to the contributions of 2007 onwards.

*(b) Defined benefit pension obligations*

Defined benefit plans determine an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the Consolidated Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets together with adjustments for unrecognized past-service costs and unrecognized actuarial gains and losses. The present value of the defined benefit pension obligation is calculated, at least at each year-end by independent advisors using the projected unit credit method based on actuarial calculations provided by independent advisors.

Certain officers of Tenaris are covered by defined benefit employee retirement plans designed to provide post-retirement and other benefits.

Benefits under this plan are provided in U.S. dollars, and are calculated based on seven-year salary averages. Tenaris accumulates assets for the payment of benefits expected to be disbursed by this plan in the form of investments that are subject to time limitations for redemption. These investments are neither part of a specific pension plan nor are they segregated from Tenaris' other assets. As a result, this plan is considered to be unfunded under IFRS definitions.

Tenaris sponsors other four funded and unfunded non-contributory defined benefit pension plans in certain subsidiaries. The plans provide defined benefits based on years of service and, in the case of salaried employees, final average salary.

All of Tenaris' plans recognize actuarial gains and losses over the average remaining service lives of employees.

(c) *Other compensation obligations*

Employee entitlements to annual leave and long-service leave are accrued as earned.

Other length of service based compensation to employees in the event of dismissal or death is charged to income in the year in which it becomes payable.

**O Employee benefits (Cont.)**

*(d) Employee retention and long term incentive program*

On January 1, 2007 Tenaris adopted an employee retention and long term incentive program. Pursuant to this program, certain senior executives will be granted with a number of units equivalent in value to the equity book value per share (excluding non-controlling interest). The units will be vested over four years period and Tenaris will redeem vested units following a period of seven years from the grant date, or when the employee ceases employment, at the equity book value per share at the time of payment. Beneficiaries will also receive a cash amount per unit equivalent to the dividend paid per share whenever the Company pays a cash dividend to its shareholders. As the cash payment of the benefit is tied to the book value of the shares, and not to their market value, Tenaris valued this long-term incentive program as a long term benefit plan as classified in IAS 19.

Annual compensation under this program is not expected to exceed 35% in average of the total annual compensation of the beneficiaries.

The total value of the units granted to date under the program, considering the number of units and the book value per share amounts to \$40.4 million and \$27.6 million at December 31, 2010 and 2009, respectively. As of December 31, 2010, and 2009 Tenaris has recorded a total liability of \$33.5 million and \$19.6 million, respectively, based on actuarial calculations provided by independent advisors.

**P Employees statutory profit sharing**

Under Mexican law, the Company's Mexican subsidiaries are required to pay to their employees an annual benefit calculated on a similar basis to that used for local income tax purposes. Employee statutory profit sharing is calculated using the liability method, and is recorded in *Current other liabilities* and *Non-current other liabilities* in the Consolidated Statement of Financial Position. Because Mexican employee statutory profit sharing is determined on a similar basis to that used for determining local income taxes, Tenaris accounts for temporary differences arising between the statutory calculation and reported expense as determined under IFRS in a manner similar to the calculation of deferred income tax.

**Q Provisions**

Tenaris is subject to various claims, lawsuits and other legal proceedings, including customer claims, in which a third party is seeking payment for alleged damages, reimbursement for losses or indemnity. Tenaris' potential liability with respect to such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Management periodically reviews the status of each significant matter and assesses potential financial exposure. If a potential loss

from a claim or proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded. Accruals for loss contingencies reflect a reasonable estimate of the losses to be incurred based on information available to management as of the date of preparation of the financial statements, and take into consideration Tenaris litigation and settlement strategies. These estimates are primarily constructed with the assistance of legal counsel. As the scope of liabilities become better defined, there may be changes in the estimates of future costs which could have a material adverse effect on its results of operations, financial condition and cash flows.

If Tenaris expects to be reimbursed for an accrued expense, as would be the case for an expense or loss covered under an insurance contract, and reimbursement is considered virtually certain, the expected reimbursement is recognized as a receivable.

**R Trade payables**

Trade payables are recognized initially at fair value and subsequently measured at amortized cost.

**S Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Tenaris activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.



## **S Revenue recognition (Cont.)**

Tenaris products and services are sold based upon purchase orders, contracts or upon other persuasive evidence of an arrangement with customers, including that the sales price is known or determinable. Sales are recognized as revenue upon delivery, when neither continuing managerial involvement nor effective control over the products is retained by Tenaris and when collection is reasonably assured. Delivery is defined by the transfer of risk, provision of sales contracts and may include delivery to a storage facility located at one of the Company's subsidiaries. For bill and hold transactions revenue is recognized only to the extent (a) it is probable delivery will be made; (b) the products have been specifically identified and are ready for delivery; (c) the sales contract specifically acknowledges the deferred delivery instructions; (d) the usual payment terms apply.

The percentage of total sales that were generated from bill and hold arrangements for products located in Tenaris's storage facilities that have not been shipped to customers amounted to 1.2%, 0.7% and 1.7% as of December 31, 2010, 2009 and 2008, respectively. The Company has not experienced any material claims requesting the cancellation of bill and hold transactions.

Other revenues earned by Tenaris are recognized on the following bases:

- Interest income: on the effective yield basis.
- Dividend income from investments in other companies: when Tenaris's right to receive payment is established.

## **T Cost of sales and sales expenses**

Cost of sales and sales expenses are recognized in the Consolidated Income Statement on the accrual basis of accounting.

Commissions, freight and other selling expenses, including shipping and handling costs, are recorded in Selling, general and administrative expenses in the Consolidated Income Statement.

## **U Earnings per share**

Earnings per share are calculated by dividing the income attributable to equity holders of the Company by the daily weighted average number of common shares outstanding during the year.

## V Financial instruments

Non derivative financial instruments comprise investment in financial debt instruments and equity, time deposits, trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables. Tenaris non derivative financial instruments are classified into the following categories:

- Financial instruments at fair value through profit and loss: comprises mainly cash and cash equivalents and investments in financial debt instruments and time deposits held for trading.
- Loans and receivables: measured at amortized cost using the effective interest rate method less any impairment.
- Available for sale assets: See Note 32
- Other financial liabilities: measured at amortized cost using the effective interest rate method.

The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Financial assets and liabilities are recognized and derecognized on their settlement date.

Tenaris has identified certain embedded derivatives and in accordance with IAS 39 ( Financial Instruments: Recognition and Measurement ) has accounted them separately from their host contracts. The result has been recognized under *Foreign exchange derivatives contracts results* .

Accounting for derivative financial instruments and hedging activities is included within the Section III, Financial Risk Management.

### iii. Financial risk management

The multinational nature of Tenaris' operations and customer base expose the Company to a variety of risks, mainly related to market risks (including the effects of changes in foreign currency exchange rates and interest rates) and capital risk. To manage the volatility related to these exposures, management evaluates exposures on a consolidated basis to take advantage of logical exposure netting. For each foreign currency's net exposure, the Company or its subsidiaries may enter into various derivative transactions in order to manage potential adverse impacts on the Tenaris financial performance. Such derivative transactions are executed in accordance with internal policies and hedging practices.

#### A. Financial Risk Factors

##### (i) *Capital Risk*

Tenaris seeks to maintain an adequate debt to total equity ratio considering the industry and the markets where it operates. The year end ratio of debt to total equity (where debt comprises financial borrowings and total equity is the sum of financial borrowings and equity) is 0.11 as of December 31, 2010, in comparison with 0.13 as of December 31, 2009. The Company does not have to comply with regulatory capital adequacy requirements as known in the financial services industry.

##### (ii) *Foreign exchange risk*

Tenaris manufactures and sells its products in a number of countries throughout the world and consequently is exposed to foreign exchange rate risk. Since the Company's functional currency is the U.S. dollar the purpose of Tenaris' foreign currency hedging program is mainly to reduce the risk caused by changes in the exchange rates of other currencies against the U.S. dollar.

Tenaris' exposure to currency fluctuations is reviewed on a periodic basis. A number of derivative transactions are performed in order to achieve an efficient coverage. Almost all of these hedging transactions are forward exchange rates contracts (see Note 25 Derivative financial instruments).

Tenaris does not enter into derivative financial instruments for trading or other speculative purposes, other than non-material investments in structured products.

Because a number of subsidiaries have functional currencies other than the U.S. dollar, the results of hedging activities, reported in accordance with IFRS, may not reflect management's assessment of its foreign exchange risk hedging program. Inter-company balances between Tenaris subsidiaries may generate financial gains (losses) to the extent that functional currencies differ.

The value of Tenaris' financial assets and liabilities is subject to changes arising out of the variation of foreign currency exchange rates. The following table provides a breakdown of Tenaris' main financial assets and liabilities (including foreign exchange derivative contracts) exposed to foreign exchange risk as of December 31, 2010.

(all amounts in thousands of U.S. dollars)	<b>Exposure</b>
Brazilian real / U.S. dollar	304,229
Mexican Peso / U.S. dollar	177,227
Euro / U.S. dollar	(113,836)
Argentine Peso / U.S. dollar	(74,440)
Canadian dollar / U.S. dollar	(68,195)

**A. Financial Risk Factors (Cont.)**

(ii) *Foreign exchange risk (Cont.)*

The main relevant exposures correspond to:

- Brazilian real / U.S. dollar.

Consists primarily of Cash and cash equivalent and Other investments denominated in U.S. dollar at subsidiaries which functional currency is the Brazilian real. A change of 1% in the BRL/USD exchange rate would generate a pre-tax gain / loss of \$2.7 million, which would be to a large extent offset by changes to Tenaris net equity position. Tenaris has also entered into foreign exchange derivative contracts to preserve the U.S. dollar value of certain anticipated sales denominated in Brazilian real, which could add a gain / loss of \$0.3 million per one percent change in the BRL/USD exchange rate.

- Mexican peso / U.S. dollar.

Consists primarily of various foreign exchange derivative contracts entered to preserve the U.S. dollar value of borrowings denominated in Mexican peso. A change of 1% in the MXN/USD exchange rate would generate a pre-tax gain / loss of \$2.0 million. Additionally Tenaris has Cash and cash equivalents and sales denominated in U.S. dollar at subsidiaries which functional currency is the Mexican peso, that could offset this impact by \$0.2 million per one percent change in the MXN/USD exchange rate.

- Euro / U.S. dollar.

Consists primarily of U.S. dollar-denominated borrowings at certain European subsidiaries which functional currency is the Euro, partially offset by Euro denominated trade payables at subsidiaries which functional currency is the U.S. dollar. A change of 1% in the EUR/USD exchange rate would generate a pre-tax gain / loss of \$1.1 million, which would be to a large extent offset by changes to Tenaris net equity position.

Considering the balances held as of December 31, 2010 on financial assets and liabilities exposed to foreign exchange rate fluctuations, Tenaris estimates that the impact of a simultaneous 1% favorable / unfavorable movement in the levels of foreign currencies exchange rates relative to the U.S. dollar, would be a pre-tax gain / loss of \$7.9 million (including a loss / gain of \$1.8 million due to foreign exchange derivative contracts), which would be partially offset by changes to Tenaris net equity position of \$3.6 million. For balances held as of December 31, 2009, a simultaneous 1% favorable/unfavorable movement in the foreign currencies exchange rates relative to the U.S. dollar, would have generated a pre-tax gain / loss of \$12.6 million (including a non material effect due to foreign exchange derivative

contracts), partially offset by changes to the net equity position of \$8.3 million.

Additionally, the Company has recognized an embedded derivative in connection with a ten-year steel supply agreement signed in 2007 by a Canadian subsidiary which as of December 31, 2010 has an estimated outstanding amount of approximately \$228 million. The Company estimates that the impact of a 1% favorable / unfavorable movement in the USD/CAD exchange rate would result in a maximum pre-tax gain / loss of approximately \$2.2 million and \$2.4 million as of December 31, 2010 and 2009 respectively.

(iii) *Interest rate risk*

Tenaris is subject to interest rate risk on its investment portfolio and its debt.

The following table summarizes the proportions of variable-rate and fixed-rate debt as of each year end.

	As of December 31,			
	2010		2009	
	Amount in thousands of U.S. dollars	Percentage	Amount in thousands of U.S. dollars	Percentage
Fixed rate	632,766	51%	287,738	20%
Variable rate	611,730	49%	1,159,026	80%
<b>Total</b>	<b>1,244,496</b>		<b>1,446,764</b>	

The Company estimates that, if market interest rates applicable to Tenaris' s borrowings had been 100 basis points higher, then the additional pre-tax loss would have been \$10.5 million in 2010 and \$20.2 million in 2009. These results exclude the effect of existing interest rate swaps.

**A. Financial Risk Factors (Cont.)**

*(iii) Interest rate risk (Cont.)*

In order to partially hedge future interest payments related to long-term debt, Tenaris has entered into interest rate swaps and swaps with an embedded knock-in option (See Note 25). All of Tenaris' interest rate derivatives are designated for hedge accounting. Interest differentials earned on these contracts are recorded to on the interest expenses line at the same pace that interests are accrued on the underlying debt, thus discharging the equity reserve. The outstanding amount of interest rate swaps (notional of \$350 million) expires between April and June, 2011 and Tenaris has already fixed the reference rate for the remaining period.

Tenaris estimates that, if market interest rates applicable to the hedged borrowings had been 100 basis point higher, then an additional pre-tax gain of \$2.4 million and \$10.1 million would have been recorded in 2010 and 2009, partially offsetting the losses to Tenaris' borrowings estimated above.

Tenaris estimates that the impact of a decrease of 100 basis points in the reference interest rates on the outstanding interest rate derivatives with all other variables held constant, would not have an impact in the equity reserve in 2010 as compared with an impact of \$3.3 million for 2009.

Tenaris exposure to interest risk associated with its debt is also mitigated by its investment portfolio. Tenaris estimates that, if interest rates on the benchmark rates for Tenaris portfolio had been 100 basis points higher, then the additional pre-tax gain would have been \$9.4 million in 2010 and \$12.5 million in 2009, helping offset the net losses to Tenaris' borrowing costs.

*(iv) Credit risk*

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company actively monitors the creditworthiness of its treasury and derivative counterparties in order to minimize its credit risk.

There is no significant concentration of credit risk from customers. No single customer comprised more than 10% of Tenaris' net sales in 2010 and 2009.

Tenaris' credit policies related to sales of products and services are designed to identify customers with acceptable credit history, and to allow Tenaris to require the use of credit insurance, letters of credit and other instruments designed to minimize credit risks whenever deemed necessary. Tenaris maintains allowances for impairment for potential credit losses (See Section II J).

As of December 31, 2010 trade receivables amount to \$1,421.6 million. These trade receivables have guarantees under letter of credit and other bank guarantees of \$137.2 million, credit insurance of \$475.8 million and other guarantees of \$2.7 million.

As of December 31, 2010 trade receivables amounting to \$246.0 million were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The amount of the allowance for doubtful accounts was \$20.8 million as of December 31, 2010. This allowance for doubtful accounts and the existing guarantees are sufficient to cover doubtful overdue trade receivables.

(v) *Counterparty risk*

Tenaris has investment guidelines with specific parameters to limit issuer risk on marketable securities. Counterparties for derivatives and cash transactions are limited to high credit quality financial institutions, normally investment grade.

More than 92.9% of Tenaris' liquid financial assets correspond to Investment Grade-rated instruments as of December 31, 2010, in comparison with more than 97.5% as of December 31, 2009.



**A. Financial Risk Factors (Cont.)***(vi) Liquidity risk*

Tenaris financing strategy aims to maintain adequate financial resources and access to additional liquidity. During 2010, Tenaris has counted on cash flows from operations as well as additional bank financing to fund its transactions.

Management maintains sufficient cash and marketable securities to finance normal operations and believes that Tenaris also has appropriate access to market for short-term working capital needs.

Tenaris has a conservative approach to the management of its liquidity, which consists of cash in banks, liquidity funds and short-term investments with a maturity of less than three months at the date of purchase.

Tenaris holds primarily investments in money market funds and variable or fixed-rate securities from investment grade issuers. Tenaris holds its cash and cash equivalents primarily in U.S. dollars. As of December 31, 2010 and 2009, U.S. dollar denominated liquid assets represented around 84% and 82% of total liquid financial assets respectively. Liquid financial assets as a whole (comprising cash and cash equivalents and other current investments) were 10.6% of total assets at the end of 2010 compared to 15.8% at the end of 2009.

**B. Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

<b>December 31, 2010</b>	<b>Assets at fair value through profit and loss</b>	<b>Loans and receivables</b>	<b>Available for sale</b>	<b>Total</b>
<b>Assets as per statement of financial position</b>				
Derivative financial instruments	31,537	-	-	31,537
Trade receivables	-	1,421,642	-	1,421,642
Other receivables	-	115,469	-	115,469
Available for sale assets	-	-	21,572	21,572

Other investments	719,816	-	-	719,816
Cash and cash equivalents	843,861	-	-	843,861
<b>Total</b>	<b>1,595,214</b>	<b>1,537,111</b>	<b>21,572</b>	<b>3,153,897</b>

		<b>Liabilities at fair value through profit and loss</b>	<b>Other financial liabilities</b>	<b>Total</b>
<b>December 31, 2010</b>				
<b>Liabilities as per statement of financial position</b>				
Borrowings		-	1,244,496	1,244,496
Derivative financial instruments		11,972	-	11,972
Trade and other payables (*)		-	852,678	852,678
<b>Total</b>		<b>11,972</b>	<b>2,097,174</b>	<b>2,109,146</b>

		<b>Assets at fair value through profit and loss</b>	<b>Loans and receivables</b>	<b>Available for sale</b>	<b>Total</b>
<b>December 31, 2009</b>					
<b>Assets as per statement of financial position</b>					
Derivative financial instruments		16,873	-	-	16,873
Trade receivables		-	1,310,302	-	1,310,302
Other receivables		-	102,348	-	102,348
Available for sale assets		-	-	21,572	21,572
Other investments		613,842	-	-	613,842
Cash and cash equivalents		1,542,829	-	-	1,542,829
<b>Total</b>		<b>2,173,544</b>	<b>1,412,650</b>	<b>21,572</b>	<b>3,607,766</b>

**B. Financial instruments by category (Cont.)**

	<b>Liabilities at fair value through profit and loss</b>	<b>Other financial liabilities</b>	<b>Total</b>
<b>December 31, 2009</b>			
<b>Liabilities as per statement of financial position</b>			
Borrowings	-	1,446,764	1,446,764
Derivative financial instruments	23,990	-	23,990
Trade and other payables (*)	-	596,897	596,897
<b>Total</b>	<b>23,990</b>	<b>2,043,661</b>	<b>2,067,651</b>

(\*) The maturity of most of trade payables is of one year or less.

**C. Fair value by hierarchy**

Effective 1 January 2009, Tenaris adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the assets and liabilities that are measured at fair value at 31 December 2010 and 2009.

<b>December 31, 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	843,861	-	-	843,861
Other investments	540,298	163,347	16,171	719,816
Foreign exchange derivatives contracts	-	28,259	-	28,259
Embedded derivative (See Note 25)	-	-	3,278	3,278
Available for sale assets (**)	-	-	21,572	21,572
<b>Total</b>	<b>1,384,159</b>	<b>191,606</b>	<b>41,021</b>	<b>1,616,786</b>
<b>Liabilities</b>				
Foreign exchange derivatives contracts	-	6,613	-	6,613
Interest rate derivatives financial instruments	-	5,359	-	5,359
<b>Total</b>	<b>-</b>	<b>11,972</b>	<b>-</b>	<b>11,972</b>

<b>December 31, 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	1,542,829	-	-	1,542,829
Other investments	456,209	146,948	10,685	613,842
Foreign exchange derivatives contracts	-	16,873	-	16,873
Available for sale assets (**)	-	-	21,572	21,572
<b>Total</b>	<b>1,999,038</b>	<b>163,821</b>	<b>32,257</b>	<b>2,195,116</b>
<b>Liabilities</b>				
Foreign exchange derivatives contracts	-	3,434	-	3,434
Interest rate derivatives financial instruments	-	17,738	-	17,738
Embedded derivative (See Note 25)	-	-	2,818	2,818
<b>Total</b>	<b>-</b>	<b>21,172</b>	<b>2,818</b>	<b>23,990</b>

(\*\*) For further detail regarding Available for sale assets, see Note 32.

### C. Fair value by hierarchy (Cont.)

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by Tenaris is the current bid price. These instruments are included in level 1 and comprise primarily corporate and sovereign debt securities.

The fair value of financial instruments that are not traded in an active market (such as certain debt securities, certificates of deposits with original maturity of more than three months, forward and interest rate derivative instruments) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instruments are included in level 3. The following table presents the changes in level 3 assets and liabilities:

	<b>Year ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>Assets / Liabilities</b>	
Net assets (liabilities) at the beginning of the year	29,439	(11,030)
Available for sale assets	-	11,578
Gain for the year	6,002	27,771
Reclassifications	5,603	1,000
Currency translation adjustment	(23)	120
<b>Net assets at the end of the year</b>	<b>41,021</b>	<b>29,439</b>

#### **D. Fair value estimation**

Financial assets or liabilities classified as assets at fair value through profit or loss are measured under the framework established by the IASB accounting guidance for fair value measurements and disclosures.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active or no market is available, fair values are established using standard valuation techniques.

For the purpose of estimating the fair value of Cash and cash equivalents and Other Investments expiring in less than ninety days from the measurement date, the Company usually chooses to use the historical cost because the carrying amount of financial assets and liabilities with maturities of less than ninety days approximates to their fair value.

The fair value of all outstanding derivatives is determined using specific pricing models that include inputs that are observable in the market or can be derived from or corroborated by observable data.

Borrowings are comprised primarily of fixed rate debt and variable rate debt with a short term portion where interest has already been fixed. They are classified under loans and receivables and measured at their carrying amount. Tenaris estimates that the fair value of its main financial liabilities is approximately 99.5% of its carrying amount including interests accrued in 2010 as compared with 99.0% in 2009. Tenaris estimates that a change of 50 basis points in the reference interest rates would have an estimated impact of less than 0.1% in the fair value of borrowings as of December 31, 2010 and 0.1% in 2009. Fair values were calculated using standard valuation techniques for floating rate instruments and comparable market rates for discounting flows.

#### **E. Accounting for derivative financial instruments and hedging activities**

Derivative financial instruments are initially recognized in the statement of financial position at fair value through profit and loss on the date a derivative contract is entered into and are subsequently remeasured at fair value. Specific tools are used for calculation of each instrument's fair value and these tools are tested for consistency on a quarterly basis. Market rates are used for all pricing operations. These include exchange rates, deposit rates and other discount rates matching the nature of each underlying risk.

As a general rule, Tenaris recognizes the full amount related to the change in fair value of derivative financial instruments in *Financial results* in the Consolidated Income Statement.

Tenaris designates certain derivatives as hedges of a particular risk associated with recognized assets or liabilities or highly probable forecast transactions. These transactions (mainly currency forward contracts on highly probable forecast transactions and interest rate swaps) are classified as cash flow hedges. 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 recognized in the income statement in the same period than the offsetting losses and gains on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of Tenaris derivative financial instruments (assets or liabilities) continues to be reflected on the statement of financial position.

For transactions designated and qualifying for hedge accounting, Tenaris documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. At December 31, 2010, the effective portion of designated cash flow hedges amounts to \$8.9 million and is included in *Other Reserves* in equity (see Note 25 Derivative financial instruments). Tenaris also documents its assessment on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flow of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 25. Movements in the hedging reserve included within *Other Reserves* in equity are also shown in Note 25. The full fair value of a hedging derivative is classified as a non current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

## IV. OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In the notes all amounts are shown in thousands of U.S. dollars, unless otherwise stated)

## 1 Segment information

## Reportable operating segments

(all amounts in thousands of U.S. dollars)

	Tubes	Projects	Other	Unallocated (**)	Total Continuing operations	Total Discontinued operations (*)
<b>Year ended December 31, 2010</b>						
Net sales	6,676,429	428,771	606,398	-	7,711,598	-
Cost of sales	(3,975,935)	(286,415)	(438,460)	-	(4,700,810)	-
<b>Gross profit</b>	<b>2,700,494</b>	<b>142,356</b>	<b>167,938</b>	-	<b>3,010,788</b>	-
Selling, general and administrative expenses	(1,365,757)	(80,485)	(69,628)	-	(1,515,870)	-
Other operating income (expenses), net	68,601	1,817	8,211	-	78,629	-
<b>Operating income</b>	<b>1,403,338</b>	<b>63,688</b>	<b>106,521</b>	-	<b>1,573,547</b>	-
Segment assets	12,215,642	1,018,607	436,655	693,427	14,364,331	-
Segment liabilities	3,453,083	259,691	100,977	-	3,813,751	-
Capital expenditures	799,724	42,740	4,852	-	847,316	-
Depreciation and amortization	471,717	19,843	15,342	-	506,902	-
Impairment reversal	67,293	-	-	-	67,293	-
<b>Year ended December 31, 2009</b>						
Net sales	6,670,929	986,548	491,843	-	8,149,320	18,558
Cost of sales	(3,769,895)	(704,238)	(390,789)	-	(4,864,922)	(31,866)
<b>Gross profit</b>	<b>2,901,034</b>	<b>282,310</b>	<b>101,054</b>	-	<b>3,284,398</b>	<b>(13,308)</b>
Selling, general and administrative expenses	(1,325,441)	(75,841)	(72,509)	-	(1,473,791)	(9,540)
Other operating income (expenses), net	1,249	2,165	(414)	-	3,000	(179)
<b>Operating income</b>	<b>1,576,842</b>	<b>208,634</b>	<b>28,131</b>	-	<b>1,813,607</b>	<b>(23,027)</b>
Segment assets	11,365,861	971,783	521,520	624,144	13,483,308	-
Segment liabilities	3,463,294	234,549	64,629	-	3,762,472	-
Capital expenditures	425,545	30,820	4,562	-	460,927	-
Depreciation and amortization	464,841	18,593	21,403	-	504,837	27
<b>Year ended December 31, 2008</b>						
Net sales	10,010,066	1,270,915	706,779	-	11,987,760	242,464
Cost of sales	(5,300,257)	(883,534)	(514,494)	-	(6,698,285)	(158,616)
<b>Gross profit</b>	<b>4,709,809</b>	<b>387,381</b>	<b>192,285</b>	-	<b>5,289,475</b>	<b>83,848</b>
Selling, general and administrative expenses	(1,549,466)	(136,923)	(101,563)	-	(1,787,952)	(44,858)
Other operating income (expenses), net	(333,302)	(1,415)	(41,156)	-	(375,873)	(109,770)
<b>Operating income</b>	<b>2,827,041</b>	<b>249,043</b>	<b>49,566</b>	-	<b>3,125,650</b>	<b>(70,780)</b>
Segment assets	13,154,333	941,519	477,853	527,007	15,100,712	-



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Segment liabilities	5,860,736	377,497	160,592	-	6,398,825	-
Capital expenditures	412,298	17,284	13,656	-	443,238	3,429
Depreciation and amortization	481,953	20,084	22,426	-	524,463	17,436
Impairment charge	354,905	-	39,347	-	394,252	108,647

Transactions between segments, which were eliminated in consolidation, include sales of scrap and pipe protectors from the Other segment to the Tubes segment for \$204,478, \$113,408 and \$191,036 in 2010, 2009 and 2008, respectively.

**1 Segment information (Cont.)****Geographical information**

(all amounts in thousands of U.S. dollars)	North America	South America	Europe	Middle East & Africa	Far East & Oceania	Unallocated (**)	Total Continuing operations	Total Discontinued operations (*)
<b>Year ended December 31, 2010</b>								
Net sales	3,295,081	1,911,824	805,617	1,264,610	434,466	-	7,711,598	-
Total assets	7,316,794	3,106,212	2,292,675	347,492	607,731	693,427	14,364,331	-
Trade receivables	430,184	332,263	315,443	259,434	84,318	-	1,421,642	-
Property, plant and equipment, net	1,883,992	862,433	837,764	34,047	162,344	-	3,780,580	-
Capital expenditures	561,782	123,586	130,232	20,839	10,877	-	847,316	-
Depreciation and amortization	258,428	104,992	115,776	1,215	26,491	-	506,902	-
<b>Year ended December 31, 2009</b>								
Net sales	2,891,523	2,285,677	866,692	1,623,541	481,887	-	8,149,320	18,558
Total assets	6,722,816	2,790,249	2,469,042	386,242	490,815	624,144	13,483,308	-
Trade receivables	344,548	361,976	235,708	327,924	40,146	-	1,310,302	-
Property, plant and equipment, net	1,387,146	826,028	864,612	14,357	162,444	-	3,254,587	-
Capital expenditures	261,781	99,521	68,394	5,580	25,651	-	460,927	-
Depreciation and amortization	272,677	100,089	108,770	1,367	21,934	-	504,837	27
<b>Year ended December 31, 2008</b>								
Net sales	4,809,330	2,815,578	1,824,684	1,810,695	727,473	-	11,987,760	242,464
Total assets	7,083,508	3,460,729	3,033,555	436,179	559,734	527,007	15,100,712	-
Trade receivables	786,867	432,987	379,794	386,786	136,862	-	2,123,296	-
Property, plant and equipment, net	1,180,738	796,009	861,892	10,128	134,104	-	2,982,871	-
Capital expenditures	159,990	141,174	101,050	6,705	34,319	-	443,238	3,429
Depreciation and amortization	298,240	99,261	111,040	1,246	14,676	-	524,463	17,436

There are no revenues from external customers attributable to the Company's country of incorporation (Luxembourg). For geographical information purposes, North America comprises Canada, Mexico and the USA; South America comprises principally Argentina, Brazil, Colombia, Ecuador, Peru and Venezuela; Europe comprises principally Italy, Norway and Romania; Middle East and Africa comprises principally Algeria, Egypt, Kazakhstan, Kuwait, Nigeria, Saudi Arabia and United Arab Emirates; Far East and Oceania comprises principally Australia, China, Indonesia and Japan.

(\* ) Corresponds to the Venezuelan Companies (years 2009 and 2008) and Pressure Control (year 2008) operations (See Notes 29 and 32).

(\*\* ) Includes Investments in associated companies and Available for sale assets for \$21.6 million in 2010 and 2009 (See Note 32).

## 2 Cost of sales

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2010	2009	2008
<b>Inventories at the beginning of the year</b>	<b>1,687,059</b>	<b>3,091,401</b>	<b>2,598,856</b>
<b>Plus: Charges of the year</b>			
Raw materials, energy, consumables and other	3,690,900	1,948,596	5,430,147
Increase in inventory due to business combinations	-	53,541	-
Services and fees	329,687	240,346	395,104
Labor cost	941,375	737,883	927,132
Depreciation of property, plant and equipment	290,299	263,634	282,407
Amortization of intangible assets	3,351	2,813	2,170
Maintenance expenses	174,966	145,413	203,207
Provisions for contingencies	-	1,984	12
Allowance for obsolescence	(34,522)	89,041	(2,055)
Taxes	7,121	6,799	8,655
Other	70,958	46,122	102,667