

TENARIS S.A.

**CONSOLIDATED CONDENSED INTERIM FINANCIAL
STATEMENTS**

JUNE 30, 2015

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,	
		2015	2014	2015	2014
Continuing operations		(Unaudited)		(Unaudited)	
Net sales	3	1,868,078	2,660,882	4,121,633	5,240,826
Cost of sales	4	(1,324,377)	(1,590,888)	(2,765,069)	(3,117,922)
Gross profit		543,701	1,069,994	1,356,564	2,122,904
Selling, general and administrative expenses	5	(437,620)	(518,237)	(873,727)	(1,007,097)
Other operating income (expense), net		5,041	(2,475)	7,658	(755)
Operating income		111,122	549,282	490,495	1,115,052
Finance Income	6	10,978	15,655	23,085	27,120
Finance Cost	6	(9,363)	(10,618)	(15,620)	(23,621)
Other financial results	6	(9,718)	(4,567)	(16,988)	39,464
Income before equity in earnings of non-consolidated companies and income tax		103,019	549,752	480,972	1,158,015
Equity in earnings of non-consolidated companies		4,269	14,367	12,184	33,188
Income before income tax		107,288	564,119	493,156	1,191,203
Income tax		(34,965)	(144,219)	(166,890)	(343,284)
Income for the period		72,323	419,900	326,266	847,919
Attributable to:					
Owners of the parent		66,314	407,885	321,396	830,390
Non-controlling interests		6,009	12,015	4,870	17,529
		72,323	419,900	326,266	847,919
Earnings per share attributable to the owners of the parent during the period:					
Weighted average number of ordinary shares (thousands)		1,180,537	1,180,537	1,180,537	1,180,537
Continuing operations					
Basic and diluted earnings per share (U.S. dollars per share)		0.06	0.35	0.27	0.70
Basic and diluted earnings per ADS (U.S. dollars per ADS) (1)		0.11	0.69	0.54	1.41

(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,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
Income for the period	72,323	419,900	326,266	847,919
Items that will not be reclassified to profit or loss:				
Remeasurements of post employment benefit obligations	(1,373)	4,428	(1,373)	4,428
Income tax on items that will not be reclassified	292	(1,165)	292	(1,165)
	(1,081)	3,263	(1,081)	3,263
Items that may be subsequently reclassified to profit or loss:				
Currency translation adjustment	49,861	(1,598)	(131,340)	11,312
Change in value of available for sale financial instruments and cash flow hedges	5,161	2,020	5,549	618
Share of other comprehensive income of non-consolidated companies:				
- Currency translation adjustment	879	12,078	(34,888)	12,506
- Changes in the fair value of derivatives held as cash flow hedges and others	(2,943)	(339)	(3,696)	(904)
Income tax relating to components of other comprehensive income	204	5	(107)	33
Other comprehensive income (loss) for the period, net of tax	52,081	15,429	(165,563)	26,828
Total comprehensive income for the period	124,404	435,329	160,703	874,747
Attributable to:				
Owners of the parent	118,258	423,386	155,940	857,273
Non-controlling interests	6,146	11,943	4,763	17,474
	124,404	435,329	160,703	874,747

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 Restated Consolidated Financial Statements and notes for the fiscal year ended December 31, 2014.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

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

	Notes	<u>At June 30, 2015</u> (Unaudited)	<u>At December 31, 2014</u> (Restated)	
ASSETS				
Non-current assets				
Property, plant and equipment, net	8	5,367,107	5,159,557	
Intangible assets, net	9	2,674,520	2,757,630	
Investments in non-consolidated companies		596,561	643,630	
Available for sale assets		21,572	21,572	
Other investments		1,561	1,539	
Deferred tax assets		207,360	268,252	
Receivables		247,522	262,176	9,114,356
Current assets				
Inventories		2,142,391	2,779,869	
Receivables and prepayments		237,192	267,631	
Current tax assets		165,998	129,404	
Trade receivables		1,531,594	1,963,394	
Other investments	10	2,569,066	1,838,379	
Cash and cash equivalents	10	519,230	417,645	7,396,322
Total assets		<u>16,281,674</u>	<u>16,510,678</u>	
EQUITY				
Capital and reserves attributable to owners of the parent		12,456,552	12,654,114	
Non-controlling interests		155,450	152,200	
Total equity		<u>12,612,002</u>	<u>12,806,314</u>	
LIABILITIES				
Non-current liabilities				
Borrowings		25,557	30,833	
Deferred tax liabilities		712,447	714,123	
Other liabilities		269,925	285,865	
Provisions		67,108	70,714	1,101,535
Current liabilities				
Borrowings		1,235,138	968,407	
Current tax liabilities		181,233	352,353	
Other liabilities		374,119	296,277	
Provisions		16,796	20,380	
Customer advances		213,670	133,609	
Trade payables		573,679	831,803	2,602,829
Total liabilities		<u>3,669,672</u>	<u>3,704,364</u>	
Total equity and liabilities		<u>16,281,674</u>	<u>16,510,678</u>	

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 Restated Consolidated Financial Statements and notes for the fiscal year ended December 31, 2014.

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	Retained Earnings (2)	Total		
Balance at December 31, 2014	1,180,537	118,054	609,733	(678,008)	(317,799)	11,906,630	12,819,147	152,200	12,971,347
Restatement	-	-	-	19,724	-	(184,757)	(165,033)	-	(165,033)
Balance at December 31, 2014 (Restated)	1,180,537	118,054	609,733	(658,284)	(317,799)	11,721,873	12,654,114	152,200	12,806,314
Income for the period	-	-	-	-	-	321,396	321,396	4,870	326,266
Currency translation adjustment	-	-	-	(130,816)	-	-	(130,816)	(524)	(131,340)
Remeasurements of post employment benefit obligations, net of taxes	-	-	-	-	(1,081)	-	(1,081)	-	(1,081)
Change in value of available for sale financial instruments and cash flow hedges net of tax	-	-	-	-	5,025	-	5,025	417	5,442
Share of other comprehensive income of non-consolidated companies	-	-	-	(34,888)	(3,696)	-	(38,584)	-	(38,584)
Other comprehensive (loss) income for the period	-	-	-	(165,704)	248	-	(165,456)	(107)	(165,563)
Total comprehensive (loss) income for the period	-	-	-	(165,704)	248	321,396	155,940	4,763	160,703
Acquisition of non-controlling interests	-	-	-	-	659	-	659	(1,513)	(854)
Dividends paid in cash	-	-	-	-	-	(354,161)	(354,161)	-	(354,161)
Balance at June 30, 2015	1,180,537	118,054	609,733	(823,988)	(316,892)	11,689,108	12,456,552	155,450	12,612,002
	Attributable to owners of the parent								
	Share Capital (1)	Legal Reserves	Share Premium	Currency Translation Adjustment	Other Reserves	Retained Earnings (2)	Total	Non-controlling interests	Total
									(Unaudited)
Balance at December 31, 2013	1,180,537	118,054	609,733	(406,744)	(305,758)	11,094,598	12,290,420	179,446	12,469,866
Income for the period	-	-	-	-	-	830,390	830,390	17,529	847,919
Currency translation adjustment	-	-	-	11,382	-	-	11,382	(70)	11,312
Remeasurements of post employment benefit obligations, net of taxes	-	-	-	-	3,254	-	3,254	9	3,263
Change in value of available for sale financial instruments and cash flow hedges net of tax	-	-	-	-	645	-	645	6	651
Share of other comprehensive income of non-consolidated companies	-	-	-	12,506	(904)	-	11,602	-	11,602
Other comprehensive income (loss) for the period	-	-	-	23,888	2,995	-	26,883	(55)	26,828
Total comprehensive income for the period	-	-	-	23,888	2,995	830,390	857,273	17,474	874,747
Acquisition of non-controlling interests	-	-	-	-	8	-	8	(148)	(140)
Dividends paid in cash	-	-	-	-	-	(354,161)	(354,161)	(48,289)	(402,450)
Balance at June 30, 2014	1,180,537	118,054	609,733	(382,856)	(302,755)	11,570,827	12,793,540	148,483	12,942,023

(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, 2015 and 2014 there were 1,180,536,830 shares issued. All issued shares are fully paid.

(2) The Distributable Reserve and Retained Earnings as of June 30, 2015 calculated in accordance with Luxembourg Law are disclosed in Note 11.

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 Restated Consolidated Financial Statements and notes for the fiscal year ended December 31, 2014.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

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

	Notes	Six-month period ended June 30,	
		2015	2014
Cash flows from operating activities		(Unaudited)	
Income for the period		326,266	847,919
Adjustments for:			
Depreciation and amortization	8 & 9	301,201	305,743
Income tax accruals less payments		(87,614)	58,411
Equity in earnings of non-consolidated companies		(12,184)	(33,188)
Interest accruals less payments, net		(2,613)	(18,056)
Changes in provisions		(7,190)	8,978
Changes in working capital		912,482	33,362
Other, including currency translation adjustment		(4,366)	(24,839)
Net cash provided by operating activities		1,425,982	1,178,330
Cash flows from investing activities			
Capital expenditures	8 & 9	(523,187)	(412,222)
Changes in advance to suppliers of property, plant and equipment		15,899	(24,849)
Investment in non-consolidated companies	12	-	(1,380)
Net loan to non-consolidated companies	12	(9,749)	(28,648)
Proceeds from disposal of property, plant and equipment and intangible assets		1,873	6,606
Dividends received from non-consolidated companies		20,674	17,429
Changes in investments in short term securities		(730,687)	(500,075)
Net cash used in investing activities		(1,225,177)	(943,139)
Cash flows from financing activities			
Dividends paid	7	(354,161)	(354,161)
Dividends paid to non-controlling interest in subsidiaries		-	(48,289)
Acquisitions of non-controlling interests		(854)	(140)
Proceeds from borrowings (*)		1,123,894	1,207,214
Repayments of borrowings (*)		(859,463)	(1,000,200)
Net cash used in financing activities		(90,584)	(195,576)
Increase in cash and cash equivalents		110,221	39,615
Movement in cash and cash equivalents			
At the beginning of the period		416,445	598,145
Effect of exchange rate changes		(9,942)	2,064
Increase in cash and cash equivalents		110,221	39,615
At June 30,		516,724	639,824
		At June 30,	
		2015	2014
Cash and cash equivalents			
Cash and bank deposits		519,230	642,382
Bank overdrafts		(2,506)	(2,558)
		516,724	639,824

(*) Mainly related to the renewal of short-term local facilities carried out during the six-month period ending June 30, 2015 and 2014, respectively.

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 Restated Consolidated Financial Statements and notes for the fiscal year ended December 31, 2014.

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 Other investments and Cash and cash equivalents
- 11 Contingencies, commitments and restrictions to the distribution of profits
- 12 Investments in non-consolidated companies
- 13 Related party transactions
- 14 Fair value

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 29 to the Company's audited Restated Consolidated Financial Statements for the year ended December 31, 2014.

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 5, 2015.

Restatement of 2014 Financial Statements

On May 28, 2015, the Company restated its Consolidated Financial Statements for the year ended December 31, 2014 to reduce the carrying amount of the Company's investment in Usiminas. All information as of December 31, 2014 included in these Consolidated Condensed Interim Financial Statements is derived from the Company's audited Restated Consolidated Financial Statements for the year ended December 31, 2014.

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 Restated Consolidated Financial Statements for the year ended December 31, 2014. These Consolidated Condensed Interim Financial Statements should be read in conjunction with the audited Restated Consolidated Financial Statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and 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' 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 the risk management department or in any risk management policies since the year ended December 31, 2014.

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

None of the accounting pronouncements issued after December 31, 2014 and as of the date of these Financial Statements have a material effect on the Company's financial condition or result of operations.

3 Segment Information**Reportable operating segment***(all amounts in thousands of U.S. dollars)***Six-month period ended June 30, 2015****IFRS - Net Sales****Management View - Operating income**

· Differences in cost of sales and others

· Depreciation and amortization

IFRS - Operating income

Financial income (expense), net

Income before equity in earnings of non-consolidated companies and income tax

Equity in earnings of non-consolidated companies

Income before income tax

Capital expenditures

Depreciation and amortization

(Unaudited)		
Tubes	Other	Total
3,758,824	362,809	4,121,633
582,655	28,965	611,620
(112,382)	(8,526)	(120,908)
(1,284)	1,067	(217)
468,989	21,506	490,495
		(9,523)
		480,972
		12,184
		493,156
	499,890	23,297
	290,811	10,390
		523,187
		301,201

*(all amounts in thousands of U.S. dollars)***Six-month period ended June 30, 2014****IFRS - Net Sales****Management View - Operating income**

· Differences in cost of sales and others

· Depreciation and amortization

IFRS - Operating income

Financial income (expense), net

Income before equity in earnings of non-consolidated companies and income tax

Equity in earnings of non-consolidated companies

Income before income tax

Capital expenditures

Depreciation and amortization

(Unaudited)		
Tubes	Other	Total
4,864,780	376,046	5,240,826
1,090,298	8,073	1,098,371
8,924	7,878	16,802
(162)	41	(121)
1,099,060	15,992	1,115,052
		42,963
		1,158,015
		33,188
		1,191,203
	398,735	13,487
	294,792	10,951
		412,222
		305,743

In the six-month period ended June 30, 2015, net income under management view amounted to \$193.6 million, while under IFRS amounted to \$326.3 million. In addition to the above, the main differences arise from the impact of functional currencies on financial result, income taxes, changes in inventories standard costs and the result of investments in non-consolidated companies.

Geographical information

	(Unaudited)					Total
	North America	South America	Europe	Middle East & Africa	Far East & Oceania	
<i>(all amounts in thousands of U.S. dollars)</i>						
Six-month period ended June 30, 2015						
Net sales	1,728,080	1,104,832	444,773	664,103	179,845	4,121,633
Capital expenditures	331,511	116,769	37,708	22,278	14,921	523,187
Depreciation and amortization	171,147	60,232	55,350	5,017	9,455	301,201
Six-month period ended June 30, 2014						
Net sales	2,337,957	1,039,848	552,765	1,106,149	204,107	5,240,826
Capital expenditures	190,226	155,576	54,833	1,109	10,478	412,222
Depreciation and amortization	166,624	60,048	63,292	4,866	10,913	305,743

3 Segment Information (Cont.)

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 United States; "South America" comprises principally Argentina, Brazil, Colombia and Ecuador; "Europe" comprises principally Italy, United Kingdom, Norway and Romania; "Middle East and Africa" comprises principally Angola, Iraq, Nigeria, Saudi Arabia, United Arab Emirates, Kazakhstan and Congo and "Far East and Oceania" comprises principally China, Indonesia and Japan.

4 Cost of sales

	Six-month period ended June 30,	
	2015	2014
(all amounts in thousands of U.S. dollars)		
	(Unaudited)	
Inventories at the beginning of the period	2,779,869	2,702,647
Plus: Charges of the period		
Raw materials, energy, consumables and other	1,029,991	1,993,006
Services and fees	178,859	221,228
Labor cost	532,134	604,348
Depreciation of property, plant and equipment	181,078	182,986
Amortization of intangible assets	11,280	6,192
Maintenance expenses	91,151	105,370
Allowance for obsolescence	35,350	(2,752)
Taxes	11,528	9,505
Other	56,220	69,427
	2,127,591	3,189,310
Less: Inventories at the end of the period	(2,142,391)	(2,774,035)
	2,765,069	3,117,922

For the six-month period ended June 30, 2015, labor cost includes approximately \$66.9 million (\$54.6 million in the second quarter) of severance indemnities related to the adjustment of the workforce to current market conditions.

5 Selling, general and administrative expenses

	Six-month period ended June 30,	
	2015	2014
(all amounts in thousands of U.S. dollars)		
	(Unaudited)	
Services and fees	84,144	96,703
Labor cost	316,079	301,311
Depreciation of property, plant and equipment	9,346	10,264
Amortization of intangible assets	99,497	106,301
Commissions, freight and other selling expenses	211,231	299,240
Provisions for contingencies	12,107	16,922
Allowances for doubtful accounts	17,166	30,014
Taxes	72,974	78,242
Other	51,183	68,100
	873,727	1,007,097

For the six-month period ended June 30, 2015, labor cost includes approximately \$37.9 million (\$33.9 million in the second quarter) of severance indemnities related to the adjustment of the workforce to current market conditions.

6 Financial results

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

	Six-month period ended June 30,	
	2015	2014
	(Unaudited)	
Interest Income	17,373	17,428
Net result on changes in FV of financial assets at FVTPL	5,712	9,692
Finance Income	23,085	27,120
Finance Cost	(15,620)	(23,621)
Net foreign exchange transactions results (*)	(23,077)	57,718
Foreign exchange derivatives contracts results	8,634	(11,664)
Other	(2,545)	(6,590)
Other Financial results	(16,988)	39,464
Net Financial results	(9,523)	42,963

(*) For the six-month period ended June 30, 2015, include the negative impact from the Brazilian Real devaluation against the U.S. dollar denominated borrowings in Brazil. For the six-month period ended June 30, 2014 include the positive impact from the Argentine peso devaluation against the U.S. dollar on the Argentine peso denominated borrowings and liabilities.

7 Dividend distribution

On May 6, 2015 the Company's Shareholders approved an annual dividend in the amount of \$0.45 per share (\$0.90 per ADS). The amount approved included the interim dividend previously paid in November 27, 2014 in the amount of \$0.15 per share (\$0.30 per ADS). The balance, amounting to \$0.30 per share (\$0.60 per ADS), was paid on May 20, 2015. In the aggregate, the interim dividend paid in November 2014 and the balance paid in May 2015 amounted to approximately \$531.3 million.

On May 7, 2014 the Company's Shareholders approved an annual dividend in the amount of \$0.43 per share (\$0.86 per ADS). The amount approved included the interim dividend previously paid in November 21, 2013 in the amount of \$0.13 per share (\$0.26 per ADS). The balance, amounting to \$0.30 per share (\$0.60 per ADS), was paid on May 22, 2014. In the aggregate, the interim dividend paid in November 2013 and the balance paid in May 2014 amounted to approximately \$507.6 million.

8 Property, plant and equipment, net

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

	2015	2014
	(Unaudited)	
Six-month period ended June 30,		
Opening net book amount	5,159,557	4,673,767
Currency translation adjustment	(87,732)	9,143
Additions (*)	484,078	373,419
Disposals	(1,358)	(6,079)
Transfers	2,986	(204)
Depreciation charge	(190,424)	(193,250)
At June 30,	5,367,107	4,856,796

(*)The increase is 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)

	2015	2014
	(Unaudited)	
Six-month period ended June 30,		
Opening net book amount	2,757,630	3,067,236
Currency translation adjustment	(7,941)	473
Additions	39,109	38,803
Transfers	(2,986)	204
Amortization charge	(110,777)	(112,493)
Disposals	(515)	(527)
At June 30,	2,674,520	2,993,696

10 Other investments and Cash and cash equivalents

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

	At June 30,	At December 31,
	2015	2014
	(Unaudited)	
Other investments		
Fixed Income (time-deposit, zero coupon bonds, commercial papers)	1,129,659	718,877
Bonds and other fixed Income	1,098,299	817,823
Fund Investments	341,108	301,679
	2,569,066	1,838,379
Cash and cash equivalents		
Cash at banks	97,017	120,772
Liquidity funds	124,405	110,952
Short – term investments	297,808	185,921
	519,230	417,645

11 Contingencies, commitments and restrictions to the distribution of profits**Contingencies**

This note should be read in conjunction with Note 25 to the Company's audited Restated Consolidated Financial Statements for the year ended December 31, 2014.

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. Some of these claims, lawsuits and other legal proceedings involve highly complex issues, and often these issues are subject to substantial uncertainties. Accordingly, potential liability with respect to a large portion of such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Management with the assistance of legal counsel periodically reviews the status of each significant matter and assesses potential financial exposure. If a potential loss from a claim, lawsuit 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 litigation and settlement strategies. The Company believes that the aggregate provisions recorded for potential losses in these 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' results of operations, financial condition, net worth and cash flows.

Set forth below is a description of Tenaris' material ongoing legal proceedings:

- *Tax assessment in Italy*

An Italian subsidiary of Tenaris received on December 24, 2012 a tax assessment from the Italian tax authorities related to allegedly omitted withholding tax on dividend payments made in 2007. The assessment, which was for an estimated amount of EUR282 million (approximately \$316 million), comprising principal, interest and penalties, was appealed with the tax court in Milan. In February 2014, the tax court issued its decision on this tax assessment, partially reversing the assessment for 2007 and lowering the claimed amount to approximately EUR9 million (approximately \$10 million), including principal, interest and penalties. On October 2, 2014, the Italian tax authorities appealed against the tax court decision on the first assessment. On June 12, 2015, the tax court accepted the defense arguments by the Tenaris subsidiary and rejected the appeal by the Italian tax authorities, thus reversing the entire 2007 assessment and recognizing that the dividend payment was exempt from withholding tax.

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

Contingencies (Cont.)

- *Tax assessment in Italy (Cont.)*

On December 24, 2013, the Italian subsidiary received a second tax assessment from the Italian tax authorities related to allegedly omitted withholding tax on dividend payments made in 2008. This second assessment, based on the same arguments of the first assessment, is for an estimated amount, as of June 30, 2015, of EUR248 million (approximately \$277 million), comprising principal, interest and penalties. On February 20, 2014, the assessment for 2008 was appealed with the tax court in Milan. A first hearing on this appeal was held on June 22, 2015, and a new hearing will take place on October 12, 2015.

Based on the tax court decisions on the first assessment, Tenaris believes that it is not probable that the ultimate resolution of either the first or the second tax assessment will result in a material obligation.

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

In 2013, Confab 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 issued its decision finding in favor of Confab and the other defendants and dismissing the CSN lawsuit. The claimants appealed the court decision and the defendants filed their response to the appeal. It is currently expected that the court of appeals will issue its judgment on the appeal within 2015.

The Company is aware that on November 10, 2014, CSN filed a separate complaint with Brazil's securities regulator *Comissão de Valores Mobiliários* (CVM) on the same grounds and with the same purpose as the lawsuit referred to above. The CVM proceeding is underway and the Company has not yet been served with process or requested to provide its response.

Finally, on December 11, 2014, CSN filed a claim with Brazil's antitrust regulator *Conselho Administrativo de Defesa Econômica* (CADE). In its claim, CSN alleged that the antitrust clearance request related to the January 2012 acquisition, which was approved by CADE without restrictions in August 2012, contained a false and deceitful description of the acquisition aimed at frustrating the minority shareholders' right to a tag-along tender offer, and requested that CADE investigate and reopen the antitrust review of the acquisition and suspend the Company's voting rights in Usiminas until the review is completed. On May 6, 2015, CADE rejected CSN's claim. CSN did not appeal the decision and on May 19, 2015, CADE finally closed the file.

Tenaris believes that all of CSN's claims and allegations are groundless and without merit, as confirmed by several opinions of Brazilian legal counsel and previous decisions by CVM, including a February 2012 decision determining that the above mentioned acquisition did not trigger any tender offer requirement, and, more recently, the first instance court decision on this matter first referred to above. Accordingly, no provision was recorded in these Consolidated Condensed Interim Financial Statements.

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

Commitments

Set forth is a description of Tenaris' main outstanding commitments:

- A Tenaris company is a party to a contract with Nucor Corporation under which it is committed to purchase on a monthly basis a minimum volume of hot-rolled steel coils at prices that are negotiated annually by reference to prices to comparable Nucor customers. The contract became effective in May 2013 and will be in force until December 2017; provided, however, that either party may terminate the contract at any time after January 1, 2015 with 12-month prior notice. Due to the current weak pipe demand associated with the reduction in drilling activity, the Company reached a temporary agreement with Nucor to purchase steel volumes in accordance with its needs. As of June 30, 2015, the estimated aggregate contract amount through June 30, 2016, calculated at current prices, is approximately \$249 million.
- A Tenaris company, entered into various contracts with suppliers pursuant to which it committed to purchase goods and services for a total amount of approximately \$444.7 million related to the investment plan to expand Tenaris' U.S. operations with the construction of a state-of-the-art seamless pipe mill in Bay City, Texas. As of June 30, 2015 approximately \$570 million had already been invested.

Restrictions to the distribution of profits and payment of dividends

As of December 31, 2014, 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, 2014	21,072,180
Total equity in accordance with Luxembourg law	<u>22,980,504</u>

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, 2015, this reserve was 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, 2014, distributable amount under Luxembourg law totals \$21.7 billion, as detailed below:

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

Retained earnings at December 31, 2013 under Luxembourg law	21,899,189
Other income and expenses for the year ended December 31, 2014	(295,767)
Dividends approved	(531,242)
Retained earnings at December 31, 2014 under Luxembourg law	<u>21,072,180</u>
Share premium	609,733
Distributable amount at December 31, 2014 under Luxembourg law	<u>21,681,913</u>

12 Investments in non-consolidated companies

a) Ternium

Ternium S.A. (“Ternium”), is a steel producer in Latin America with production facilities in Mexico, Argentina, Colombia, United States and Guatemala and is one of Tenaris’ suppliers of round steel bars and flat steel products for its pipes business.

At June 30, 2015, the closing price of Ternium’s ADSs as quoted on the New York Stock Exchange was \$17.3 per ADS, giving Tenaris’ ownership stake a market value of approximately \$397.6 million (Level 1). At June 30, 2015, the carrying value of Tenaris’ ownership stake in Ternium, based on Ternium’s IFRS financial statements, was approximately \$499.8 million.

b) Usiminas

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

The last public available information for Usiminas is as of March 31, 2015, which was approved on April 22, 2015. Usiminas’ interim accounts for the three-months period ended March 31, 2015, stated that revenues, post-tax loss from continuing operations and shareholders’ equity amounted to \$934 million, \$86 million and \$5,126 million, respectively.

At June 30, 2015, the closing price of the Usiminas’ ordinary shares as quoted on the BM&FBovespa Stock Exchange was BRL13.3 (approximately \$4.3) per share, giving Tenaris’ ownership stake a market value of approximately \$106.8 million (Level 1). At June 30, 2015, the carrying value of Tenaris’ ownership stake in Usiminas, was approximately \$94.1 million.

c) Techgen, S.A. de C.V. (“Techgen”)

Techgen is a Mexican project company currently undertaking the construction and operation of a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico. As of February 2014, Tenaris, Ternium and Tecpetrol International S.A. (a wholly-owned subsidiary of San Faustin S.A., the controlling shareholder of both Tenaris and Ternium) completed their initial investments in Techgen. Techgen is currently owned 48% by Ternium, 30% by Tecpetrol and 22% by Tenaris. Tenaris and Ternium also agreed to enter into power supply and transportation agreements with Techgen, pursuant to which Ternium and Tenaris will contract 78% and 22%, respectively, of Techgen’s power capacity of between 850 and 900 megawatts.

- Techgen is a party to transportation capacity agreements with Kinder Morgan Gas Natural de Mexico, S. de R.L. de C.V., Kinder Morgan Texas Pipeline LLC and Kinder Morgan Tejas Pipeline LLC for a purchasing capacity of 150,000 MMBtu/Gas per day starting on June 1, 2016 and ending on May 31, 2036. As of June 30, 2015, the outstanding value of this commitment was approximately \$285 million. Tenaris’ exposure under the guarantee in connection with these agreements amounts to \$62.6 million, corresponding to the 22% of the agreements’ outstanding value as of June 30, 2015.
- Techgen is a party to a contract with GE Power Systems, Inc. and General Electric International Operations Company, Inc. Mexico Branch for the purchase of power generation equipment and other services related to the equipment for an outstanding amount of approximately \$238 million. These agreements required Techgen to issue stand-by letters of credit up to an amount of \$47.5 million. Tenaris’ exposure under the guarantee in connection with these stand-by letters of credit issued by Techgen is of \$4.7 million.
- Tenaris issued a Corporate Guarantee covering 22% of the obligations of Techgen under a syndicated loan agreement between Techgen and several banks led by Citigroup Global Markets Inc., Credit Agricole Corporate and Investment Bank, and Natixis, New York Branch acting as joint bookrunners. The loan agreement amounted to \$800 million and the proceeds will be used by Techgen in the construction of the facility. As of June 30, 2015, disbursements under the loan agreement amounted \$640 million, as a result the amount guaranteed by Tenaris was approximately \$140.8 million. If the loan is disbursed in full, the amount guaranteed by Tenaris will be approximately \$176 million. The main covenants under the Corporate Guarantee are limitations on the sale of certain assets and compliance with financial ratios (e.g. leverage ratio).

13 Related party transactions

As of June 30, 2015:

- San Faustin S.A., a Luxembourg public limited liability company (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 private limited liability company (Société à Responsabilité Limitée) (“Techint”).
- Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin, a Dutch private foundation (Stichting) (“RP STAK”) held shares in San Faustin sufficient in number to control San Faustin.
- No person or group of persons controls RP STAK.

Based on the information most recently available to the Company, Tenaris’ directors and senior management as a group owned 0.12% 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)	Six-month period ended June 30,	
	2015	2014
	(Unaudited)	
(i) Transactions		
(a) Sales of goods and services		
Sales of goods to non-consolidated parties	16,072	12,246
Sales of goods to other related parties	47,502	51,019
Sales of services to non-consolidated parties	4,722	5,059
Sales of services to other related parties	2,553	1,603
	70,849	69,927
(b) Purchases of goods and services		
Purchases of goods to non-consolidated parties	175,698	143,723
Purchases of goods to other related parties	8,461	8,901
Purchases of services to non-consolidated parties	6,624	15,813
Purchases of services to other related parties	44,952	43,565
	235,735	212,002
(all amounts in thousands of U.S. dollars)	At June 30,	At December 31,
	2015	2014
	(Unaudited)	
(ii) Period-end balances		
(a) Arising from sales / purchases of goods / services		
Receivables from non-consolidated parties	70,624	104,703
Receivables from other related parties	33,394	31,628
Payables to non-consolidated parties	(39,065)	(53,777)
Payables to other related parties	(14,710)	(28,208)
	50,243	54,346
(b) Financial debt		
Borrowings from other related parties	-	(200)
	-	(200)

14 Fair Value

▪ Measurement

IFRS 13 requires for financial instruments that are measured at fair value, a disclosure of fair value measurements by level.

The following table presents the assets and liabilities that are measured at fair value as of June 30, 2015 and December 31, 2014:

June 30, 2015	Level 1	Level 2	Level 3 (*)	Total
Assets				
Cash and cash equivalents	519,230	-	-	519,230
Other investments	1,636,852	932,214	1,561	2,570,627
Derivatives financial instruments	-	14,633	-	14,633
Available for sale assets	-	-	21,572	21,572
Total	2,156,082	946,847	23,133	3,126,062
Liabilities				
Derivatives financial instruments	-	48,066	-	48,066
Total	-	48,066	-	48,066
December 31, 2014	Level 1	Level 2	Level 3 (*)	Total
Assets				
Cash and cash equivalents	417,645	-	-	417,645
Other investments	1,277,465	560,914	1,539	1,839,918
Derivatives financial instruments	-	25,588	-	25,588
Available for sale assets	-	-	21,572	21,572
Total	1,695,110	586,502	23,111	2,304,723
Liabilities				
Derivatives financial instruments	-	56,834	-	56,834
Total	-	56,834	-	56,834

(*) Main balances included in this level correspond to Available for sale assets related to Tenaris' interest in the nationalized Venezuelan companies. For further detail regarding Available for sale assets, see Note 30 to the Company's audited Restated Consolidated Financial Statements for the year ended December 31, 2014.

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).

There were no transfers between Level 1 and 2 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 where 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.

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.

14 Fair Value (Cont.)

▪ **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 generally 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. 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.

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 carrying amount. Tenaris estimates that the fair value of its main financial liabilities is approximately 100.1% and 100.4% of its carrying amount including interests accrued as of June 30, 2015 and 2014, respectively. Tenaris estimates that a change of 100 basis points in the reference interest rates would have an estimated impact of approximately 0.4% and 0.3% in the fair value of borrowings as of June 30, 2015 and 2014, respectively. Fair values were calculated using standard valuation techniques for floating rate instruments and comparable market rates for discounting flows.

Edgardo Carlos
Chief Financial Officer