

**TENARIS S.A.**

**CONSOLIDATED CONDENSED INTERIM FINANCIAL  
STATEMENTS**

**June 30, 2018**

29, Avenue de la Porte-Neuve – 3rd Floor.  
L - 2227 Luxembourg  
**R.C.S. Luxembourg: B 85 203**

**CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT**

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

	Notes	Three-month period ended June 30,		Six-month period ended June 30,	
		2018	2017	2018	2017
<b>Continuing operations</b>		(Unaudited)		(Unaudited)	
Net sales	3	1,788,484	1,242,804	3,654,719	2,396,664
Cost of sales	4	(1,226,557)	(865,729)	(2,532,063)	(1,689,585)
<b>Gross profit</b>		<b>561,927</b>	<b>377,075</b>	<b>1,122,656</b>	<b>707,079</b>
Selling, general and administrative expenses	5	(337,574)	(327,132)	(687,208)	(621,563)
Other operating income (expense), net		(1,917)	1,547	(815)	1,988
<b>Operating income</b>		<b>222,436</b>	<b>51,490</b>	<b>434,633</b>	<b>87,504</b>
Finance Income	6	9,609	11,059	18,982	23,986
Finance Cost	6	(10,422)	(6,020)	(20,596)	(11,958)
Other financial results	6	39,383	(20,667)	32,317	(32,082)
<b>Income before equity in earnings of non-consolidated companies and income tax</b>		<b>261,006</b>	<b>35,862</b>	<b>465,336</b>	<b>67,450</b>
Equity in earnings of non-consolidated companies		40,920	30,201	86,946	65,401
<b>Income before income tax</b>		<b>301,926</b>	<b>66,063</b>	<b>552,282</b>	<b>132,851</b>
Income tax		(135,454)	7,357	(150,576)	54,602
<b>Income for continuing operations</b>		<b>166,472</b>	<b>73,420</b>	<b>401,706</b>	<b>187,453</b>
<b>Discontinued operations</b>					
Result for discontinued operations	14	-	-	-	91,542
<b>Income for the period</b>		<b>166,472</b>	<b>73,420</b>	<b>401,706</b>	<b>278,995</b>
<b>Attributable to:</b>					
Owners of the parent		168,328	74,524	403,311	279,651
Non-controlling interests		(1,856)	(1,104)	(1,605)	(656)
		<b>166,472</b>	<b>73,420</b>	<b>401,706</b>	<b>278,995</b>
<b>Earnings per share attributable to the owners of the parent during the period:</b>					
Weighted average number of ordinary shares (thousands)		1,180,537	1,180,537	1,180,537	1,180,537
<b>Continuing operations</b>					
Basic and diluted earnings per share (U.S. dollars per share)		0.14	0.06	0.34	0.16
Basic and diluted earnings per ADS (U.S. dollars per ADS) (1)		0.29	0.13	0.68	0.32
<b>Continuing and discontinued operations</b>					
Basic and diluted earnings per share (U.S. dollars per share)		0.14	0.06	0.34	0.24
Basic and diluted earnings per ADS (U.S. dollars per ADS) (1)		0.29	0.13	0.68	0.47

(1) Each ADS equals two shares.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

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

	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
<b>Income for the period</b>				
<b>Items that may be subsequently reclassified to profit or loss:</b>				
Currency translation adjustment	(111,526)	62,347	(79,062)	90,297
Change in value of cash flow hedges and instruments at fair value	(12,417)	8,239	(14,300)	12,066
Share of other comprehensive income of non-consolidated companies:				
- Currency translation adjustment	(33,459)	(8,593)	(38,411)	(3,862)
- Changes in the fair value of derivatives held as cash flow hedges and others	(51)	4,662	(40)	4,652
Income tax relating to components of other comprehensive income	31	-	52	23
	<b>(157,422)</b>	<b>66,655</b>	<b>(131,761)</b>	<b>103,176</b>
<b>Items that will not be reclassified to profit or loss:</b>				
Remeasurements of post employment benefit obligations	508	605	508	605
Income tax on items that will not be reclassified	(36)	(219)	(52)	(219)
Remeasurements of post employment benefit obligations of non-consolidated companies	(207)	(134)	(263)	1,461
	<b>265</b>	<b>252</b>	<b>193</b>	<b>1,847</b>
<b>Other comprehensive (loss) income for the period, net of tax</b>	<b>(157,157)</b>	<b>66,907</b>	<b>(131,568)</b>	<b>105,023</b>
<b>Total comprehensive income for the period</b>	<b>9,315</b>	<b>140,327</b>	<b>270,138</b>	<b>384,018</b>
<b>Attributable to:</b>				
Owners of the parent	11,504	141,090	271,934	384,287
Non-controlling interests	(2,189)	(763)	(1,796)	(269)
	<b>9,315</b>	<b>140,327</b>	<b>270,138</b>	<b>384,018</b>
<b>Total comprehensive income for the period attributable to Owners of the parent arises from</b>				
Continuing operations	11,504	141,090	271,934	292,745
Discontinued operations	-	-	-	91,542
	<b>11,504</b>	<b>141,090</b>	<b>271,934</b>	<b>384,287</b>

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. 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, 2017.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**

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

	Notes	<u>At June 30, 2018</u>		<u>At December 31, 2017</u>	
		<b>(Unaudited)</b>			
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment, net	8	6,139,845		6,229,143	
Intangible assets, net	9	1,614,043		1,660,859	
Investments in non-consolidated companies	13	663,261		640,294	
Available for sale assets		21,572		21,572	
Other investments	10	197,158		128,335	
Deferred tax assets		177,266		153,532	
Receivables, net		155,734	8,968,879	183,329	9,017,064
<b>Current assets</b>					
Inventories, net		2,530,072		2,368,304	
Receivables and prepayments, net		142,276		135,698	
Current tax assets		151,964		132,334	
Trade receivables, net		1,536,323		1,214,060	
Derivative financial instruments	11	2,484		8,231	
Other investments	10	730,240		1,192,306	
Cash and cash equivalents	10	427,960	5,521,319	330,221	5,381,154
<b>Total assets</b>		<b>14,490,198</b>		<b>14,398,218</b>	
<b>EQUITY</b>					
Capital and reserves attributable to owners of the parent			11,431,575		11,482,185
Non-controlling interests			95,139		98,785
<b>Total equity</b>			<b>11,526,714</b>		<b>11,580,970</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings		31,826		34,645	
Deferred tax liabilities		472,965		457,970	
Other liabilities		214,599		217,296	
Provisions		35,966	755,356	36,438	746,349
<b>Current liabilities</b>					
Borrowings		808,669		931,214	
Derivative financial instruments	11	91,615		39,799	
Current tax liabilities		158,235		102,405	
Other liabilities		219,890		157,705	
Provisions		27,181		32,330	
Customer advances		89,566		56,707	
Trade payables		812,972	2,208,128	750,739	2,070,899
<b>Total liabilities</b>		<b>2,963,484</b>		<b>2,817,248</b>	
<b>Total equity and liabilities</b>		<b>14,490,198</b>		<b>14,398,218</b>	

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. 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, 2017.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

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

	Attributable to owners of the parent						Non-controlling interests	Total
	Share Capital (1)	Legal Reserves	Share Premium	Currency Translation Adjustment	Other Reserves (2)	Retained Earnings (3)		
								(Unaudited)
<b>Balance at December 31, 2017</b>	1,180,537	118,054	609,733	(824,423)	(320,569)	10,718,853	11,482,185	98,785
Changes in accounting policies (Note 2)	-	-	-	-	2,786	5,220	8,006	12
<b>Balance at December 31, 2017</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>(824,423)</b>	<b>(317,783)</b>	<b>10,724,073</b>	<b>11,490,191</b>	<b>98,797</b>
<b>Income (loss) for the period</b>	-	-	-	-	-	<b>403,311</b>	<b>403,311</b>	<b>(1,605)</b>
Currency translation adjustment	-	-	-	(78,891)	-	-	(78,891)	(171)
Remeasurements of post employment benefit obligations, net of taxes	-	-	-	-	482	-	482	(26)
Change in value of instruments at fair value through other comprehensive income and cash flow hedges, net of taxes	-	-	-	-	(14,254)	-	(14,254)	6
Share of other comprehensive income of non-consolidated companies	-	-	-	(38,411)	(303)	-	(38,714)	-
<b>Other comprehensive (loss) for the period</b>	-	-	-	<b>(117,302)</b>	<b>(14,075)</b>	-	<b>(131,377)</b>	<b>(191)</b>
<b>Total comprehensive income (loss) for the period</b>	-	-	-	<b>(117,302)</b>	<b>(14,075)</b>	<b>403,311</b>	<b>271,934</b>	<b>(1,796)</b>
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(1)
Dividends approved to be distributed	-	-	-	-	-	(330,550)	(330,550)	(1,861)
<b>Balance at June 30, 2018</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>(941,725)</b>	<b>(331,858)</b>	<b>10,796,834</b>	<b>11,431,575</b>	<b>95,139</b>

	Attributable to owners of the parent						Non-controlling interests	Total
	Share Capital (1)	Legal Reserves	Share Premium	Currency Translation Adjustment	Other Reserves (2)	Retained Earnings (3)		
								(Unaudited)
<b>Balance at December 31, 2016</b>	1,180,537	118,054	609,733	(965,955)	(313,088)	10,658,136	11,287,417	125,655
<b>Income (loss) for the period</b>	-	-	-	-	-	<b>279,651</b>	<b>279,651</b>	<b>(656)</b>
Currency translation adjustment	-	-	-	89,886	-	-	89,886	411
Remeasurements of post employment benefit obligations, net of taxes	-	-	-	-	386	-	386	-
Change in value of available for sale financial instruments and cash flow hedges, net of taxes	-	-	-	-	12,113	-	12,113	(24)
Share of other comprehensive income of non-consolidated companies	-	-	-	(3,862)	6,113	-	2,251	-
<b>Other comprehensive income for the period</b>	-	-	-	<b>86,024</b>	<b>18,612</b>	-	<b>104,636</b>	<b>387</b>
<b>Total comprehensive income (loss) for the period</b>	-	-	-	<b>86,024</b>	<b>18,612</b>	<b>279,651</b>	<b>384,287</b>	<b>(269)</b>
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(31)
Dividends paid in cash	-	-	-	-	-	(330,550)	(330,550)	(19,200)
<b>Balance at June 30, 2017</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>(879,931)</b>	<b>(294,476)</b>	<b>10,607,237</b>	<b>11,341,154</b>	<b>106,155</b>

(1) The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of USD1.00 per share. As of June 30, 2018 and 2017 there were 1,180,536,830 shares issued. All issued shares are fully paid.

(2) Other reserves include mainly the result of transactions with non-controlling interest that do not result in a loss of control, the remeasurement of post-employment benefit obligations and the changes in value of cash flow hedges and in financial instruments measured at fair value through other comprehensive income.

(3) The Distributable Reserve and Retained Earnings as of June 30, 2018 calculated in accordance with Luxembourg Law are disclosed in Note 12.

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. 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, 2017.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS**

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

	Notes	<b>Six-month period ended June 30,</b>	
		<b>2018</b>	<b>2017</b>
		<b>(Unaudited)</b>	
<b>Cash flows from operating activities</b>			
Income for the period		401,706	278,995
Adjustments for:			
Depreciation and amortization	<b>8 &amp; 9</b>	282,203	311,066
Income tax accruals less payments		67,851	(129,818)
Equity in earnings of non-consolidated companies		(86,946)	(65,401)
Interest accruals less payments, net		6,775	4,889
Changes in provisions		(5,621)	(19,920)
Income from the sale of Conduit business		-	(89,694)
Changes in working capital		(357,655)	(291,721)
Derivatives, currency translation adjustment and others		13,362	(5,092)
<b>Net cash provided by (used in) operating activities</b>		<b>321,675</b>	<b>(6,696)</b>
<b>Cash flows from investing activities</b>			
Capital expenditures	<b>8 &amp; 9</b>	(195,731)	(293,806)
Changes in advance to suppliers of property, plant and equipment		4,218	4,329
Proceeds from disposal of Conduit business	<b>14</b>	-	327,631
Loan to non-consolidated companies	<b>13</b>	(3,520)	(10,956)
Repayment of loan by non-consolidated companies	<b>13</b>	5,470	1,950
Proceeds from disposal of property, plant and equipment and intangible assets		2,708	2,878
Investment in companies under cost method		-	(3,681)
Dividends received from non-consolidated companies		25,722	22,971
Changes in investments in securities		396,078	170,071
<b>Net cash provided by investing activities</b>		<b>234,945</b>	<b>221,387</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(330,550)	(330,550)
Dividends paid to non-controlling interest in subsidiaries		(1,108)	(19,200)
Acquisitions of non-controlling interests		(1)	(31)
Proceeds from borrowings		576,007	519,735
Repayments of borrowings		(696,852)	(517,850)
<b>Net cash (used in) financing activities</b>		<b>(452,504)</b>	<b>(347,896)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>104,116</b>	<b>(133,205)</b>
<b>Movement in cash and cash equivalents</b>			
At the beginning of the period		330,090	398,580
Effect of exchange rate changes		(6,950)	5,462
Increase (decrease) in cash and cash equivalents		104,116	(133,205)
<b>At June 30,</b>		<b>427,256</b>	<b>270,837</b>
		<b>At June 30,</b>	
		<b>2018</b>	<b>2017</b>
<b>Cash and cash equivalents</b>			
Cash and bank deposits		427,960	271,224
Bank overdrafts		(704)	(387)
		<b>427,256</b>	<b>270,837</b>

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. 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, 2017.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

- 1 General information
- 2 Accounting policies and basis of presentation
- 3 Segment information
- 4 Cost of sales
- 5 Selling, general and administrative expenses
- 6 Financial results
- 7 Dividend distribution
- 8 Property, plant and equipment, net
- 9 Intangible assets, net
- 10 Cash and cash equivalents and other investments
- 11 Derivative financial instruments
- 12 Contingencies, commitments and restrictions to the distribution of profits
- 13 Investments in non-consolidated companies
- 14 Discontinued operations
- 15 Related party transactions
- 16 Category of financial instruments and classification within the fair value hierarchy
- 17 Nationalization of Venezuelan Subsidiaries

---

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

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

**1 General information**

Tenaris S.A. (the "Company") was established as a public limited liability company (*société anonyme*) under the laws of the Grand-Duchy of Luxembourg on December 17, 2001. The Company holds, either directly or indirectly, controlling interests in various subsidiaries in the steel pipe manufacturing and distribution businesses. References in these Consolidated Condensed Interim Financial Statements to "Tenaris" refer to Tenaris S.A. and its consolidated subsidiaries. A list of the principal Company's subsidiaries is included in Note 30 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2017.

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

These Consolidated Condensed Interim Financial Statements were approved for issuance by the Company's Board of Directors on August 1, 2018.

**2 Accounting policies and basis of presentation**

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, 2017 except for the adoption of new and amended standards as set out below. These Consolidated Condensed Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and in conformity with IFRS as adopted by the European Union ("EU").

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 the reported amounts of revenues and expenses for the reported periods. Actual results may differ from these estimates.

Material inter-company transactions, balances and unrealized gains (losses) on transactions between Tenaris's 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 Condensed Interim Income Statement under *Other financial results*.

There were no changes in valuation techniques during the period and there have been no changes in any risk management policies since the year ended December 31, 2017.

Whenever necessary, certain comparative amounts have been reclassified to conform to changes in presentation in the current period.

*Accounting pronouncements applicable as from January 1, 2018 and relevant for Tenaris*

IFRS 9, "Financial instruments"

Tenaris has adopted IFRS 9 "Financial instruments" from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 9, Tenaris has adopted the new rules using the retrospective approach, meaning that the cumulative impact of the adoption was recognized in the opening retained earnings and other reserves of the current period as of January 1, 2018 and that comparatives were not restated.

The new impairment model requires recognition of impairment provisions based on expected credit losses rather than on incurred credit losses. The impact of this change was a decrease of \$6.4 million in the allowance for doubtful accounts.

**2 Accounting policies and basis of presentation (Cont.)**

Accounting pronouncements applicable as from January 1, 2018 and relevant for Tenaris (Cont.)

IFRS 9, “Financial instruments” (Cont.)

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at January 1, 2018 are compared as follows:

<b>Financial Assets</b>	<b>FVPL</b>	<b>Held to maturity</b>	<b>Amortized cost (loans &amp; receivables 2017)</b>	<b>FVOCI (Available for sale 2017)</b>
Closing balance December 31, 2017 - IAS 39	1,163,808	344,336	1,541,724	21,572
Reclassified bonds and other fixed income from HTM to FVOCI	-	(344,336)	-	344,336
Reclassified fixed income from FVPL to amortized cost	(550,646)	-	550,646	-
Reclassified bonds and other fixed income from FVPL to FVOCI	(153,702)	-	-	153,702
Opening balance January 1, 2018 - IFRS 9	459,460	-	2,092,370	519,610

  

	<b>Effect on other reserves</b>	<b>Effect on retained earnings</b>
Opening balance January 1, 2018 - IAS 39	(320,569)	10,718,853
Reclassify investments from HTM to FVOCI	3,126	-
Reclassify investments from FVPL to FVOCI	(352)	352
Opening balance January 1, 2018 - IFRS 9	(317,795)	10,719,205

Since January 1, 2018 the Company classifies its financial instruments in the following measurement categories:

**Amortized Cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through other comprehensive income (“FVOCI”):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Unrealized gains or losses are recorded as a fair value adjustment in the consolidated statement of comprehensive income and transferred to the consolidated income statement when the financial asset is sold. Exchange gains and losses and impairments related to the financial assets are immediately recognized in the consolidated income statement.

**Fair value through profit and loss (“FVPL”):** Assets that do not meet the criteria for amortized cost or FVOCI. Changes in fair value of financial instruments at FVPL are immediately recognized in the consolidated income statement.

The classification depends on the Company’s business model for managing the financial assets and contractual terms of the cash flows.

IFRS 15, “Revenue from contracts with customers”

The group has adopted IFRS 15 “Revenue from contracts with customers” from January 1 2018, which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The policy sets out the requirements in accounting for revenue arising from contracts with customers and is based on the principle that revenue is recognized when control of a good or service is transferred to the customer. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules using the modified retrospective approach, meaning that the cumulative impact of the adoption was recognized in retained earnings as of January 1, 2018 and that comparatives were not restated.

The impact of the adoption as of January 1, 2018 on the aggregate of revenues, cost of sales and selling expenses was a decrease of \$ 0.7 million net.



**2 Accounting policies and basis of presentation (Cont.)**

*New and amended standards not yet adopted and relevant for Tenaris*

In January 2016, the IASB issued IFRS 16, "Leases". The new standard will result in almost all leases recognized on the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 must be applied on annual periods beginning on or after January 1, 2019.

This standard was endorsed by the EU.

The Company's management is currently assessing the potential impact that the application of this standard may have on the Company's financial condition or results of operations.

None of the accounting pronouncements issued after December 31, 2017 and as of the date of these Consolidated Condensed Interim Financial Statements has a material effect on the Company's financial condition or result of operations.

**3 Segment information****Reportable operating segment**

(All amounts in millions of U.S. dollars)

<b>Six-month period ended June 30, 2018</b>	<b>Tubes</b>	<b>Other</b>	<b>Continuing operations</b>	<b>Discontinued operations</b>
<b>IFRS - Net Sales</b>	<b>3,452</b>	<b>203</b>	<b>3,655</b>	-
<b>Management view - operating income</b>	<b>290</b>	<b>35</b>	<b>325</b>	-
Difference in cost of sales	103	3	106	-
<i>Direct cost and others</i>	97	3	100	-
<i>Absorption</i>	6	-	6	-
Differences in depreciation and amortization	(2)	-	(2)	-
Differences in selling, general and administrative expenses	-	6	6	-
<b>IFRS - operating income</b>	<b>391</b>	<b>44</b>	<b>435</b>	-
Financial income (expense), net			31	-
Income before equity in earnings of non-consolidated companies and income tax			466	-
Equity in earnings of non-consolidated companies			87	-
<b>Income before income tax</b>			<b>553</b>	-
<i>Capital expenditures</i>	194	2	196	-
<i>Depreciation and amortization</i>	274	8	282	-
<b>Six-month period ended June 30, 2017</b>	<b>Tubes</b>	<b>Other</b>	<b>Continuing operations</b>	<b>Discontinued operations</b>
<b>IFRS - Net Sales</b>	<b>2,260</b>	<b>137</b>	<b>2,397</b>	<b>12</b>
<b>Management view - operating income</b>	<b>(28)</b>	<b>12</b>	<b>(16)</b>	<b>3</b>
Difference in cost of sales	92	(1)	91	(1)
<i>Direct cost and others</i>	67	(2)	65	(1)
<i>Absorption</i>	25	1	26	-
Differences in Depreciation and Amortization	(2)	-	(2)	-
Differences in Selling, general and administrative expenses	13	-	13	-
Differences in Other operating income (expenses), net	1	-	1	-
<b>IFRS - operating income</b>	<b>76</b>	<b>11</b>	<b>87</b>	<b>2</b>
Financial income (expense), net			(20)	-
Income before equity in earnings of non-consolidated companies and income tax			67	2
Equity in earnings of non-consolidated companies			65	-
<b>Income before income tax</b>			<b>132</b>	<b>2</b>
<i>Capital expenditures</i>	289	5	294	-
<i>Depreciation and amortization</i>	304	7	311	-

In the six-month period ended June 30, 2018 and 2017, transactions between segments, which were eliminated in consolidation, are mainly related to sales of scrap, energy, surplus raw materials and others from the Other segment to the Tubes segment for \$26 and \$25 million respectively. In addition to the amounts reconciled above, the main differences in net income arise from the impact of functional currencies on financial result, deferred income taxes as well as the result of investment in non-consolidated companies and changes on the valuation of inventories according to cost estimation internally defined.

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

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

	North America	South America	Europe	Middle East & Africa	Asia Pacific	Total continuing operations	Total discontinued operations
<b>Six-month period ended June 30, 2018</b>							
Net sales	1,690,341	679,178	380,838	763,002	141,360	3,654,719	-
Capital expenditures	110,708	40,049	41,613	808	2,553	195,731	-
Depreciation and amortization	166,903	55,277	44,077	5,217	10,729	282,203	-
<b>Six-month period ended June 30, 2017</b>							
Net sales	1,061,010	505,220	257,230	469,841	103,363	2,396,664	11,899
Capital expenditures	238,140	32,445	16,005	5,188	1,883	293,661	145
Depreciation and amortization	179,057	62,745	51,574	6,204	11,486	311,066	-

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

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 and Colombia; "Europe" comprises principally Italy and Romania; "Middle East and Africa" comprises principally Egypt, Kazakhstan, Nigeria and Saudi Arabia and; "Asia Pacific" comprises principally China, Japan, Indonesia and Thailand.

**4 Cost of sales**

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

	<b>Six-month period ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	
<b>Inventories at the beginning of the period</b>	<b>2,368,304</b>	<b>1,563,889</b>
<b>Plus: Charges of the period</b>		
Raw materials, energy, consumables and other	1,686,567	1,329,052
Services and fees	143,862	115,251
Labor cost	439,051	361,198
Depreciation of property, plant and equipment	217,179	183,741
Amortization of intangible assets	4,770	11,503
Maintenance expenses	100,810	75,540
Allowance for obsolescence	14,921	(8,319)
Taxes	16,497	8,924
Other	70,174	45,029
	<b>2,693,831</b>	<b>2,121,919</b>
<b>Less: Inventories at the end of the period</b>	<b>(2,530,072)</b>	<b>(1,988,820)</b>
From discontinued operations	-	(7,403)
	<b>2,532,063</b>	<b>1,689,585</b>

**5 Selling, general and administrative expenses**

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

	<b>Six-month period ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
	(Unaudited)	
Services and fees	64,458	69,476
Labor cost	239,563	221,689
Depreciation of property, plant and equipment	8,430	8,942
Amortization of intangible assets	51,824	106,880
Commissions, freight and other selling expenses	236,131	153,638
Provisions for contingencies	9,395	3,181
Allowances for doubtful accounts	(6,661)	(4,738)
Taxes	33,568	23,424
Other	50,500	41,112
	<b>687,208</b>	<b>623,604</b>
From discontinued operations	-	(2,041)
	<b>687,208</b>	<b>621,563</b>

**6 Financial results**

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

	<b>Six-month period ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Interest Income	21,208	25,684
Net result on changes in FV of financial assets at FVTPL	(2,226)	(1,698)
<b>Finance Income</b>	<b>18,982</b>	<b>23,986</b>
<b>Finance Cost</b>	<b>(20,596)</b>	<b>(11,958)</b>
Net foreign exchange transactions results (*)	28,070	(33,057)
Foreign exchange derivatives contracts results	4,891	(6,384)
Other	(644)	7,350
<b>Other Financial results</b>	<b>32,317</b>	<b>(32,091)</b>
<b>Net Financial results</b>	<b>30,703</b>	<b>(20,063)</b>
From discontinued operations	-	9
	<b>30,703</b>	<b>(20,054)</b>

(\*)The six-month period ended June 2018 includes the positive impact from Euro depreciation against the U.S. dollar on Euro denominated intercompany liabilities in subsidiaries with functional currency U.S. Dollar largely offset by a decrease in currency translation adjustment reserve from an Italian subsidiary. Also includes the positive impact from Argentinian peso depreciation against the U.S. dollar on Peso denominated financial, trade, social and fiscal payables at certain Argentinian subsidiaries which functional currency is the U.S. dollar. The six-month period ended 2017 includes the negative impact from Euro appreciation against the U.S. dollar on Euro denominated intercompany liabilities in subsidiaries with functional currency U.S. Dollar, largely offset by an increase in currency translation adjustment reserve from an Italian subsidiary

**7 Dividend distribution**

On May 2, 2018, the Company's Shareholders approved an annual dividend in the amount of \$0.41 per share (\$0.82 per ADS). The amount approved included the interim dividend previously paid in November 22, 2017 in the amount of \$0.13 per share (\$0.26 per ADS). The balance, amounting to \$0.28 per share (\$0.56 per ADS), was paid on May 23, 2018. In the aggregate, the interim dividend paid in November 2017 and the balance paid in May 2018 amounted to approximately \$484.0 million.

On May 3, 2017, the Company's Shareholders approved an annual dividend in the amount of \$0.41 per share (\$0.82 per ADS). The amount approved included the interim dividend previously paid in November 23, 2016 in the amount of \$0.13 per share (\$0.26 per ADS). The balance, amounting to \$0.28 per share (\$0.56 per ADS), was paid on May 24, 2017. In the aggregate, the interim dividend paid in November 2016 and the balance paid in May 2017 amounted to approximately \$484.0 million.

**8 Property, plant and equipment, net**

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

	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
<b>Six-month period ended June 30,</b>		
Opening net book amount	6,229,143	6,001,939
Currency translation adjustment	(42,303)	40,807
Additions (*)	177,583	275,690
Disposals	(1,908)	(2,100)
Transfers	2,939	689
Depreciation charge	(225,609)	(192,683)
<b>At June 30,</b>	<b>6,139,845</b>	<b>6,124,342</b>

(\*) Mainly due to the progress in the construction of the greenfield seamless facility in Bay City, Texas.

**9 Intangible assets, net**

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

	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
<b>Six-month period ended June 30,</b>		
Opening net book amount	1,660,859	1,862,827
Currency translation adjustment	(4,631)	562
Additions	18,148	17,971
Disposals	(800)	(602)
Transfers	(2,939)	(689)
Amortization charge	(56,594)	(118,383)
<b>At June 30,</b>	<b>1,614,043</b>	<b>1,761,686</b>

**10 Cash and cash equivalents and other investments**

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

	<b>At June 30,</b>	<b>At December 31,</b>
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
<b>Cash and cash equivalents</b>		
Cash at banks	115,445	150,948
Liquidity funds	216,167	66,033
Short – term investments	96,348	113,240
	<b>427,960</b>	<b>330,221</b>
<b>Other investments - current</b>		
Bonds and other fixed Income	407,995	754,800
Fixed Income (time-deposit, zero coupon bonds, commercial papers)	322,245	437,406
Others	-	100
	<b>730,240</b>	<b>1,192,306</b>
<b>Other investments - non-current</b>		
Bonds and other fixed Income	172,605	123,498
Fixed Income (time-deposit, zero coupon bonds, commercial papers)	20,008	-
Others	4,545	4,837
	<b>197,158</b>	<b>128,335</b>

**11 Derivative financial instruments**

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

	<b>At June 30,</b>	<b>At December 31,</b>
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
<b>Assets</b>		
Derivatives hedging borrowings and investments	862	2,036
Other Derivatives	1,622	6,195
	<b>2,484</b>	<b>8,231</b>
<b>Liabilities</b>		
Derivatives hedging borrowings and investments	88,668	34,770
Other Derivatives	2,947	5,029
	<b>91,615</b>	<b>39,799</b>

## 12 Contingencies, commitments and restrictions to the distribution of profits

### *Contingencies*

Tenaris is from time to time subject to various claims, lawsuits and other legal proceedings, including customer claims, in which third parties are seeking payment for alleged damages, reimbursement for losses, or indemnity. Management with the assistance of legal counsel periodically reviews the status of each significant matter and assesses potential financial exposure.

Some of these claims, lawsuits and other legal proceedings involve highly complex issues, and often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Accordingly, with respect to a large portion of such claims, lawsuits and other legal proceedings, Tenaris is unable to make a reliable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, Tenaris has not accrued a provision for the potential outcome of these cases.

If a potential loss from a claim, lawsuit or other 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 litigation and settlement strategies. In a limited number of ongoing cases, Tenaris was able to make a reliable estimate of the expected loss or range of probable loss and has accrued a provision for such loss but believes that publication of this information on a case-by-case basis would seriously prejudice Tenaris's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed information with respect to the nature of the contingency but has not disclosed its estimate of the range of potential loss.

The Company believes that the aggregate provisions recorded for potential losses in these Consolidated Condensed Interim Financial Statements are adequate based upon currently available information. However, if management's estimates prove incorrect, current reserves could be inadequate and Tenaris could incur a charge to earnings which could have a material adverse effect on Tenaris's results of operations, financial condition, net worth and cash flows.

Below is a summary description of Tenaris's material legal proceedings which are outstanding as of the date of these Consolidated Condensed Interim Financial Statements. In addition, Tenaris is subject to other legal proceedings, none of which is believed to be material.

- ***CSN claims relating to the January 2012 acquisition of Usiminas shares***

In 2013, Confab Industrial S.A. ("Confab"), a Brazilian subsidiary of the Company, was notified of a lawsuit filed in Brazil by Companhia Siderúrgica Nacional (CSN) and various entities affiliated with CSN against Confab and the other entities that acquired a participation in Usiminas' control group in January 2012.

The CSN lawsuit alleges that, under applicable Brazilian laws and rules, the acquirers were required to launch a tag-along tender offer to all non-controlling holders of Usiminas' ordinary shares for a price per share equal to 80% of the price per share paid in such acquisition, or BRL28.8, and seeks an order to compel the acquirers to launch an offer at that price plus interest. If so ordered, the offer would need to be made to 182,609,851 ordinary shares of Usiminas not belonging to Usiminas' control group, and Confab would have a 17.9% share in that offer.

On September 23, 2013, the first instance court dismissed the CSN lawsuit, and on February 8, 2017, the court of appeals maintained the understanding of the first instance court. On March 6, 2017, CSN filed a motion for clarification against the decision of the Court of Appeals of São Paulo, which was rejected on July 19, 2017. On August 18, 2017, CSN filed an appeal to the Superior Court of Justice seeking the review and reversal of the decision issued by the Court of Appeals. On March 5, 2018, the court of appeals ruled that CSN's appeal did not meet the requirements for submission to the Superior Court of Justice and rejected the appeal. On May 8, 2018, CSN appealed against such ruling. If CSN's appeal is granted, the Superior Court of Justice will also review admissibility, and, if declared admissible, will then render a decision on the merits. The Superior Court of Justice is restricted to the analysis of alleged violations to federal laws and cannot assess matters of fact.

Tenaris continues to believe that all of CSN's claims and allegations are groundless and without merit, as confirmed by several opinions of Brazilian legal counsel, two decisions issued by the Brazilian securities regulator (CVM) in February 2012 and December 2016, and the first and second instance court decisions referred to above.

**12 Contingencies, commitments and restrictions to the distribution of profits (Cont.)****Contingencies (Cont.)****▪ Veracel cellulose accident litigation**

On September 21, 2007, an accident occurred in the premises of Veracel Celulose S.A. (“Veracel”) in connection with a rupture in one of the tanks used in an evaporation system manufactured by Confab. The Veracel accident allegedly resulted in material damages to Veracel. Itaú Seguros S.A. (“Itaú”), Veracel’s insurer at the time of the Veracel accident, initiated a lawsuit against Confab seeking reimbursement of damages paid to Veracel in connection with the Veracel accident. Veracel initiated a second lawsuit against Confab seeking reimbursement of the amount paid as insurance deductible with respect to the Veracel accident and other amounts not covered by insurance. Itaú and Veracel claim that the Veracel accident was caused by failures and defects attributable to the evaporation system manufactured by Confab. Confab believes that the Veracel accident was caused by the improper handling by Veracel’s personnel of the equipment supplied by Confab in violation of Confab’s instructions. The two lawsuits have been consolidated and are now being considered by the 6th Civil Court of São Caetano do Sul; however, each lawsuit will be adjudicated through a separate ruling. Evidentiary stage for both proceedings has been closed but such decision has been appealed by Confab as explained below.

On March 10, 2016, a court-appointed expert issued its report on certain technical matters concerning the Veracel accident. Based upon a technical opinion received from a third-party expert, in August 2016, Confab filed its objections to the expert’s report. In November 2017, the court appointed expert filed a second report reaffirming its opinion and stating that the opinion of Confab’s appointed expert was incorrect. In April and May 2018, the parties filed their observations and/or opinions concerning the expert’s second report. On April 17, 2018, the court closed the evidentiary stage, a decision that was appealed by Confab on May 16, 2018. Approximately 54% of the amounts claimed by Itaú and Veracel are attributable to alleged lost profits, and the contract between Confab and Veracel expressly provided that Confab would not be liable for damages arising from loss profits. As of June 30, 2018, the estimated amount of Itaú’s claim was approximately BRL86.2 million (approximately \$22.4 million), and the estimated amount of Veracel’s claim is approximately BRL54.7 million (approximately \$14.2 million), for an aggregate amount BRL140.9 million (approximately \$36.6 million). The final result of this claim depends largely on the court’s evaluation of technical matters arising from the expert’s opinion and the objections presented by Confab.

**▪ Ongoing investigation**

The Company has learned that Italian and Swiss authorities are investigating whether certain payments were made from accounts of entities presumably associated with affiliates of the Company to accounts controlled by an individual allegedly related with officers of Petróleo Brasileiro S.A. and whether any such payments were intended to benefit Confab. Any such payments could violate certain applicable laws, including the U.S. Foreign Corrupt Practices Act. The Company had previously reviewed certain of these matters in connection with an investigation by the Brazilian authorities related to “Operation Lava Jato” and the Audit Committee of the Company’s Board of Directors has engaged external counsel in connection with a review of the alleged payments and related matters. In addition, the Company has voluntarily notified the U.S. Securities and Exchange Commission and the U.S. Department of Justice. The Company intends to share the results of this review with the appropriate authorities, and to cooperate with any investigations that may be conducted by such authorities. At this time, the Company cannot predict the outcome of these matters or estimate the range of potential loss or extent of risk, if any, to the Company’s business that may result from resolution of these matters.

**▪ Petroamazonas penalties**

On January 22, 2016, Petroamazonas (“PAM”), an Ecuadorian state-owned oil company, imposed penalties to the Company’s Uruguayan subsidiary, Tenaris Global Services S.A. (“TGS”), for its alleged failure to comply with delivery terms under a pipe supply agreement. The penalties amount to approximately \$22.5 million as of the date hereof. On June 27, 2018, TGS initiated arbitration proceedings against PAM before the Quito Chamber of Commerce Arbitration Center seeking reimbursement of the penalty amounts plus interest. Tenaris believes, based on the advice of counsel, that PAM had no legal basis to impose the penalties and that TGS has meritorious defenses against PAM. However, in light of the prevailing political circumstances in Ecuador, the Company cannot predict the outcome of a claim against a state-owned company and it is not possible to estimate the amount or range of loss in case of an unfavorable outcome.

**12 Contingencies, commitments and restrictions to the distribution of profits (Cont.)**

***Contingencies (Cont.)***

▪ ***Contractor claim for additional costs***

Tenaris Bay City Inc. (“Tenaris Bay City”), a U.S. subsidiary of the Company, received claims from a contractor for alleged additional costs in the construction of a project located in the Bay City area for a total amount in excess of \$90 million. On June 30, 2017, the contractor filed a demand for arbitration of these claims. An arbitral panel was selected and a scheduling order issued. The parties have already submitted statements of claim and responses to the other party’s claim. The discovery process is currently underway. The final trial hearing on this matter is scheduled for February 2019. At this stage the Company cannot predict the outcome of the claim or the amount or range of loss in case of an unfavorable outcome.

▪ ***Investigation concerning currency exchange declarations***

Siderca S.A.I.C, an Argentine subsidiary of the Company (“Siderca”), and some of its current and former directors and employees, were subject to an administrative criminal proceeding before a criminal court concerning alleged inaccurate information included in 15 currency exchange declarations related to the trading of foreign currency between August and October 2008 in connection with exports of goods for a total amount of \$268.8 million. On July 13, 2018, the criminal court acquitted all defendants, including Siderca.

▪ ***Claim for differences on gas supply prices***

On July 7, 2016, Siderca was notified of a claim initiated by an Argentine state-owned company for an amount of \$25.4 million, allegedly owed as a result of differences in the price paid for gas supplied to Siderca during three months in 2013. Tenaris believes, based on the advice of counsel, that it has meritorious defenses against a substantial part of this claim, although Siderca may be required to pay part of the claimed amount.

▪ ***Tax assessment in Mexico***

In August 2017, Tubos de Acero de México S.A (“Tamsa”) and Servicios Generales Tenaris Tamsa S.A (“Segeta”), two Mexican subsidiaries of the Company, were informed that the Mexican tax authorities had determined that the tax deductions associated with certain purchases of scrap made by the companies during 2013 failed to comply with applicable requirements and, accordingly, should be rejected. Tamsa and Segeta filed their respective responses and complaints against the determination and provided additional information evidencing compliance with applicable requirements for the challenged tax deductions. As of June 30, 2018, the estimated exposure under these proceedings, including principal, interest and penalties, amounted to MXN4,117 million (approximately \$207.3 million). No final decision has yet been issued on this matter. Tenaris believes, based on the advice of counsel, that it is unlikely that the ultimate resolution of this tax assessment will result in a material obligation.

***Commitments and other purchase orders***

Set forth is a description of Tenaris’s main outstanding commitments:

- A Tenaris company entered into a contract with supplier Voest Alpine Grobblech Gmb pursuant to which it committed to purchase carbon steel for a total amount of approximately \$29.7 million to use for manufacturing pipes related to the Zohr gas field project.
- A Tenaris company entered into a contract with Transportadora de Gas del Norte S.A. for the service of natural gas transportation to the facilities of Siderca S.A.I.C., an Argentine subsidiary of Tenaris. As of June 30, 2018, the aggregate commitment to take or pay the committed volumes for a 9-year term totalled approximately \$47.4 million.
- Several Tenaris companies entered into a contract with Praxair S.A. for the service of oxygen and nitrogen supply. As of June 30, 2018, the aggregate commitment to take or pay the committed volumes for a 14-year term totalled approximately \$55.3 million.
- Several Tenaris companies entered into a contract with Graftech for the supply of graphite electrodes. As of June 30, 2018, the aggregate commitment to take or pay the committed volumes totalled approximately \$66.3 million.

**12 Contingencies, commitments and restrictions to the distribution of profits (Cont.)****Commitments and other purchase orders (Cont.)**

- A Tenaris company entered into a 25-year contract (effective as of December 1, 2016, through December 1, 2041) with Techgen for the supply of 197 MW (which represents 22% of Techgen's capacity). Monthly payments are determined on the basis of capacity charges, operation costs, back-up power charges, and transmission charges. As of the seventh contract year (as long as Techgen's existing or replacing bank facility has been repaid in full), the Tenaris company has the right to suspend or early terminate the contract if the rate payable under the agreement is higher than the rate charged by the Comisión Federal de Electricidad ("CFE") or its successors. The Tenaris company may instruct Techgen to sell to any affiliate, to CFE, or to any other third party all or any part of unused contracted energy under the agreement and the Tenaris company will benefit from the proceeds of such sale.
- A Tenaris company entered into a contract with Vale International S.A. for the supply of iron ore, for which it is committed to purchase at least 70% of its annual iron ore needs, up to 770 thousand tons of pellets annually. The contract expires on December 31, 2020. The aggregate commitment amounts to approximately \$229 million.

**Restrictions to the distribution of profits and payment of dividends**

As of December 31, 2017, equity as defined under Luxembourg law and regulations consisted of:

(all amounts in thousands of U.S. dollars)	
Share capital	1,180,537
Legal reserve	118,054
Share premium	609,733
Retained earnings including net income for the year ended December 31, 2017	<u>16,956,761</u>
<b>Total equity in accordance with Luxembourg law</b>	<b><u>18,865,085</u></b>

At least 5% of the Company's 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 the Company's share capital. As of June 30, 2018, this reserve is fully allocated and additional allocations to the reserve are not required under Luxembourg law. Dividends may not be paid out of the legal reserve.

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

At December 31, 2017, distributable amount under Luxembourg law totals \$17.6 billion, as detailed below:

(all amounts in thousands of U.S. dollars)	
Retained earnings at December 31, 2016 under Luxembourg law	17,493,013
Other income and expenses for the year ended December 31, 2017	(52,232)
Dividends approved	<u>(484,020)</u>
<b>Retained earnings at December 31, 2017 under Luxembourg law</b>	<b><u>16,956,761</u></b>
Share premium	<u>609,733</u>
<b>Distributable amount at December 31, 2017 under Luxembourg law</b>	<b><u>17,566,494</u></b>

**13 Investments in non-consolidated companies**

This note supplements and should be read in conjunction with Note 12 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2017.

**a) Ternium**

Ternium S.A. ("Ternium"), is a steel producer with production facilities in Mexico, Argentina, Brazil, Colombia, United States and Guatemala and is one of Tenaris's main suppliers of round steel bars and flat steel products for its pipes business.

At June 30, 2018, the closing price of Ternium's ADSs as quoted on the New York Stock Exchange was \$34.82 per ADS, giving Tenaris's ownership stake a market value of approximately \$799.9 million. At June 30, 2018, the carrying value of Tenaris's ownership stake in Ternium, based on Ternium's IFRS financial statements, was approximately \$592.6 million.



### 13 Investments in non-consolidated companies (Cont.)

#### b) Usiminas

Usiminas is a Brazilian producer of high quality flat steel products used in the energy, automotive and other industries and Tenaris's principal supplier of flat steel in Brazil for its pipes and industrial equipment businesses.

In 2014, a conflict arose between the T/T Group (comprising Confab and Ternium's subsidiaries Ternium Investments, Ternium Argentina and Prosid Investments) and Nippon Steel & Sumitomo Metal Corporation ("NSSMC") with respect to the governance of Usiminas, including with respect to the rules applicable to the appointment of senior managers, the application of the shareholders' agreement in matters involving fiduciary duties, and generally with respect to Usiminas' business strategy.

On February 8, 2018, Ternium Investments resolved the dispute with NSSMC, and on April 10, 2018, the T/T Group entities (including Confab), the NSSMC Group and Previdência Usiminas entered into a new shareholders' agreement for Usiminas, amending and restating the previously existing shareholders agreement (the "New SHA"). Usiminas' control group now holds, in the aggregate, 483.6 million ordinary shares bound to the New SHA, representing approximately 68.6% of Usiminas' voting capital, with the T/T Group holding approximately 47.1% of the total shares held by the control group (39.5% corresponding to the Ternium entities and the other 7.6% corresponding to Confab); the NSSMC Group holding approximately 45.9% of the total shares held by the control group; and Previdência Usiminas holding the remaining 7% of the total shares held by the control group.

The New SHA reflects the agreed-upon corporate governance rules for Usiminas, including, among others, an alternation mechanism for the nomination of each of the chief executive officer and the chairman of the board of directors, as well as a mechanism for the nomination of other members of Usiminas' executive board. The New SHA also incorporates an exit mechanism consisting of a buy-and-sell procedure, exercisable at any time during the term of the New SHA after the fourth-and-a-half-year anniversary from the May 2018 election of Usiminas' executive board. Such exit mechanism shall apply with respect to shares held by the NSSMC Group and the T/T Group, and would allow either Ternium or NSSMC to purchase all or a majority of the Usiminas shares held by the other shareholder group.

In connection with the execution of the New SHA, the Ternium entities and Confab amended and restated their separate shareholders' agreement governing their respective rights and obligations as members of the T/T Group to include provisions relating to the exit mechanism and generally to conform such separate shareholders' agreement to the other provisions of the New SHA.

As of June 30, 2018, the closing price of the Usiminas' ordinary and preferred shares, as quoted on the B3, was BRL11.23 (\$2.91) and BRL7.32 (\$1.90), respectively, giving Tenaris's ownership stake a market value of approximately \$108.8 million. As that date, the carrying value of Tenaris's ownership stake in Usiminas was approximately \$64.5 million.

#### c) Techgen, S.A. de C.V. ("Techgen")

Techgen is a Mexican company that operates a natural gas-fired combined cycle electric power plant in the Pesqueria area of the State of Nuevo León, Mexico. The company started producing energy on December 1, 2016 and is fully operational, with a power capacity of 900 megawatts. As of June 30, 2018, Tenaris held 22% of Techgen's share capital, and its affiliates, Ternium and Tecpetrol International S.A. (a wholly-owned subsidiary of San Faustin S.A., the controlling shareholder of both Tenaris and Ternium), held 48% and 30% respectively.

Techgen is a party to transportation capacity agreements for a purchasing capacity of 150,000 MMBtu/Gas per day starting on August 1, 2016 and ending on July 31, 2036, and a party to a contract for the purchase of power generation equipment and other services related to the equipment. As of June 30, 2018, Tenaris's exposure under these agreements amounted to \$56.6 million and \$1.8 million respectively.

Tenaris issued a corporate guarantee covering 22% of the obligations of Techgen under a syndicated loan agreement between Techgen and several banks. The loan agreement amounted to \$680 million and has been used in the construction of the facility. The main covenants under the corporate guarantee are Tenaris's commitment to maintain its participation in Techgen or the right to purchase at least 22% of Techgen's firm energy, and compliance with a maximum permitted leverage ratio. As of June 30, 2018, the loan agreement had been fully disbursed and, as a result, the amount guaranteed by Tenaris was approximately \$149.6 million. During 2018 the shareholders of Techgen made additional investments, in Techgen, in form of subordinated loans, which in case of Tenaris amounted to \$3.5 million. In the same period, there were repayments of these loans for \$5.5 million. As of June 30, 2018, the aggregate outstanding principal amount under these loans was \$91.3 million.

### 14 Discontinued operations

On December 15, 2016, Tenaris entered into an agreement with Nucor Corporation (NC) pursuant to which it has sold to NC the steel electric conduit business in North America, known as Republic Conduit for an amount of \$328 million (net of transaction costs). The sale was completed on 19 January 2017, with effect from 20 January 2017. The result of this transaction was an after-tax gain of \$89.7 million, calculated as the net proceeds of the sale less the book value of net assets held for sale, the corresponding tax effect and related expenses.

In addition, the financial performance of the conduit business relative to the 19 days of January 2017 showed a gain of \$1.8 million.

	<u>2017</u>
Income from discontinued operations	1,848
After tax gain on the sale of Conduit	89,694
Net Income for discontinued operations	<u>91,542</u>

For further information regarding this transaction please refer to Note 28 of our Consolidated Financial Statements as of 31 December 2017.

## 15 Related party transactions

As of June 30, 2018:

- San Faustin S.A., a Luxembourg *société anonyme* (“San Faustin”), owned 713,605,187 shares in the Company, representing 60.45% of the Company’s capital and voting rights.
- San Faustin owned all of its shares in the Company through its wholly-owned subsidiary Techint Holdings S.à r.l., a Luxembourg *société à responsabilité limitée* (“Techint”), who is the holder of record of the above-mentioned Tenaris shares.
- Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin, a Dutch private foundation (*Stichting*) (“RP STAK”) held voting shares in San Faustin sufficient to control San Faustin.
- No person or group of persons controls RP STAK.

Based on the information most recently available to the Company, Tenaris’s directors and senior management as a group owned 0.08% of the Company’s outstanding shares.

Transactions and balances disclosed as with “non-consolidated parties” are those with companies over which Tenaris exerts significant influence or joint control in accordance with IFRS, but does not have control. All other transactions and balances with related parties which are not non-consolidated parties 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)

	<u>Six-month period ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<b>(i) Transactions</b>	<b>(Unaudited)</b>	
<b>(a) Sales of goods and services</b>		
Sales of goods to non-consolidated parties	13,540	16,251
Sales of goods to other related parties	65,453	18,382
Sales of services to non-consolidated parties	3,886	5,739
Sales of services to other related parties	3,214	1,648
	<u>86,093</u>	<u>42,020</u>
<b>(b) Purchases of goods and services</b>		
Purchases of goods to non-consolidated parties	109,334	106,301
Purchases of goods to other related parties	50,859	6,801
Purchases of services to non-consolidated parties	5,039	5,653
Purchases of services to other related parties	25,020	25,024
	<u>190,252</u>	<u>143,779</u>

**15 Related party transactions (Cont.)**

(all amounts in thousands of U.S. dollars)	<b>At June 30,</b>	<b>At December 31,</b>
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
<b>(ii) Period-end balances</b>		
<b>Arising from sales / purchases of goods / services / others</b>		
Receivables from non-consolidated parties	113,696	117,853
Receivables from other related parties	25,891	50,815
Payables to non-consolidated parties	(32,376)	(49,354)
Payables to other related parties	(22,552)	(14,475)
	<b>84,659</b>	<b>104,839</b>

**16 Category of financial instruments and classification within the fair value hierarchy**

The following table illustrates the three hierarchical levels for valuing financial instruments at fair value and those measured at amortized cost as of June 30, 2018.

June 30, 2018	Carrying amount	Measurement Categories			At Fair Value		
		Amortized Cost	Fair Value	Level 1	Level 2	Level 3	
<b>Assets</b>							
<b>Cash and cash equivalents</b>	<b>427,960</b>	<b>211,793</b>	<b>216,167</b>	<b>216,167</b>	-	-	
Cash at banks	115,445	115,445	-	-	-	-	
Liquidity funds	216,167	-	216,167	216,167	-	-	
Short – term investments	96,348	96,348	-	-	-	-	
<b>Other investments</b>	<b>730,240</b>	<b>322,245</b>	<b>407,995</b>	<b>361,873</b>	<b>46,122</b>	-	
<i>Fixed income (time-deposit, zero coupon bonds, commercial papers)</i>	322,245	322,245	-	-	-	-	
Certificates of deposits	201,589	201,589	-	-	-	-	
Commercial papers	19,861	19,861	-	-	-	-	
Other notes	100,795	100,795	-	-	-	-	
<b>Bonds and other fixed income</b>	<b>407,995</b>	-	<b>407,995</b>	<b>361,873</b>	<b>46,122</b>	-	
U.S. government securities	23,520	-	23,520	23,520	-	-	
Non - U.S. government securities	134,015	-	134,015	134,015	-	-	
Corporates securities	204,338	-	204,338	204,338	-	-	
Structured notes	46,122	-	46,122	-	46,122	-	
<b>Derivative financial instruments</b>	<b>2,484</b>	-	<b>2,484</b>	-	<b>2,484</b>	-	
<b>Other Investments Non- current</b>	<b>197,158</b>	<b>20,008</b>	<b>177,150</b>	<b>172,605</b>	-	<b>4,545</b>	
Bonds and other fixed income	172,605	-	172,605	172,605	-	-	
<i>Fixed income (time-deposit, zero coupon bonds, commercial papers)</i>	20,008	20,008	-	-	-	-	
Other investments	4,545	-	4,545	-	-	4,545	
<b>Trade receivables</b>	<b>1,536,323</b>	<b>1,536,323</b>	-	-	-	-	
<b>Receivables C and NC</b>	<b>298,010</b>	<b>166,043</b>	-	-	-	-	
Other receivables	166,043	166,043	-	-	-	-	
Other receivables (non-financial)	131,967	-	-	-	-	-	
<b>Available for sale assets (*)</b>	<b>21,572</b>	-	<b>21,572</b>	-	-	<b>21,572</b>	
<b>Total</b>		<b>2,256,412</b>	<b>825,368</b>	<b>750,645</b>	<b>48,606</b>	<b>26,117</b>	
<b>Liabilities</b>							
<b>Borrowings C and NC</b>	<b>840,495</b>	<b>840,495</b>	-	-	-	-	
<b>Trade payables</b>	<b>812,972</b>	<b>812,972</b>	-	-	-	-	
<b>Derivative financial instruments</b>	<b>91,615</b>	-	<b>91,615</b>	-	<b>91,615</b>	-	
<b>Total</b>		<b>1,653,467</b>	<b>91,615</b>	-	<b>91,615</b>	-	

(\*) For further detail regarding Available for sale assets, see Note 17.

There were no transfers between Levels during the period.

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 which maximize the use of observable market data when 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. Tenaris values its assets and liabilities included in this level using bid prices, interest rate curves, broker quotations, current exchange rates, forward rates and implied volatilities obtained from market contributors as of the valuation date.

**16 Category of financial instruments and classification within the fair value hierarchy (Cont.)**

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. The fair value of forward foreign exchange contracts is calculated as the net present value of the estimated future cash flows in each currency, based on observable yield curves, converted into U.S. dollars at the spot rate of the valuation date.

If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3. Tenaris values its assets and liabilities in this level using observable market inputs and management assumptions which reflect the Company's best estimate on how market participants would price the asset or liability at measurement date. Main balances included in this level correspond to Available for sale assets related to Tenaris's interest in Venezuelan companies under process of nationalization (see Note 17).

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 other financial liabilities and measured at their amortized cost. Tenaris estimates that the fair value of its main financial liabilities is approximately 99.2% of its carrying amount including interests accrued as of June 30, 2018 as compare with 99.4% as of December 31, 2017. Fair values were calculated using standard valuation techniques for floating rate instruments and comparable market rates for discounting flows.

**17 Nationalization of Venezuelan Subsidiaries**

In May 2009, within the framework of Decree Law 6058, Venezuela's President announced the nationalization of, among other companies, the Company's majority-owned subsidiaries TAVSA - Tubos de Acero de Venezuela S.A. ("Tavsa") and Matesi Materiales Siderúrgicos S.A ("Matesi"), and Complejo Siderúrgico de Guayana, C.A ("Comsigua"), in which the Company has a non-controlling interest (collectively, the "Venezuelan Companies"). Between August 2011 and July 2012, Tenaris and its wholly-owned subsidiary Talta - Trading e Marketing Sociedade Unipessoal Lda ("Talta") initiated two arbitration proceedings against Venezuela before the ICSID in Washington D.C., seeking adequate and effective compensation for the expropriation of their investments in the Venezuelan Companies. On January 29, 2016, the tribunal in the first arbitration proceeding released its award upholding Tenaris's and Talta's claim that Venezuela had expropriated their investments in Matesi in violation of Venezuelan law as well as the bilateral investment treaties entered into by Venezuela with the Belgium-Luxembourg Economic Union and Portugal. The award granted compensation in the amount of \$87.3 million for the breaches and ordered Venezuela to pay an additional amount of \$85.5 million in pre-award interest, aggregating to a total award of \$172.8 million, payable in full and net of any applicable Venezuelan tax, duty or charge. The tribunal granted Venezuela a grace period of six months from the date of the award to make payment in full of the amount due without incurring post-award interest, and resolved that if no, or no full, payment is made by then, post-award interest will apply at the rate of 9% per annum, which as of June 30, 2018, amounted to \$41 million.

On December 12, 2016, the tribunal in the second arbitration proceeding issued its award upholding Tenaris's and Talta's claim that Venezuela had expropriated their investments in Tavsa and Comsigua in violation of the bilateral investment treaties entered into by Venezuela with the Belgium-Luxembourg Economic Union and Portugal. The award granted compensation in the amount of \$137 million and ordered Venezuela to reimburse Tenaris and Talta \$3.3 million in legal fees and ICSID administrative costs. In addition, Venezuela was ordered to pay interest from April 30, 2008 until the day of effective payment at a rate equivalent to LIBOR + 4% per annum, which as of June 30, 2018, amounted to \$94.6 million.

Venezuela submitted requests for annulment of the awards in accordance with the ICSID Convention and Arbitration Rules. Annulment requests are pending final resolution by the ad-hoc committees.

On June 8, 2018, Tenaris and Talta filed two actions in federal court in the District of Columbia to recognize and enforce the awards. Tenaris and Talta are in the process of effecting service on Venezuela in accordance with US law.

For further information on the nationalization of the Venezuelan subsidiaries, see note 31 "Nationalization of Venezuelan Subsidiaries" to our audited consolidated financial statements for the year ended December 31, 2017.

Edgardo Carlos  
Chief Financial Officer