Annual Report
2019

Tenaris

Certain defined terms

Unless otherwise specified or if the context so requires:

- References in this annual report to "the Company" are exclusively to Tenaris S.A., a Luxembourg *société anonyme*.
- References in this annual report to "Tenaris", "we", "us" or "our" are to Tenaris S.A. and its consolidated subsidiaries. See "II. Accounting Policies A. Basis of presentation" and "II. Accounting Policies B. Group accounting" to our audited consolidated financial statements included in this annual report.
- References in this annual report to "San Faustin" are to San Faustin S.A., a Luxembourg société anonyme and the Company's controlling shareholder.
- "shares" refers to ordinary shares, par value $1.00, of the Company.
- "ADSs" refers to the American Depositary Shares, which are evidenced by American Depositary Receipts, and represent two shares each.
- "OCTG" refers to oil country tubular goods. See "Information on Tenaris – Business Overview – Our Products".
- "tons" refers to metric tons; one metric ton is equal to 1,000 kilograms, 2,204.62 pounds, or 1.102 U.S. (short) tons.
- "billion" refers to one thousand million, or 1,000,000,000.
- "U.S. dollars", "US$", "USD" or "$" each refers to the United States dollar.
- "EUR" refers to the Euro.
- "BRL" refers to the Brazilian real.
- "ARS" refers to the Argentine peso.

Presentation of certain financial and other information

ACCOUNTING PRINCIPLES

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and in accordance with IFRS, as adopted by the European Union. Additionally, this annual report includes certain non-IFRS alternative performance measures such as EBITDA, Net cash/debt position and Free Cash Flow. See Exhibit 1 for more details on these alternative performance measures. Following the sale in January 2017 of our steel electric conduit business in North America, known as Republic Conduit, the results of Republic Conduit are presented as discontinued operations in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations". Consequently, all amounts related to discontinued operations within each line item of the consolidated income statement are reclassified into discontinued operations. The consolidated statement of cash flows includes the cash flows for continuing and discontinued operations; cash flows and earnings per share from discontinued operations are disclosed separately in note 29 "Discontinued Operations" to our audited consolidated financial statements included in this annual report, as well as additional information detailing net assets of disposal group classified as held for sale and discontinued operations.

We publish consolidated financial statements presented in increments of a thousand U.S. dollars. This annual report includes our audited consolidated financial statements for the years ended December 31, 2019, 2018 and 2017. We completed the acquisition of IPSCO Tubulars Inc. ("IPSCO") discussed elsewhere in this annual report on January 2, 2020. Accordingly, the balance sheet and results of operations of IPSCO as of and for the year ended December 31, 2019, have not been reflected in our consolidated financial statements included in this annual report.

ROUNDING

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

OUR INTERNET WEBSITE IS NOT PART OF THIS ANNUAL REPORT

We maintain an Internet website at www.tenaris.com. Information contained in or otherwise accessible through our Internet website is not part of this annual report. All references in this annual report to this Internet site are inactive textual references to these URLs, or "uniform resource locators" and are for informational reference only. We assume no responsibility for the information contained on our Internet website.

INDUSTRY DATA

Unless otherwise indicated, industry data and statistics (including historical information, estimates or forecasts) in this annual report are contained in or derived from internal or industry sources believed by Tenaris to be reliable. Industry data and statistics are inherently predictive and are not necessarily reflective of actual industry conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data. Such data and statistics have not been independently verified, and the Company makes no representation as to the accuracy or completeness of such data or any assumptions relied upon therein.

Cautionary statement concerning forward-looking statements

This annual report and any other oral or written statements made by us to the public may contain "forward-looking statements" under applicable securities laws. Forward-looking statements are based on management's current views and assumptions and are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. Forward-looking statements involve known and unknown risks that could cause actual results, performance or events to differ materially from those expressed or implied by those statements.

We use words and terms such as "aim", "will likely result", "will continue", "contemplate", "seek to", "future", "objective", "goal", "should", "will pursue", "anticipate", "estimate", "expect", "project", "intend", "plan", "believe" and words and terms of similar substance to identify forward-looking statements, but they are not the only way we identify such statements. This annual report contains forward-looking statements, including with respect to certain of our plans and current goals and expectations relating to Tenaris's future financial condition and performance. Sections of this annual report that by their nature contain forward-looking statements include, but are not limited to, "Business Overview", "Principal Risks and Uncertainties", and "Operating and Financial Review and Prospects". In addition to the risks related to our business discussed under "Principal Risks and Uncertainties", other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to:

- the impact of the COVID-19 crisis and other pandemics on the world's economy, the energy sector in general, or our business and operations;
- our ability to implement our business strategy or to grow through acquisitions, joint ventures and other investments;
- the competitive environment in our business and our industry;
- our ability to price our products and services in accordance with our strategy; our ability to absorb cost increases and to secure supplies of essential
- raw materials and energy;
- our ability to adjust fixed and semi-fixed costs to fluctuations in product demand;
- trends in the levels of investment in oil and gas exploration and drilling worldwide;
- general macroeconomic, political, social and public health conditions and developments in the countries in which we operate or distribute pipes; *and*
- changes to applicable law and regulations, including the imposition of tariffs or quotas or other trade barriers.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses that may affect our financial condition and results of operations could differ materially from those that have been estimated. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this annual report. Except as required by law, we are not under any obligation, and expressly disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Index

Leading indicators

	2019	2018	2017
TUBES SALES VOLUMES (thousands of tons)			
Seamless	2,600	2694	2,157
Welded	671	877	461
Total	**3,271**	**3,571**	**2,618**
TUBES PRODUCTION VOLUMES (thousands of tons)			
Seamless	2,629	2,798	2,347
Welded	671	799	544
Total	**3,300**	**3,597**	**2,890**
FINANCIAL INDICATORS (millions of $)			
Net sales	7,294	7,659	5,289
Operating income (loss)	832	872	335
EBITDA (1)	1,372	1,536	943
Net income	731	874	536
Cash flow from operations	1,528	611	(22)
Capital expenditures	350	349	558
BALANCE SHEET (millions of $)			
Total assets	14,843	14,251	14,398
Total borrowings	822	539	966
Net cash position (2)	980	485	647
Total liabilities	2,657	2,376	2,817
Shareholders' equity including non-controlling interests	12,186	11,875	11,581
PER SHARE / ADS DATA ($ per share / per ADS) (3)			
Number of shares outstanding (4) (thousands of shares)	1,180,537	1,180,537	1,180,537
Earnings per share	0.63	0.74	0.46
Earnings per ADS	1.26	1.48	0.92
Dividends per share (5)	0.41	0.41	0.41
Dividends per ADS (5)	0.82	0.82	0.82
ADS Stock price at year-end	22.62	21.32	31.86
Number of employees (4)	23,200	22,967	21,605

1. Defined as operating income plus depreciation, amortization and impairment charges/(reversals). See Exhibit I.
2. Defined as Cash and cash equivalents + Other investments (Current and Non-Current) +/- Derivatives hedging borrowings and investments–Borrowings (Current and Non-Current). See Exhibit I.
3. Each ADS represents two shares.
4. As of December 31.
5. Proposed or paid in respect of the year.

Letter from the Chairman

Dear Shareholders,

Since we published our 2019 annual results in February, the world has changed completely. The rapid spread of the COVID-19 virus and the measures adopted to contain it have precipitated a global crisis that is unprecedented in the speed and severity with which it has affected the economy and our everyday lives. The recovery from this crisis will take time and will hasten change in many fields.

The impact on the energy sector is particularly severe and there will be a lasting impact on trade, travel and the way we interact with each other. Never before we have seen demand for energy collapse so much and so fast, driving prices in the US down to levels unseen in the past.

Oil and gas companies will struggle to maintain financial sustainability through this unforeseen chain of events, and investment in exploration and production will be reduced to a level comparable only to that of the `99 crisis. It is difficult to foresee the timing of the recovery in the oil demand, and the extent of the structural change that the sector will go through.

Over the next two years, the sustainability of our operations will be tested like never before. Our sales and our level of operations will be deeply affected, while the competitive environment in which we operate will be transformed in a way that today is difficult to anticipate.

In the long term, the world will resume a growth path and the need for a reliable supply of energy will be essential for the recovery. While we need to be prepared for the future, we also need to act swiftly and resolutely in facing the challenges of today.

We are focusing on four main lines of action:

First, we are taking comprehensive measures to protect our people by assuring a safe working environment, that will allow a gradual return to production when conditions allow in the countries where we operate. We are testing the temperature of all persons who enter our facilities, providing appropriate protective gear, fully disinfecting common areas several times a day, ensuring that social distancing rules are respected and using home working where possible. Whenever someone is detected as having potential symptoms they are immediately isolated and sent home or for medical treatment.

Second, we are acting rapidly to ensure the financial stability of the company. We have closed industrial facilities and introduced furlough schemes to reduce operating costs. We are downsizing our fixed cost structure, reducing salaries at all levels, redoubling our focus on working capital management, and reducing or postponing all investments except those essential for the long-term sustainability and positioning of the company. In this context, we are also proposing to limit this year's dividend to the interim distribution we already made in November.

Third, as we have done in past crises, we are supporting our communities, where the everyday lives of families and neighbours have been deeply affected. We are using our global capabilities, including our regional offices in China, to strengthen local health providers with the supply of medical equipment, protective gear and infrastructure as well as providing critical support for affected persons. A $6 million fund has been established for this purpose.

Fourth, we are doing all we can, with the resilience and ingenuity of our people, to fulfil our commitments and strengthen our relationships with customers and suppliers. They will be essential for our future and they should feel that we are at their side during this period.

With the current reality in front of us, our achievements in 2019 may seem somewhat distant but they have contributed to providing a solid platform with which to confront this crisis and prepare for the market recovery ahead. I will, therefore, briefly resume the most relevant.

We have strengthened our positioning in two key markets for the future. The acquisition of IPSCO in the United States gives us more local production capabilities, including a steel mill, with a wider range of products and geographical reach. This will strengthen our Rig Direct® service strategy, reducing lead times and improving service efficiency.

In the Middle East, we strengthened our position in Saudi Arabia through the integration of Saudi Steel Pipe Company ("SSPC"), while in Abu Dhabi, we successfully won a long-term contract valued at $1.9 billion to supply the majority of ADNOC's OCTG requirements over the next five years.

We are making investments in digital technologies to transform the efficiency of our operations and provide customers digital integration efficiencies under our Rig Direct® program. These investments are contributing to lower industrial and supply chain costs and closer collaboration with key customers.

Our safety indicators have improved significantly over the past two years, with the lost time injury frequency rate halving to an annual average of 1.2 lost time accidents per million manhours worked. No fatal accident has been recorded this year. This reflects a constant management focus over years and the culture change we have been able to extend to our 45 facilities around the world.

As we look at the global climate agenda, we look forward to leading the steel industry's response to the challenge. Today, we have relatively low levels of CO_2 emissions compared to our competitors, but we recognize the immensity of the "net zero" challenge. This will require collaboration across our entire industry value chain and has become a key focus in our agenda.

Over the past year, we have invested in particulate emissions collection systems to improve air quality at our steel mills in Argentina and Mexico. In other parts of our industrial system, such as our Bay City mill, we already have industry-leading emission levels. Investments like these improve working conditions for our employees and minimize the environmental impact of our operations on our communities.

In December, seven years after the inauguration of our Roberto Rocca Technical School in Campana, the first group of 50 students graduated. In a moving ceremony, we reflected on the importance of raising educational standards and providing opportunities to the aspiring young. Our educational programs are designed to make a difference at all levels throughout our communities.

We worked hard through the year to maintain the strength of our balance sheet. On sales of $7.3 billion, our free cash flow margin was 16% as we reduced working capital by over $500 million. At year end, our net cash position had risen to $980 million. Even after the acquisition of IPSCO following the close of the year, we still have a positive net cash position at the end of the first quarter of 2020.

As we face this new crisis, which will change many aspects of our industry, we are taking the steps necessary to strengthen our position as a leader in the eventual recovery.

During these most difficult times, I would like to give special thanks to our employees, who are showing exemplary solidarity and resilience as well as a capacity to act fast throughout the world. I am proud of them. I would also like to thank our customers, suppliers and investors for their ongoing support.

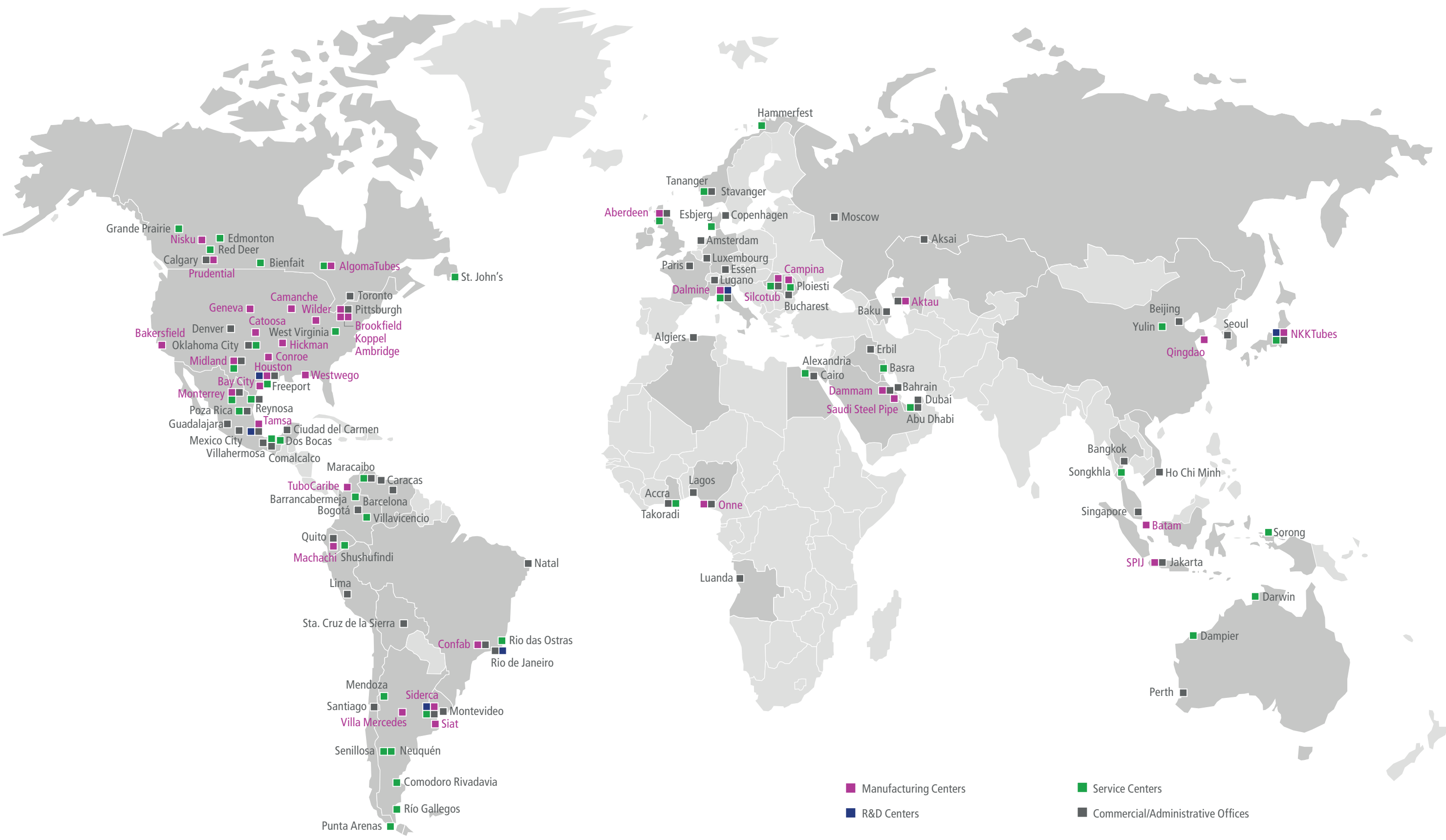
April 29, 2020

/s/ Paolo Rocca

Paolo Rocca

Company profile

Tenaris is a leading supplier of tubes and related services for the world's energy industry and certain other industrial applications. Our mission is to deliver value to our customers through product development, manufacturing excellence and supply chain management. We seek to minimize risk for our customers and help them reduce costs, increase flexibility and improve time-to-market. Our employees around the world are committed to continuous improvement by sharing knowledge across a single global organization.



Information on Tenaris

The Company

Our holding company's legal and commercial name is Tenaris S.A. The Company was established as a *société anonyme* organized under the laws of the Grand Duchy of Luxembourg on December 17, 2001. The Company's registered office is located at 26 Boulevard Royal, 4th Floor, L-2449, Luxembourg, telephone (352) 2647-8978.

The Company holds, either directly or indirectly, controlling interests in various subsidiaries in the steel pipe manufacturing and distribution businesses and other related businesses. For information on the Company's subsidiaries, see note 32 "Principal subsidiaries" to our audited consolidated financial statements included in this annual report.

Our shares are traded on the Buenos Aires Stock Exchange, the Italian Stock Exchange and the Mexican Stock Exchange; the Company's American Depositary Shares ("ADS") trade on the New York Stock Exchange ("NYSE").

Overview

We are the leading manufacturer of pipes and related services for the world's energy industry and certain other industrial applications. Our manufacturing system integrates steelmaking, pipe rolling and forming, heat treatment, threading and finishing across 18 countries. We also have a research and development ("R&D") network focused on enhancing our product portfolio and improving our production processes. Our team, based in more than 30 countries worldwide, is united by a passion for excellence in everything we do.

Through our integrated, worldwide network of seamless and welded manufacturing facilities, service centers and R&D centers, we work with customers to meet their needs, upholding the highest standards of safety, quality and performance.

Our mission is to deliver value to our customers through product and process innovation, manufacturing excellence, supply chain integration, technical assistance and customer service, aiming to reduce risk and costs, increase flexibility and improve time-to-market. Wherever we operate, we are committed to safety and minimizing our impact on the environment, providing opportunities for our people, and contributing to the sustainable development of our communities.

History and Development of Tenaris

Tenaris began with the formation of Siderca S.A.I.C. ("Siderca"), the sole Argentine producer of seamless steel pipe products, by San Faustin's predecessor in Argentina in 1948. We acquired Siat S.A., an Argentine welded steel pipe manufacturer, in 1986. We grew organically in Argentina and then, in the early 1990s, began to evolve beyond this initial base into a global business through a series of strategic investments. As of the date of this annual report, our investments include controlling or strategic interests in:

- Tubos de Acero de México S.A. ("Tamsa"), the sole Mexican producer of seamless steel pipe products;
- Dalmine S.p.A. ("Dalmine"), a leading Italian producer of seamless steel pipe products;
- Confab Industrial S.A. ("Confab"), the leading Brazilian producer of welded steel pipe products;
- NKKTubes K.K. ("NKKTubes"), a leading Japanese producer of seamless steel pipe products;
- Algoma Tubes Inc. ("AlgomaTubes"), the sole Canadian producer of seamless steel pipe products;
- S.C. Silcotub S.A. ("Silcotub"), a leading Romanian producer of seamless steel pipe products;
- Maverick Tube Corporation ("Maverick"), a U.S. producer of welded steel pipe products;

- Prudential Steel Ltd. (“Prudential”), a welded pipe mill producing OCTG, and line pipe products in Canada;
- Tenaris Tubocaribe Ltda. (“Tubocaribe”), a welded mill producing OCTG products including finishing of welded and seamless pipes, line pipe products and a couplings facility in Colombia;
- Hydril Company (“Hydril”), a North American manufacturer of premium connection products for oil and gas drilling production;
- PT Seamless Pipe Indonesia Jaya (“SPIJ”), an Indonesian OCTG processing business with heat treatment and premium connection threading facilities;
- Tenaris Qingdao Steel Pipes Ltd. (“Tenaris Qingdao”), a Chinese producer of premium joints and couplings;
- Pipe Coaters Nigeria Ltd. (“Pipe Coaters”) the leading company in the Nigerian coating industry;
- Ternium S.A. (“Ternium”), one of the leading flat steel producers of the Americas with operating facilities in Mexico, Brazil, Argentina, Colombia, the southern United States and Central America;
- Usinas Siderúrgicas de Minas Gerais S.A. (“Usiminas”), a Brazilian producer of high quality flat steel products used in the energy, automotive and other industries;
- Techgen S.A. de C.V. (“Techgen”), an electric power plant in Mexico;
- sucker rod businesses, in various countries;
- Tenaris Bay City Inc. (“Tenaris Bay City”), a state-of-the-art seamless pipe mill in Bay City, Texas, *and*
- SSPC, a Saudi producer of welded steel pipe products.

On January 2, 2020, we acquired IPSCO, a North American manufacturer of seamless and welded steel pipes. For more information on IPSCO’s acquisition, see “Recent Developments – Acquisition of IPSCO Tubulars Inc.”, as well as note 35 “Subsequent Events – Acquisition of IPSCO Tubulars, Inc.” and note 36 “Update as of April 29, 2020 - Acquisition of IPSCO Tubulars, Inc.” to our audited consolidated financial statements included in this annual report.

Moreover, we are currently building a welded pipe plant in West Siberia, Russian Federation as part of our joint venture with PAO Severstal (“Severstal”).

In addition, we have established a global network of pipe finishing, distribution and service facilities with a direct presence in most major oil and gas markets and a global network of research and development centers.

For information on Tenaris’s principal capital expenditures and divestitures, see “Information on Tenaris – Business Overview – Capital Expenditure Program”.

Business Overview

Our business strategy is to consolidate our position as a leading global supplier of integrated product and service solutions to the energy and other industries by:

- pursuing strategic investment opportunities in order to further strengthen our presence in local and global markets;
- expanding our comprehensive range of products and developing new products designed to meet the needs of customers operating in challenging environments;
- enhancing our Rig Direct® offer of technical and pipe management services designed to enable customers to optimize their selection and use of our products and reduce their overall operating costs; *and*
- securing an adequate supply of production inputs and reducing the manufacturing costs of our core products.

Pursuing strategic investment opportunities and alliances

We have a solid record of growth through strategic investments and acquisitions. We pursue selective strategic investments and acquisitions as a means to expand our operations and presence in select markets, enhance our global competitive position and capitalize on potential operational synergies. For example:

- In January 2019 we acquired a 47.79% interest in SSPC, a welded steel pipes producer located in Saudi Arabia.
- In February 2019, we entered into a joint venture with Severstal and we are currently building a welded pipe plant in West Siberia, Russian Federation.
- In January 2020 we acquired IPSCO, a U.S. manufacturer of steel pipes, from PAO TMK ("TMK"). The acquisition price was determined on a cash-free, debt-free basis, and the amount paid in cash at the closing, following contractual adjustments for cash, indebtedness, working capital and certain other items as estimated by the seller as of the closing date, was $1,067 million. The final acquisition price is subject to a contractual true-up adjustment based on actual amounts of cash, indebtedness, working capital and certain other items as of the closing date. IPSCO's facilities are located mainly in the midwestern and northeastern regions of the country. IPSCO's steel shop in Koppel, Pennsylvania, is Tenaris's first in the United States, providing vertical integration through domestic production of a relevant part of its steel bar needs. Its Ambridge, Pennsylvania, mill adds a second seamless manufacturing facility and complements Tenaris's seamless plant in Bay City, Texas. Our track record on companies' acquisitions is described above (see "History and Development of Tenaris").

Expanding our range of products

We have developed an extensive range of high-value products suitable for most of our customers' operations using our network of specialized research and testing facilities and by investing in our manufacturing facilities. As our customers expand their operations, we seek to supply high-value products that reduce costs and enable them to operate safely in challenging environments, including for complex offshore and unconventional operations.

Enhancing our offer of technical and pipe management services - Rig Direct® - and extending their global deployment

We continue to enhance our offer of Rig Direct® services, and extend their deployment worldwide. For many years, we have provided these services, managing customer inventories and directly supplying pipes to their rigs on a just-in-time basis, complemented by technical advice and assistance on the selection of materials and their use in the field, in markets like Mexico and Argentina. In response to changes in market conditions and the increased focus of customers on reducing costs and improving the efficiency of their operations, the deployment of our Rig Direct® services was extended throughout North America and in other markets around the world (e.g. North Sea, Romania, Indonesia and, most recently, the UAE). Through the provision of Rig Direct® services, we seek to integrate our operations with those of our customers using digital technologies to shorten the supply chain and simplify operational and administrative processes, as well as technical services for well planning and well integrity, to reduce costs, improve safety and minimize environmental impact. They are also intended to differentiate us from our competitors and further strengthen our relationships with customers worldwide through long-term agreements.

Securing inputs for our manufacturing operations

We seek to secure our existing sources of raw material and energy inputs, and to gain access to new sources of low-cost inputs which can help us maintain or reduce the cost of manufacturing our core products over the long term. We aim to achieve a vertically integrated value chain for our production. To this end, we purchase most of our supplies through Exiros, a specialized procurement company whose ownership we share with Ternium. Exiros offers us integral procurement solutions, supplier sourcing activities; category organized purchasing; suppliers' performance administration; and inventory management. Moreover, since 2014, we have an agreement with our affiliates Ternium and Tecpetrol International S.A. ("Tecpetrol") (a wholly-owned subsidiary of San Faustin, the controlling shareholder of both Tenaris and Ternium) to operate a natural gas-fired combined cycle electric power plant in Mexico for the supply of Tenaris's and Ternium's respective Mexican industrial facilities. The company started producing energy in December 2016 with a power capacity of 900 megawatts. For more information on the power plant, see note 12 c) "Investments in non-consolidated companies – Techgen S.A. de C.V." to our audited consolidated financial statements included in this annual report. For more information on the Company's commitments under the power plant, see Quantitative and Qualitative Disclosure about Market Risk - Off-Balance Sheet Arrangements".

Our Competitive Strengths

We believe our main competitive strengths include:

- our global production, commercial and distribution capabilities, offering a full product range with flexible supply options backed up by local service capabilities in important oil and gas producing and industrial regions around the world;
- our ability to develop, design and manufacture technologically advanced products;
- our solid and diversified customer base and historic relationships with major international oil and gas companies around the world, and our strong and stable market shares in most of the countries in which we have manufacturing operations;
- our proximity to our customers;
- our human resources around the world with their diverse knowledge and skills;
- our low-cost operations, primarily at state-of-the-art, strategically located production facilities with favorable access to raw materials, energy and labor, and more than 60 years of operating experience; *and*
- our strong financial condition.

Business Segments

Tenaris has one major business segment, "Tubes", which is also the reportable operating segment.

The Tubes segment includes the production and sale of both seamless and welded steel tubular products and related services mainly for the oil and gas industry, particularly OCTG used in drilling operations, and for other industrial applications with production processes that consist in the transformation of steel into tubular products. Business activities included in this segment are mainly dependent on the oil and gas industry worldwide, as this industry is a major consumer of steel pipe products, particularly OCTG used in drilling activities. Demand for steel pipe products from the oil and gas industry has historically been volatile and depends primarily upon the number of oil and natural gas wells being drilled, completed and reworked, and the depth and drilling conditions of such wells. Sales are generally made to end users, with exports being done through a centrally managed global distribution network and domestic sales made through local subsidiaries. Corporate general and administrative expenses have been allocated to the Tubes segment.

The "Others" segment includes all other business activities and operating segments that are not required to be separately reported, including the production and selling of sucker rods, industrial equipment, coiled tubing, heat exchangers, utility conduits for buildings, and the sale of energy and raw materials that exceed internal requirements.

For more information on our business segments, see “II C. Accounting Policies – Segment information” to our audited consolidated financial statements included in this annual report.

Our Products

Our principal finished products are seamless and welded steel casing and tubing, line pipe and various other mechanical and structural steel pipes for different uses. Casing and tubing are also known as oil country tubular goods (“OCTG”). We manufacture our steel pipe products in a wide range of specifications, which vary in diameter, length, thickness, finishing, steel grades, coating, threading and coupling. For more complex applications, including high pressure and high temperature applications, seamless steel pipes are usually specified and, for some standard applications, welded steel pipes can also be used.

Casing

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

Tubing

Steel tubing is used to conduct crude oil and natural gas to the surface after drilling has been completed.

Line pipe

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

Mechanical and structural pipes

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

Cold-drawn pipe

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

Premium joints and couplings

Premium joints and couplings are specially designed connections used to join lengths of steel casing and tubing for use in high temperature or high pressure environments. A significant portion of our steel casing and tubing products are supplied with premium joints and couplings. We own an extensive range of premium connections, and following the integration of the premium connections business of Hydril, we have marketed our premium connection products under the “TenarisHydril” brand name. In addition, we hold licensing rights to manufacture and sell the Atlas Bradford range of premium connections outside the United States and, since our acquisition of IPSCO in January 2020, we now own the Ultra range of premium connections, marketed under the “Ultra” brand, which are used mainly in U.S. onshore applications.

Coiled tubing

Coiled tubing is used for oil and gas drilling and well workovers and for subsea pipelines.

Other Products

We also manufacture sucker rods used in oil extraction activities and industrial equipment of various specifications and diverse applications, including liquid and gas storage equipment. In addition, we produce shell and tube heat exchangers for various applications, and we sell energy and raw materials that exceed our internal requirements.

Production Process and Facilities

We operate relatively low-cost production facilities, which we believe is the result of:

- state-of-the-art, strategically located plants;
- favorable access to high quality raw materials, energy and labor at competitive costs;
- operating history of more than 60 years, which translates into solid industrial know-how;
- constant benchmarking and best-practices sharing among the different facilities;
- increasing specialization of each of our facilities in specific product ranges; *and*
- extensive use of information technology in our production processes.

Our seamless pipes production facilities are located in North and South America, Europe and Asia and our welded pipes production facilities are located in North and South America and, from January 2019, in Saudi Arabia. In addition, we have tubular accessories facilities, such as sucker rods, in Argentina, Brazil, Mexico, Romania, and the United States. We produce couplings in Argentina, China, Colombia, Indonesia, Mexico and Romania, and pipe fittings in Mexico. In addition to our pipe threading and finishing facilities at our integrated pipe production facilities, we also have pipe threading facilities for steel pipes manufactured in accordance with the specifications of the American Petroleum Institute ("API"), and premium joints in the United States, Canada, China, Denmark, Ecuador, Kazakhstan, Indonesia, Nigeria, the United Kingdom and Saudi Arabia.

The following table shows our aggregate installed production capacity of seamless and welded steel pipes and steel bars at the dates indicated as well as the aggregate actual production volumes for the periods indicated.

Capacity of welded tubes in 2019 increased in respect to 2018 due to the acquisition of SSPC, while capacity of seamless tubes in 2018 increased in respect to 2017 due to the completion of Tenaris Bay City, our state-of-the-art pipe mill in Bay City, Texas.

Thousands of tons

AT OR FOR THE YEAR ENDED DECEMBER 31	2019	2018	2017
STEEL BARS			
Effective Capacity (annual) (1)	3,985	3,935	3,835
Actual Production	2,835	3,167	2,793
TUBES – SEAMLESS			
Effective Capacity (annual) (1)	4,300	4,300	3,680
Actual Production	2,629	2,798	2,347
TUBES – WELDED			
Effective Capacity (annual) (1)	2,980	2,620	2,620
Actual Production	671	799	544

1. Effective annual production capacity is calculated based on standard productivity of production lines, theoretical product mix allocations, the maximum number of possible working shifts and a continued flow of supplies to the production process.

In 2020 our production capacity - for steel bars, seamless and welded pipes - is expected to increase due to the acquisition of IPSCO. Due to the acquisition of IPSCO, Tenaris owns its first steel shop in the US. Furthermore, Tenaris integrated IPSCO's seamless, welded, finishing and threading facilities.

Competition

The global market for steel pipe products is highly competitive. Seamless steel pipe products, which are used extensively in the oil and gas industry particularly for offshore, high pressure, high stress and other complex applications, are produced in specialized mills using round steel billets and specially produced ingots. Welded steel pipe products are produced in mills which process steel coils and plates into steel pipes. Steel companies that manufacture steel coils and other steel products but do not operate specialized seamless steel mills are generally not competitors in the market for seamless steel pipe products, although they often produce welded steel pipes or sell steel coils and plates used to produce welded steel pipes.

The production of steel pipe products following the stringent requirements of major oil and gas companies operating in offshore and other complex operations requires the development of specific skills and significant investments in manufacturing facilities. By contrast, steel pipe products for standard applications can be produced in most seamless pipe mills worldwide and sometimes compete with welded pipe products for such applications including OCTG applications. Welded pipe, however, is not generally considered a satisfactory substitute for seamless steel pipe in high-pressure or high-stress applications.

Over the past decade, substantial investments have been made, especially in China but also in other regions around the world, to increase production capacity of seamless steel pipe products. Production capacity for more specialized product grades has also increased. With the downturn between 2014 and 2016 in the price of oil and demand for tubes for oil and gas drilling, the overcapacity in steel pipe and seamless steel pipe production worldwide has become acute, and now extends beyond commodity grades. The competitive environment has, as a result, become more intense, and we expect that this will continue for some time. Effective competitive differentiation will be a key factor for Tenaris.

Our principal competitors in steel pipe markets worldwide are described below.

- Vallourec S.A. ("Vallourec"), a French company, has mills in Brazil, China, Germany and the United States. Vallourec has a strong presence in the European market for seamless pipes for industrial use and a significant market share in the international market with customers primarily in Europe, the United States, Brazil, China, the Middle East and Africa. Vallourec is an important competitor in the international OCTG market, particularly for high-value premium joint products, where it operates a technology partnership for VAM® premium connections with Nippon Steel & Sumitomo Metal Corporation ("NSSMC"). Prior to the collapse in oil prices in 2014 to 2016, Vallourec increased its production capacity by building mills in Brazil (jointly with NSSMC) and, Youngstown, Ohio, acquiring three tubular businesses in the United States and Saudi Arabia, concluding and agreement with a Chinese seamless steel producer, Tianda Oil Pipe Company ("Tianda") to distribute products from Tianda in markets outside China. In early 2016, in response to accumulating losses, Vallourec announced a $1 billion capital increase, more than half of which was provided by a French government fund and NSSMC, who each agreed to increase their equity participation to 15%. At the same time, an industrial restructuring program was announced under which Vallourec reduced capacity in Europe, closing its rolling mills in France, combined its operations in Brazil with that of the new mill held with NSSMC, acquired a majority position in Tianda and bought out the remaining minority interest, and strengthened its cooperation with NSSMC for the development and testing of premium connection products and technology. Despite this restructuring program, Vallourec's losses have continued through 2019 and, in February 2020, it announced a further capital increase of $0.8 billion to take place later this year, to which the French government fund has agreed to subscribe in proportion to its existing shareholding while NSSMC has agreed to subscribe a less than proportional amount and reduce its shareholding to 10%.

- Japanese players NSSMC and JFE together enjoy a significant share of the international market, having established strong positions in markets in the Far East and the Middle East. They are internationally recognized for their supply of high-alloy grade pipe products. In recent years, NSSMC has increased its capacity to serve international markets through the construction with Vallourec of a new seamless pipe mill in Brazil, and has further strengthened its ties with Vallourec through participating in Vallourec's 2016 capital increase and combining their respective Brazilian operations.
- In recent years, TMK, a Russian company, has led consolidation of the Russian steel pipe industry, invested to modernize and expand its production capacity in Russia and expanded internationally through acquisitions into Eastern Europe and the United States where it acquired a significant position in the U.S. market through its acquisition of IPSCO's tubular operations. In 2012, TMK opened a research and development center in Houston and has been expanding its capacity to produce premium connection products. TMK also expanded in the Middle East through the acquisition of a controlling interest in Gulf International Pipe Industry LLC ("Gulf International Pipe"), a welded pipe producer in Oman. More recently, however, TMK adopted a strategy of monetizing its international assets by reducing its participation in Gulf International Pipe and selling IPSCO to Tenaris.
- Over the past two decades, Chinese producers increased production capacity substantially and strongly increased their exports of steel pipe products around the world. Due to unfair trading practices, many countries, including the United States, the European Union, Canada, Mexico and Colombia, have imposed anti-dumping restrictions on Chinese imports to those regions. The largest Chinese producer of seamless steel pipes, Tianjin Pipe (Group) Corporation Limited ("TPCO"), announced a plan in 2009 to build a new seamless pipe facility in the United States; heat treatment and pipe finishing facilities have been constructed and steelmaking and hot rolling facilities are currently under construction in Corpus Christi, Texas. Although producers from China compete primarily in the "commodity" sector of the market, some of these producers, including TPCO, have been upgrading their facilities and processes with the intention of entering into the market for more specialized products.
- The tubes and pipes business in the United States and Canada have experienced a significant consolidation process. Following the acquisitions of Maverick and Hydril by Tenaris and the earlier acquisition of North Star Steel by Vallourec, U.S. Steel Corporation acquired Lone Star Steel Technologies. In 2008, Evraz Group S.A. ("Evraz") and TMK, two Russian companies, acquired IPSCO's Tubular division, with Evraz retaining IPSCO's operations in Canada and TMK acquiring IPSCO's operations in the United States. More recently, however, many new players have built, or announced plans to build, pipe mills

in the United States. These include, in addition to TPCO, Boomerang LLC, a company formed by a former Maverick executive that opened a welded pipe mill in Liberty, Texas, in 2010; Benteler International A.G. ("Benteler"), a European seamless pipe producer that built a new seamless pipe mill in Louisiana, which opened in September 2015; and OCT Pipe, LLC, a company building a seamless pipe mill with heat treatment and OCTG threading facilities in Norfolk, Nebraska. North American pipe producers are largely focused on supplying the U.S. and Canadian markets, where they have their production facilities. In January 2020, TMK completed the sale of IPSCO to Tenaris.

- Korean welded pipe producers, who have a limited domestic market, have expanded capacity in recent years and targeted the U.S. market for standard applications. They have gained a relevant market position, despite the application of anti-dumping duties for unfair trading practices and being subject to Section 232 quotas.
- Tubos Reunidos S.A. ("Tubos Reunidos") of Spain, Benteler International A.G. of Germany and Voest Alpine A.G. of Austria each have a significant presence in the European market for seamless steel pipes for industrial applications, while the latter also has a relevant presence in the U.S. and international OCTG markets, and in 2016, Tubos Reunidos opened an OCTG threading facility targeting international markets. In 2006, ArcelorMittal S.A. ("ArcelorMittal") created a tubes division through several acquisitions and has mills in North America, Eastern Europe, Venezuela, Algeria and South Africa and has built a seamless pipe mill in Saudi Arabia.
- In the Middle East, particularly in Saudi Arabia, which has implemented policies to encourage local production for its oil and gas industry, a number of pipe mills have been established including a seamless pipe mill built by Jubail Energy Services Company ("JESCO"), a company established with majority participation from a state-backed industrial development company, and a seamless pipe mill built by ArcelorMittal. These local players have been strengthening their capabilities and are taking an increasing share of the pipes supplied to Saudi Aramco as well as exporting to other countries in the Middle East and the rest of the world. In January 2019, Tenaris acquired a controlling 47.79% participation in SSPC, a local welded pipe producer.

Producers of steel pipe products can maintain strong competitive positions in markets where they have their pipe manufacturing facilities due to logistical and other advantages that permit them to offer value-added services and maintain strong relationships with domestic customers, particularly in the oil and gas sectors. Our subsidiaries have established strong ties with major consumers of steel pipe products in their home markets, reinforced by Rig Direct® services, as discussed above.

Capital Expenditure Program

During 2019, our capital expenditures, including investments at our plants and information systems (IT), amounted to $350 million, compared to $349 million in 2018 and $558 million in 2017. Of these capital expenditures, 2019 investment at our plants reached $314 million compared to $318 million in 2018 and $525 million in 2017.

In 2019 we focused on enhancing automation and digitalization of our industrial processes, improvements on safety and environmental issues, product differentiation and competitiveness.

The major highlights of our capital spending program during 2019 included: investments in our three-year global automation plan covering all of our industrial system worldwide; new equipment and related infrastructure to improve safety conditions at our entire industrial system; the revamping of the shaft furnace at the Direct Reduction Iron ("DRI") plant, the expansion of the dedusting system capacity at the steel shop (still ongoing) and a capacity increase of the component center at our Campana mill in Argentina; the completion of the steel shop fumes dedusting and cooling systems project, the handling revamping - including range extension to 3.8 tons/pcs- of the multi-stand plug mill ("MPM") hot rolling mill, innovative solutions at the Non-Destructive Tests ("NDTs") of the FAT2 finishing lines and the increase of threading capacity at the couplings plant at our Veracruz Facility in Mexico; the consolidation of the new heat treatment plant, the revamping of the main ultrasonic test equipment, and an innovative NDT inspection system for the expander mill production line at our Dalmine facility in Italy; the revamping of the threading and phosphatizing lines in our McCarty facility in the US; the steel shop capacity increase of our Calarasi plant which is still on going, the installation of a new airbag production line with full automatic inspection system at our mill in Zalau, Romania and the installation of a new service center in Pindamonhangaba, Brasil.

Our capital expenditure programs are being reviewed to address short-term changes in business conditions, and capital expenditures in 2020 are expected to be significantly lower than the level of 2019: they will include the completion of some of the projects started in 2019 described above, as well as the construction of a new premium threading plant in Abu Dhabi as required under an agreement with ADNOC. Furthermore, as part of the ongoing integration of IPSCO, we will assess whether any investments are necessary at the newly acquired business.

In addition to capital expenditures at our plants, we have invested in information systems for the integration of our production, commercial and managerial activities, together with investments in cybersecurity for the protection of our information technology and our industrial systems. These investments are intended to promote the further integration of our operating facilities and enhance our ability to provide value-added services to customers worldwide. Investments in information systems totaled $35 million in 2019, compared to $32 million in 2018 and $28 million in 2017.

Product Quality Standards

Our steel products (tubular products, accessories and sucker rods) are manufactured in accordance with the specifications of the American Petroleum Institute (API), the American Society for Testing and Materials (ASTM), the International Standardization Organization (ISO), the Japan Industrial Standards (JIS), and European Standards (EN), among other standards. The products must also satisfy our proprietary standards as well as our customers' requirements. We maintain an extensive quality assurance and control program to ensure that our products continue to satisfy proprietary and industry standards and are competitive from a product quality standpoint with products offered by our competitors.

We currently maintain, for all our manufacturing facilities and services centers, a Quality Management System Certified to ISO 9001:2015 by Lloyd's Register Quality Assurance and API product licenses granted by API, which are requirements for selling to the major oil and gas companies, which have rigorous quality standards. In addition, the majority of our testing laboratories are certified to ISO 17025. Our Quality Management System (QMS), based on the ISO 9001 and API Q1 specifications assures that products and services comply with customer requirements from the acquisition of raw materials to the delivery of the final product and services. The QMS is designed to ensure the reliability and improvement of the product and the manufacturing operations processes as well as the associated services. Additionally, we are in the process of certifying the QMS to API Q2, a certification specifically developed for companies which offer services in the oil and gas industry.

All of our mills involved in the manufacturing of material for the automotive market are certified according to the standard IATF 16949 by Lloyd's Register Quality Assurance.

Research and Development

Research and development, or R&D, of new products and processes to meet the increasingly stringent requirements of our customers is an important aspect of our business.

R&D activities are carried out primarily at our global R&D network with its main office in Amsterdam, the Netherlands and specialized research and testing facilities located in Campana, Argentina, in Veracruz, Mexico, in Dalmine, Italy, and in the product testing facilities of NKKTubes, Japan. Additionally, we have a Wedge Technology Center in Houston, Texas, USA. We strive to engage some of the world's leading industrial research institutions to solve the problems posed by the complexities of oil and gas projects with innovative applications. In addition, our global technical sales team is made up of experienced engineers who work with our customers to identify solutions for each particular oil and gas drilling environment.

Product R&D currently being undertaken are focused on the increasingly challenging energy markets and include:

- proprietary premium joint products including Dopeless® technology;
- heavy-wall deepwater line pipe, risers and welding technology;
- proprietary steels;
- tubes and components for the car industry and mechanical applications;
- tubes for boilers;
- welded pipes for oil and gas and other applications;
- sucker rods;
- coiled tubing;
- coatings; *and*
- large vessels for hydrogen storage and refueling stations.

In addition to R&D aimed at new or improved products, we continuously study opportunities to optimize our manufacturing processes. Recent projects in this area include modeling of rolling and finishing process and the development of different process controls, with the goal of improving product quality and productivity at our facilities.

We seek to protect our innovation, through the use of patents, trade secrets, trademarks and other intellectual property tools that allow us to differentiate ourselves from our competitors.

We spent $61 million in R&D in 2019, compared to $63 million in 2018 and $64 million in 2017.

Capitalized costs were not material for the years 2019, 2018 and 2017.

Environmental Regulation

We are subject to a wide range of local, provincial and national laws, regulations, permit requirements and decrees relating to the protection of human health and the environment, including laws and regulations relating to hazardous materials and radioactive materials and environmental protection governing air emissions, water discharges and waste management. Laws and regulations protecting the environment have become increasingly complex and more stringent and expensive to implement in recent years. International environmental requirements vary from one jurisdiction to another.

The ultimate impact of complying with existing laws and regulations is not always clearly known or determinable since regulations under some of these laws are not yet effective or are undergoing revision. The expenditures necessary to remain in compliance with these laws and regulations, including site or other remediation costs, or costs incurred from potential environmental liabilities, could have a material adverse effect on our financial condition and profitability. While we incur and will continue to incur, in expenditures to comply with applicable laws and regulations, there always remains a risk that environmental incidents or accidents may occur that may negatively affect our reputation or our operations.

Compliance with applicable environmental laws and regulations is a significant factor in our business. We have not been subject to any material penalty for any material environmental violation in the last five years, and we are not aware of any current material legal or administrative proceedings pending against us with respect to environmental matters which could have an adverse material impact on our financial condition or results of operations.

Insurance

We carry property damage, general liability and certain other insurance coverage in line with industry practice. However, we do not carry business interruption insurance. Our current general liability coverage includes third party, employers, sudden and accidental seepage and pollution and product liability, up to a limit of $300 million. Our current property insurance has indemnification caps up to $250 million for direct damage, depending on the different plants; and a deductible of $100 million.

Organizational Structure and Subsidiaries

We conduct all our operations through subsidiaries. The following table shows the principal subsidiaries of the Company and its direct and indirect ownership in each subsidiary as of December 31, 2019, 2018 and 2017.

Company	Country of Incorporation	Main activity	Percentage of ownership at December 31 (*)		
			2019	2018	2017
Algoma Tubes Inc.	Canada	Manufacturing of seamless steel pipes	100%	100%	100%
Confab Industrial S.A. and subsidiaries	Brazil	Manufacturing of welded steel pipes and capital goods	100%	100%	100%
Dalmine S.p.A.	Italy	Manufacturing of seamless steel pipes	100%	100%	100%
Hydril Company and subsidiaries (except detailed) (a)	USA	Manufacture and marketing of premium connections	100%	100%	100%
Kazakhstan Pipe Threaders Limited Liability Partnership	Kazakhstan	Threading of premium products	100%	100%	100%
Maverick Tube Corporation and subsidiaries	USA	Manufacturing of welded steel pipes	100%	100%	100%
NKKTubes	Japan	Manufacturing of seamless steel pipes	51%	51%	51%
P.T. Seamless Pipe Indonesia Jaya	Indonesia	Manufacturing of seamless steel products	89%	89%	89%
Prudential Steel Ltd.	Canada	Manufacturing of welded steel pipes	100%	100%	100%
S.C. Silcotub S.A.	Romania	Manufacturing of seamless steel pipes	100%	100%	100%
Saudi Steel Pipe Co.	Saudi Arabia	Manufacturing of welded steel pipes	48%	NA	NA
Siat Sociedad Anónima	Argentina	Manufacturing of welded and seamless steel pipes	100%	100%	100%
Siderca Siderca Sociedad Anónima Industrial y Comercial and subsidiaries	Argentina	Manufacturing of seamless steel pipes	100%	100%	100%
Talta - Trading E Marketing Sociedade Unipessoal Lda.	Portugal	Holding Company	100%	100%	100%
Tenaris Bay City, Inc.	USA	Manufacturing of seamless steel pipes	100%	100%	100%
Tenaris Connections Bv	Netherlands	Development, management and licensing of intellectual property	100%	100%	100%
Tenaris Financial Services S.A.	Uruguay	Financial company	100%	100%	100%
Tenaris Global Services (Canada) Inc.	Canada	Marketing of steel products	100%	100%	100%
Tenaris Global Services (U.S.A.) Corporation	USA	Marketing of steel products	100%	100%	100%
Tenaris Global Services (UK) Ltd	United Kingdom	Holding company and marketing of steel products	100%	100%	100%
Tenaris Global Services S.A. and Subsidiaries (except detailed) (b)	Uruguay	Holding company and marketing of steel products	100%	100%	100%
Tenaris Investments (NL) B.V.	Netherlands	Holding company	100%	NA	NA
Tenaris Investments S.à r.l.	Luxembourg	Holding company	100%	100%	100%
Tenaris Investments Switzerland AG and subsidiaries	Switzerland	Holding company	100%	100%	100%
Tenaris Tubocaribe Ltda.	Colombia	Manufacturing of welded and seamless steel pipes	100%	100%	100%
Tubos de Acero de Mexico, S.A.	Mexico	Manufacturing of seamless steel pipes	100%	100%	100%

(*) All percentages rounded.
(a) Tenaris Investments S.à r.l. holds 100% of Hydril's subsidiaries shares except for Technical Drilling & Production Services Nigeria. Ltd where it holds 80% for 2019, 2018 and 2017.

(b) Tenaris Investments S.à r.l. holds 97,5% of Tenaris Supply Chain S.A. and 40% of Tubular Technical Services Ltd. and Pipe Coaters Nigeria Ltd., 49% of Amaja Tubular Services Limited, 49% Tubular Services Angola Lda.

Other Investments

Ternium

We have a significant investment in Ternium, a Luxembourg company controlled by San Faustin, whose securities are listed on the NYSE. As of December 31, 2019, the Company held 11.46% of Ternium's share capital (including treasury shares).

The Company is a party to a shareholders' agreement with Techint Holdings S.à r.l. ("Techint Holdings"), a wholly owned subsidiary of San Faustin and Ternium's main shareholder, dated January 9, 2006, pursuant to which Techint Holdings is required to take actions within its power to cause one of the members of Ternium's board of directors to be nominated by the Company and any directors nominated by the Company to be removed only pursuant to previous written instructions from the Company. The Company and Techint Holdings also agreed to cause any vacancies on Ternium's board of directors to be filled with new directors nominated by either the Company or Techint Holdings, as applicable. The shareholders' agreement will remain in effect so long as each of the parties holds at least 5% of the shares of Ternium or until it is terminated by either the Company or Techint Holdings pursuant to its terms. Carlos Condorelli was nominated by the Company as a director of Ternium pursuant to this shareholders' agreement.

Usiminas

On January 16, 2012, Confab, acquired 5.0% of the shares with voting rights and 2.5% of the total share capital in Usiminas, a leading Brazilian producer of high quality flat steel products used in the energy, automotive and other industries. The acquisition was part of a larger transaction pursuant to which Confab and Ternium's subsidiaries Ternium Investments S.à r.l., Ternium Argentina and Prosid Investments S.A. (jointly, the "Ternium Entities") formed the so-called T/T Group and joined Usiminas' existing control group through the acquisition of ordinary shares representing 27.7% of Usiminas' total voting capital and 13.8% of Usiminas' total share capital. In addition, the T/T Group entered into a shareholders' agreement with the NSSMC Group (formed by NSSMC, Mitsubishi Corporation do Brasil S.A. and Metal One Corporation) and Previdência Usiminas, an Usiminas employee fund, governing the parties' rights within the Usiminas control group.

Following a subsequent subscription in 2016 to 1.3 million Usiminas preferred shares and 11.5 million Usiminas ordinary shares, as of December 31, 2019, Confab owned 36.5 million ordinary shares and 1.3 million preferred shares of Usiminas, representing 5.2% of Usiminas' total voting capital and 3.07% of Usiminas' total share capital.

In 2014, a conflict arose within the T/T Group and 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, the dispute was resolved; and on April 10, 2018, the T/T Group entities (including Confab), the NSSMC Group entities 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 coming election of Usiminas' executive board in May 2018. Such exit mechanism shall apply with respect to shares held by the NSSMC Group and the T/T Group, and would allow either Ternium (on behalf of the T/T Group) 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.

Techgen

Techgen is a Mexican joint venture company owned 48% by Ternium, 30% by Tecpetrol and 22% by Tenaris. Techgen operates a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico. Tenaris, Ternium and Tecpetrol are parties to a shareholder's agreement relating to the governance of Techgen.

On February 13, 2019 Techgen entered into a $640 million syndicated loan agreement with several banks to refinance an existing loan, resulting in the release of certain corporate guarantee issued by Techgen's shareholders.

Techgen's obligations under the current facility, which is "non-recourse" on the sponsors, are guaranteed by a Mexican security trust covering Techgen's shares, assets and accounts as well as Techgen's affiliates rights under certain contracts.

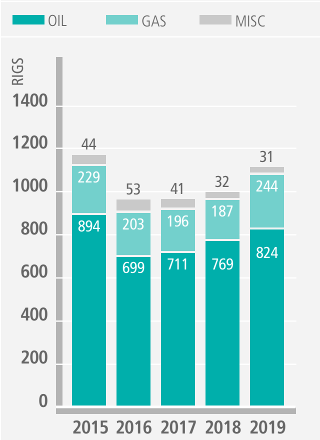
TenarisSeverstal

On February 5, 2019 Tenaris entered into an agreement with Severstal to build a welded pipe plant to produce OCTG products in the Surgut area, West Siberia, Russian Federation. Tenaris holds a 49% interest in the company, while Severstal owns the remaining 51%. The plant, which is estimated to require an investment of $280 million, is planned to have an annual production capacity of 300,000 tons. As of December 31, 2019 Tenaris contributed approximately $19.6 million in the project.

Tenaris in numbers

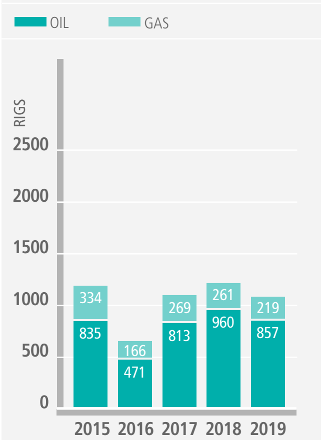
Trend information

RIG COUNT INTERNATIONAL



Source: Baker Hughes

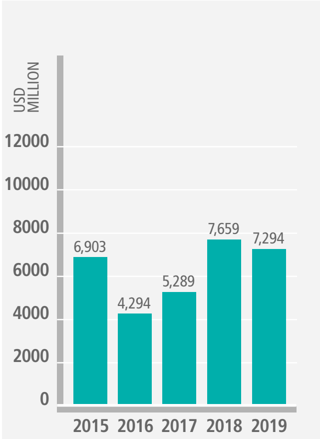
RIG COUNT USA AND CANADA



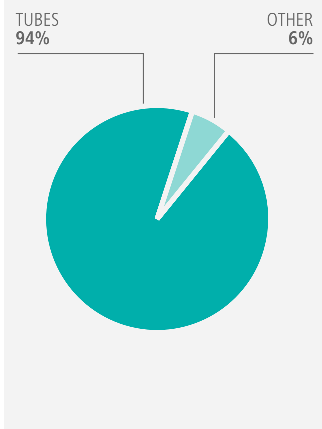
Source: Baker Hughes

Leading indicators

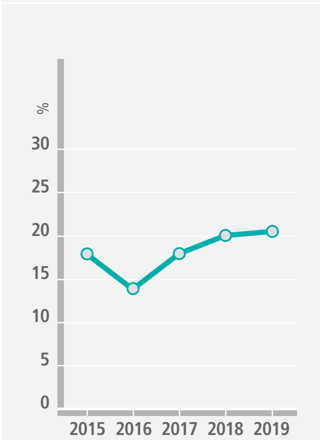
NET SALES



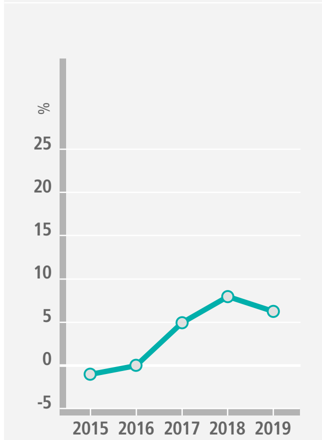
NET SALES BY BUSINESS SEGMENT



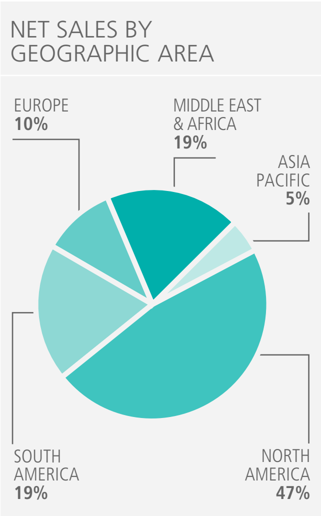
EBITDA MARGIN

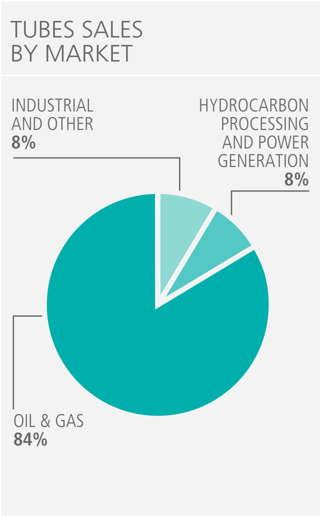


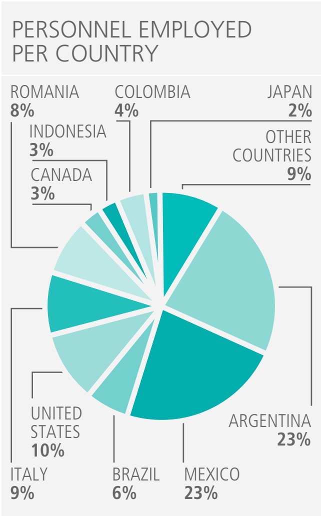
RETURN ON EQUITY

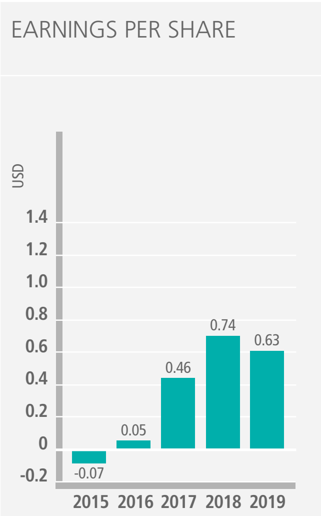


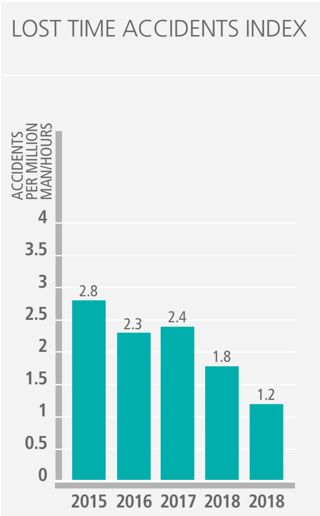
Leading indicators











Principal risks and uncertainties

You should carefully consider the risks and uncertainties described below, together with all other information contained in this annual report, before making any investment decision. Any of these risks and uncertainties could have a material adverse effect on our business, revenues, financial condition and results of operations, which could in turn affect the price of shares and ADSs.

Risks Relating to Our Industry

The COVID-19 pandemic could have an adverse effect of a magnitude we cannot predict.

A novel strain of coronavirus (SARS-CoV-2) surfaced in China in December 2019 and subsequently spread to the rest of the world in early 2020. In March 2020, the World Health Organization declared COVID-19, the disease caused by SARS-CoV-2, a global pandemic. In response to the COVID-19 outbreak, countries have taken different measures in relation to prevention and containment, and several countries introduced bans on business activities or locked down cities or countries, including countries where Tenaris has operations (such as Argentina, China, Colombia, Italy, Mexico and the United States). The rapid expansion of the virus and the measures taken to contain it have triggered a severe fall in global economic activity and a serious crisis in the energy sector.

Given the uncertainty around the extent and timing of the future spread of the SARS-CoV-2 virus and the timing or relaxation of protective measures, it is not possible at this time to predict the magnitude of COVID-19's effects on any of the world's economy, the energy industry generally, or Tenaris in particular, nor is it feasible to reasonably estimate the impact of the pandemic on Tenaris's operations, results, cash flows or financial condition. For more information on the impact of the COVID-19 pandemic, see "Recent Developments - The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition."

Sales and profitability have fallen as a result of downturns in the international price of oil and gas and other factors and circumstances (including the recent COVID-19 outbreak) affecting the oil and gas industry, and may continue to be adversely impacted for a prolonged period of time.

We are a global steel pipe manufacturer with a strong focus on manufacturing products and related services for the oil and gas industry. The oil and gas industry is a major consumer of steel pipe products worldwide, particularly for products manufactured under high quality standards and demanding specifications. Demand for steel pipe products from the oil and gas industry has historically been volatile and depends primarily upon the number of oil and natural gas wells being drilled, completed and reworked, and the depth and drilling conditions of these wells. The level of exploration, development and production activities of, and the corresponding capital spending by, oil and gas companies, including national oil companies, depends primarily on current and expected future prices of oil and natural gas and is sensitive to the industry's view of future economic growth and the resulting impact on demand for oil and natural gas. Several factors, such as the supply and demand for oil and gas, and political and global economic conditions, affect these prices. When the price of oil and gas falls, oil and gas companies generally reduce spending on production and exploration activities and, accordingly, make fewer purchases of steel pipe products. Major oil-and gas-producing nations and companies have frequently collaborated to balance the supply (and thus the price) of oil in the international markets. A major vehicle for this collaboration has been the Organization of Petroleum Exporting Countries ("OPEC"), and many of our customers are state-owned companies in member countries of OPEC. A more recent factor affecting oil and gas prices has been the ability of producers in the United States and Canada to rapidly increase production from their reserves of tight oil and shale gas in response to changes in market conditions. For example, in recent years, Saudi Arabia and Russia have cooperated in trimming crude production to try to counter falling prices resulting from the increased production in the United States and Canada. While the extent of the effects of COVID-19 on the global economy and oil demand were still unclear, in March 2020, the members of OPEC+ (OPEC plus other major oil producers including Russia) did not agree to extend their agreement to cut oil production and Saudi Arabia precipitated a wave of additional supply on the market triggering a collapse in oil prices below $30 per barrel. This exacerbated what soon became clear to be an unprecedented situation of oversupply, caused primarily by the sudden and dramatic fall in oil consumption as a result of the measures taken to contain the spread of the virus around the world. Although OPEC+ subsequently reached an equally unprecedented agreement to cut production by as much as 9.7 million barrels per day, a situation of acute oversupply remains, causing oil prices to hit record lows. By the end of trading on April 20, 2020, the West Texas Intermediate (WTI) forward price for delivery in May, which had to be closed out the following day, fell to a negative value for the first time in history, as oil storage facilities were completely committed, and producers were forced to pay buyers to take their barrels. It is not known how long it will take for oil and gas demand to recover or to achieve a more balanced position between supply and demand. As a result, prices are expected to remain at low levels for an extended period. In these circumstances, most of our customers have announced, or are making, significant cuts to their investment plans and are likely to announce further cuts, in which case demand for our products will decline further and have a material impact on our operations, revenues, profitability and financial condition. For more information on the impact of the COVID-19 pandemic and the oil and gas crisis, see "Recent Developments - The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition."

Competition in the global market for steel pipe products may cause us to lose market share and hurt our sales and profitability.

The global market for steel pipe products is highly competitive, with the primary competitive factors being price, quality, service and technology. In recent years, substantial investments have been made, especially in China but also in the United States, to increase production capacity of seamless steel pipe products, and as a result there is significant excess production capacity, particularly for "commodity" or standard product grades. Capacity for the production of more specialized product grades has also increased. At the same time, the high cost and long lead times required to develop the most complex projects, particularly deepwater and oil sands projects, has led to a slowdown in the sanctioning of new developments in a context of low and more volatile oil prices. Despite our efforts to develop products and services that differentiate us from our competitors, reduced demand for steel pipe products from these complex projects means that the competitive environment is expected to remain intense in the coming years and effective competitive differentiation will be a key success factor for Tenaris. In addition, there is a risk of unfairly traded steel pipe imports in markets in which Tenaris produces and sells its products and, despite the application of antidumping duties and tariffs, we can give no assurance with respect to the effectiveness of these actions. Therefore, we may not continue to compete effectively against existing or potential producers and preserve our current shares of geographic or product markets, and increased competition may have a material impact on the pricing of our products and services, which could in turn adversely affect our revenues, profitability and financial condition.

Increases in the cost of raw materials, energy and other costs, limitations or disruptions to the supply of raw materials and energy, and price mismatches between raw materials and our products may hurt our profitability.

The manufacture of seamless steel pipe products requires substantial amounts of steelmaking raw materials and energy; welded steel pipe products, in turn, are processed from steel coils and plates. The availability and pricing of a significant portion of the raw materials and energy we require are subject to supply and demand conditions, which can be volatile, and to tariffs and other government regulations, which can affect continuity of supply and prices. In addition, disruptions, restrictions or limited availability of energy resources in markets where we have significant operations could lead to higher costs of production and eventually to production cutbacks at our facilities in such markets. For example, in Mexico, the decrease in the national production of natural gas and constraints in natural gas transportation capacity have led to increased imports of natural gas which have resulted in increased natural gas transportation costs and, thus, higher steel pipe production costs. See "Risks Relating to Our Business – Adverse economic or political conditions in the countries where we operate or sell our products and services may decrease our sales or disrupt our manufacturing operations, thereby adversely affecting our revenues, profitability and financial condition". At any given time, we may be unable to obtain an adequate supply of critical raw materials with price and other terms acceptable to us. The availability and prices of raw materials may also be negatively affected by new laws and regulations, including import controls, allocation by suppliers, interruptions in production, accidents or natural disasters, changes in exchange rates, worldwide price fluctuations, and the availability and cost of transportation. In addition, we may not be able to recover, partially or fully, increased costs of raw materials and energy through increased selling prices on our products, or it may take an extended period of time to do so, and limited availability could force us to curtail production, which could adversely affect our sales and profitability.

Our results of operations and financial conditions could be adversely affected by low levels of capacity utilization.

Like other manufacturers of steel-related products, we have fixed and semi-fixed costs (e.g., labor and other operating and maintenance costs) that cannot adjust rapidly to fluctuations in product demand for several reasons, including operational constraints and regulatory restrictions. If demand for our products falls significantly, or if we unable to operate due to, for example, governmental measures or unavailability of workforce, these costs may adversely affect our profitability and financial condition. In response to the abrupt and steep downturn of the oil and gas industry, we have been required to implement cost-containment measures, including reduction of our operating activities in several jurisdictions, temporary closure of facilities in the United States and review of our capital expenditure plans. Temporary suspensions of operations or closure of facilities generally lead to layoffs of employees, which may in turn give rise to labor conflicts and impact operations. Moreover, cost containment measures may also affect profitability and result in charges for asset impairments. For more information on the impact of the COVID-19 pandemic and the oil and gas crisis, see "Recent Developments - The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition"; and for more information on liquidity and capital resources, see "Liquidity and Capital Resources – Principal Sources of Funding".

Climate change legislation or regulations could curtail demand for fossil fuels and therefore demand for our products and services could be reduced.

We provide products and services to the oil and gas industry, which is generally blamed for greenhouse gas emissions. There is an increased attention on greenhouse gas emissions and climate change from different sectors of society. Existing or future legislation and regulations related to greenhouse gas emissions and climate change, as well as government initiatives to promote the use of alternative energy sources (with many jurisdictions implementing tax advantages and other subsidies to promote the development of renewable energy sources, or even requiring minimum thresholds for power generation from renewable sources), may significantly curtail demand for and production of fossil fuels such as oil and natural gas. These initiatives, together with the growing social awareness regarding climate change and other environmental matters, have resulted in increased investor and consumer demand for renewable energy and additional compliance requirements for fossil energy projects, which are likely to become more stringent over time and to result in substantial increases in costs for the oil and natural gas industry. Furthermore, ongoing technological developments in the renewable energy industry are making renewable energy increasingly competitive against fossil-fuels. If this trend continues, energy demand could shift increasingly towards "cleaner" sources such as hydroelectrical, solar, wind and other renewable energies, which would, in turn, reduce demand for oil and natural gas, thus negatively affecting demand for our products and services and, ultimately, our future results of operations.

Risks Relating to Our Business

Adverse economic or political conditions in the countries where we operate or sell our products and services may decrease our sales or disrupt our manufacturing operations, thereby adversely affecting our revenues, profitability and financial condition.

We have significant operations in various countries, including Argentina, Brazil, Canada, China, Colombia, Indonesia, Italy, Japan, Mexico, Nigeria, Romania, Saudi Arabia and the United States, and we sell our products and services throughout the world. Additionally, in 2019, we formed a joint venture with Severstal, and we are currently building a welded pipe plant in Russia. Therefore, like other companies with worldwide operations, our business and operations have been, and could in the future be, affected from time to time to varying degrees by political, economic, social and public health developments and changes in laws and regulations. These developments and changes may include, among others, nationalization, expropriation or forced divestiture of assets; restrictions on production, imports and exports; travel, transportation or trade bans; interruptions in the supply of essential energy inputs; exchange and/or transfer restrictions, inability or increasing difficulties to repatriate income or capital or to make contract payments; inflation; devaluation; war or other international conflicts; civil unrest and local security concerns, including high incidences of crime and violence involving drug trafficking organizations that threaten the safe operation of our facilities and operations; direct and indirect price controls; tax increases and changes (including retroactive) in the interpretation, application or enforcement of tax laws and other claims or challenges; cancellation of contract rights; and delays or denials of governmental approvals. Both the likelihood of such occurrences and their overall impact upon us vary greatly from country to country and are not predictable. Realization of these risks could have an adverse impact on the results of operations and financial condition of our subsidiaries located in the affected country and, depending on their materiality, on the results of operations and financial condition of Tenaris as a whole.

Our business and operations in Argentina, from where in 2019 we derived more than 10% of our revenues, including sales to domestic and export markets, may be materially and adversely affected by economic, political, social, fiscal and regulatory developments, including the following:

- Macroeconomic and political conditions in Argentina may adversely affect our business and operations. Increased state intervention in the economy, along with the introduction of changes to government policies, could have an adverse effect on our operations and financial results. Similarly, they could also negatively impact the business and operations of our customers -oil and gas companies operating in Argentina- and consequently our revenues and profitability.
- Our business and operations in Argentina may be adversely affected by inflation or by the measures that may be adopted by the government to address inflation. In particular, increases in services and labor costs could negatively affect our results of operations. In addition, an increased level of labor demands in response to spiraling inflation could trigger higher levels of labor conflicts, and eventually result in strikes or work stoppages. Any such disruption of operations could have an adverse effect on our operations and financial results.
- Other developments that may have an adverse effect on our operations and financial results include increased taxes, exchange controls, restrictions on capital flows and export and import taxes or restrictions. Additionally, in 2019 the Argentine Central Bank introduced several rules and regulations including restrictions on capital outflows from Argentina. Argentine subsidiaries are required to repatriate U.S. dollars collected in connection with exports from Argentina (including U.S. dollars obtained through advance payment and pre-financing facilities) into the country and convert them into ARS at the official exchange rate, which is generally materially lower than the exchange rate available for other purposes. The Argentine government tightened its controls on transactions that would represent capital outflows from Argentina, limiting the ability of Argentine companies to transfer funds outside of Argentina. These existing controls, and any additional restrictions of this kind that may be imposed in the future, could expose us to the risk of losses arising from fluctuations in the ARS/USD exchange rate or affect our ability to finance our investments and operations in Argentina, or impair our ability to convert and transfer outside the country funds generated by Argentine subsidiaries, to pay dividends or royalties or make other offshore payments.
- In recent years, our operations in Argentina experienced constraints in their electricity and natural gas supply requirements on many occasions. Shortages of energy and natural gas in Argentina have led in the past (and could lead in the future) to production cutbacks negatively

affecting our revenues and profitability; we could also face increased costs when using alternative sources of energy.

In Mexico, from where in 2019 we derived more than 10% of our revenues, our business could be materially and adversely affected by economic, political, social, fiscal and regulatory developments, including the following:

- The Mexican government exercises significant influence over the Mexican economy and, therefore, governmental actions concerning the economy and state-owned enterprises could have a significant impact on Mexico's private sector and on our Mexican-related operations. In addition, changes of the United States-Mexico-Canada Agreement ("USMCA"), could adversely affect the investment climate and economic activity in Mexico, Canada and/or in the United States and impact our results of operations and net results.
- We have a growing credit exposure to Petróleos Mexicanos S.A. de C.V. ("Pemex"), a Mexican state-owned entity and our main customer in Mexico. During 2019 and early 2020 we started building a hefty balance of accounts receivable with Pemex, which started to decrease as a result of large collections recorded as from February 2020. If we are not able to reduce our exposure to Pemex and Pemex defaults on its payments, our revenues and profitability may be adversely affected. However, Pemex has communicated to the market and its suppliers, that it has access to ample lines of credit and that in addition it has been able to refinance part of its maturities for 2020, therefore guaranteeing payment of its obligations to creditors and suppliers alike.
- Our Mexican operations could also be affected by criminal violence, primarily due to the activities of drug cartels and related organized crime that Mexico has experienced and may continue to experience. The city of Veracruz, where our facility is located, has experienced several incidents of violence. Although the Mexican government has implemented various security measures and has strengthened its military and police forces, drug-related crime continues to exist in Mexico. Our business may be materially and adversely affected by these activities, their possible escalation and the violence associated with them.
- In 2017, 2018 and 2019, our operations in Mexico experienced several days of union-led stoppages due to an internal dispute within the local union; such internal dispute is ongoing and we cannot assure it will not cause further disruptions in our Mexican operations.

In the Middle East and Africa, our business could be adversely affected by political and other events in the region, such as armed conflicts, terrorist attacks and social unrest, which could materially impact the operations of companies active in the region's oil and gas industry.

If we do not successfully implement our business strategy, our ability to grow, our competitive position and our sales and profitability may suffer.
We plan to continue implementing our business strategy of developing integrated product and service solutions designed to differentiate our offering from those of our competitors and meet the needs of our customers for lower operational costs and reliable performance even in the most demanding environments, as well as continuing to pursue strategic investment opportunities. Any of the components of our overall business strategy could cost more than anticipated, may not be successfully implemented or could be delayed or abandoned. For example, we may fail to create sufficient differentiation in our Rig Direct® services to compensate the added costs of providing such services, or fail to find suitable

investment opportunities, including acquisition targets that enable us to continue to grow and improve our competitive position. Even if we successfully implement our business strategy, it may not yield the expected results.

We could be subject to regulatory risks associated with our international operations.

The shipment of goods and services across international borders subjects us to extensive trade laws and regulations. Our import and export activities are governed by customs laws and regulations in each of the countries where we operate. Moreover, the European Union, the United States and other countries control the import and export of certain goods and services and impose related import and export recordkeeping and reporting obligations. Those governments have also imposed economic sanctions against certain countries, persons and other entities, such as sanctions involving sales to Iran, Syria and Venezuela, that restrict or prohibit transactions involving such countries, persons and entities. Similarly, we are subject to the U.S. anti-boycott laws. These laws and regulations are complex and frequently changing, and they may be enacted, amended, enforced or interpreted in a manner that could materially impact our operations. For example, in March 2018, under Section 232 of the Trade Expansion Act of 1962 ("Section 232"), the U.S. imposed a 25% tariff on steel articles imported from all countries. However, Canada and Mexico, as member states of the USMCA, are exempt from the 25% tariff since May 2019. Additionally, imports of steel tubes from Australia, Argentina, Brazil and South Korea are exempt from the 25% tariff; the latter three with specific quotas per product. The U.S. government has also granted the exemption on imports of steel billets from Italy, Mexico and Romania, to be used at our Bay City mill, for an aggregate annual amount of 435,000 tons until September 2020. Any of these exemptions may be revoked or not renewed, thus adversely affecting our operations or revenues. In addition, failure to comply with applicable trade regulations could also result in criminal and civil penalties and sanctions.

Changes in applicable tax regulations and resolutions of tax disputes could negatively affect our financial results.

We are subject to tax laws in numerous foreign jurisdictions where we operate. However, the integrated nature of our worldwide operations can produce conflicting claims from revenue authorities in different countries as to the profits to be taxed in the individual countries, including disputes relating to transfer pricing. The majority of the jurisdictions in which we operate have double tax treaties with other foreign jurisdictions, which provide a framework for mitigating the impact of double taxation on our results. However, mechanisms developed to resolve such conflicting claims are largely untried, and can be expected to be very lengthy.

In recent years, tax authorities around the world have increased their scrutiny of company tax filings and have become more rigid in exercising any discretion they may have. As part of this, the Organization for Economic Co-operation and Development ("OECD") has proposed a number of tax law changes under its Base Erosion and Profit Shifting ("BEPS") Action Plans to address issues of transparency, coherence and substance. At the EU level, the European Commission has adopted its Anti Tax Avoidance Directive ("ATAD"), which seeks to prevent tax avoidance by companies and to ensure that companies pay appropriate taxes in the markets where profits are effectively made and business is effectively performed.

Changes to tax laws and regulations in the countries where we operate require us to continually assess our organizational structure and could lead to increased risk of international tax disputes. Our interpretations and application of the tax laws could differ from that of the relevant governmental taxing authority, which could result in the payment of additional taxes, penalties or interest, negatively affecting our profitability and financial condition.

Future acquisitions, strategic partnerships and capital investments may not perform in accordance with expectations or may disrupt our operations and hurt our profits.

One element of our business strategy is to identify and pursue growth-enhancing strategic opportunities. As part of that strategy, we regularly make significant capital investments and acquire interests in, or businesses of, various companies. For example, on January 21, 2019, we completed the acquisition of 47.79% of the shares of Saudi Steel Pipe Company ("SSPC"), a welded steel pipes producer listed on the Saudi Stock Exchange, for a total purchase price of approximately $141 million; on February 5, 2019, we reached an agreement with Severstal to build during the coming years, a welded pipe plant to produce OCTG products in the Surgut area, West Siberia, Russian Federation, with an estimated cost of $280 million, in which Tenaris will hold a 49% interest; and on January 2, 2020, we acquired IPSCO, a wholly-owned subsidiary of PAO TMK ("TMK") and a U.S. producer of seamless and welded OCTG and line pipe products, for approximately $1,067 million, subject to a contractual true-up adjustment based on actual amounts of cash, indebtedness, working capital and certain other items as of the closing date. Consistent with our growth strategy, we intend to continue considering strategic acquisitions, investments and partnerships from time to time to expand our operations and establish a local presence in our markets. We must necessarily base any assessment of potential acquisitions, joint ventures and capital investments on assumptions with respect to timing, profitability, market and customer behavior and other matters that may subsequently prove to be incorrect. For example, we negotiated the terms for the acquisition of IPSCO in early 2019 based on assumptions made at that time, but due to the length of the antitrust review process, we were able to complete the acquisition only in 2020 under materially worse market circumstances. For more information on IPSCO' acquisition see note 35 "Subsequent Events – Acquisition of IPSCO Tubulars, Inc." and note 36 "Update as of April 29, 2020 - Acquisition of IPSCO Tubulars, Inc." to our audited consolidated financial statements included in this annual report; and for information on impairment charges on our U.S. operations see "Recent Developments - The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition.". Our past or future acquisitions, significant investments and alliances may not perform in accordance with our expectations and could adversely affect our operations and profitability. In addition, new demands on our existing organization and personnel resulting from the integration of new acquisitions could disrupt our operations and adversely affect our operations and profitability. Moreover, as part of future acquisitions, we may acquire assets that are unrelated to our business, and we may not be able to integrate these assets or sell them under favorable terms and conditions.

Disruptions to our manufacturing processes could adversely affect our operations, customer service levels and financial results.

Our steel pipe manufacturing processes depend on the operation of critical steelmaking equipment, such as electric arc furnaces, continuous casters, rolling mills, heat treatment and various operations that support them, such as our power generation facilities. Despite the investments we make to maintain critical production equipment, such equipment may incur downtime as a result of unanticipated failures or other events, such as fires, explosions, floods, accidents and severe weather conditions.

Similarly, natural disasters or severe weather conditions could significantly damage our production facilities and general infrastructure or affect the normal course of business. For example, our Mexican production facility located in Veracruz is located in or close to regions prone to earthquakes, and our Bay City facility in Texas, United States is located in an area prone to strong winds and hurricanes, and occasional floods. More generally, changing weather patterns and climatic conditions in recent years have added to the unpredictability and frequency of natural disasters.

Our operations may also be adversely affected as a result of stoppages or other labor conflicts. In 2017, 2018 and 2019, our operations in Mexico experienced several days of union-led stoppages due to an internal dispute within the local union; such internal dispute is ongoing and we cannot assure it will not cause further disruptions in Mexico. In addition, in some of the countries in which we have significant production facilities (e.g., Argentina and Brazil), significant fluctuations in exchange rates, together with inflationary pressures, affect our costs, increase labor demands and could eventually generate higher levels of labor conflicts.

Following the COVID-19 outbreak, some of our facilities have been affected, and may continue to be affected, by shutdowns or other restrictions mandated by governmental authorities or otherwise adopted as a preventive measure, or by the unavailability of workforce. For more information on the status of our operations see "Recent Developments - The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition."

Some of the previously described emergency situations could result in damage to property, delays in production or shipments and, in extreme cases, death or injury to persons. Any of the foregoing could create liability for Tenaris. To the extent that lost production or delays in shipments cannot be compensated for by unaffected facilities, such events could have an adverse effect on our profitability and financial condition. Additionally, we do not carry business interruption insurance, and the insurance we maintain for property damage and general liability may not be adequate or available to protect us under such events, its coverage may be limited, or the amount of our insurance may be less than the related loss. For more information on our insurance coverage see "Insurance".

We may be required to record a significant charge to earnings if we must reassess our goodwill or other assets as a result of changes in assumptions underlying the carrying value of certain assets, particularly as a consequence of deteriorating market conditions.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful life, including goodwill, are subject to at least an annual impairment test. At December 31, 2019 we had $1,320 million in goodwill corresponding mainly to the acquisition of Hydril Company ("Hydril") in 2007 ($920 million) and Maverick Tube Corporation ("Maverick") in 2006 ($229 million). We recognized goodwill for approximately $357 million in connection with our acquisition of IPSCO. As a result of the severe deterioration of business conditions and in light of the presence of impairment indicators for its U.S. operations, Tenaris recorded impairment charges as of March 31, 2020, in the carrying values of goodwill and other asset values at the cash-generating units OCTG USA (Maverick), IPSCO, Rods USA and Coiled Tubing, for an aggregate amount of approximately $622 million.

For more information on impairment charges on our U.S. operations see "Recent Developments - The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition."

Our results of operations and financial condition could be adversely affected by movements in exchange rates.

As a global company we manufacture and sell products in a number of countries throughout the world and a portion of our business is carried out in currencies other than the U.S. dollar, which is the Company's functional and presentation currency. As a result, we are exposed to foreign exchange rate risk. Changes in currency values and foreign exchange regulations could adversely affect our financial condition and results of operations. For information on our foreign exchange rate risk, please see "Quantitative and Qualitative Disclosure About Market Risk – Foreign Exchange Rate Risk".

If we do not comply with laws and regulations designed to combat corruption in countries in which we sell our products, we could become subject to governmental investigations, fines, penalties or other sanctions and to private lawsuits and our sales and profitability could suffer.

We operate globally and conduct business in certain countries known to experience corruption. Although we are committed to conducting business in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to our business, there is a risk that our employees, representatives, affiliates, or other persons may take actions that violate applicable laws and regulations that generally prohibit the making of improper payments, including to foreign government officials, for the purpose of obtaining or keeping business, including laws relating to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions such as the U.S. Foreign Corrupt Practices Act ("FCPA"). Investigations by government authorities may occupy considerable management time and attention and result in significant expenditures, fines, penalties or other sanctions, as well as private lawsuits.

For information on matters related to an ongoing investigation in connection with certain allegedly improper payments in Brazil, please refer to "Outstanding Legal Proceedings".

The cost of complying with environmental regulations and potential environmental and product liabilities may increase our operating costs and negatively impact our business, financial condition, results of operations and prospects.

We are subject to a wide range of local, provincial and national laws, regulations, permit requirements and decrees relating to the protection of human health and the environment, including laws and regulations relating to hazardous materials and radioactive materials and environmental protection governing air emissions, water discharges and waste management. Laws and regulations protecting the environment have become increasingly complex and more stringent and expensive to implement in recent years. Additionally, international environmental requirements vary. While standards in the European Union, Canada, and Japan are generally comparable to U.S. standards, other nations, particularly developing nations, including China, have substantially lesser requirements that may give competitors in such nations a competitive advantage. It is possible that any international agreement to regulate emissions may provide exemptions and lesser standards for developing nations. In such case, we may be at a competitive disadvantage relative to competitors having more or all of their production in such developing nations.

Environmental laws and regulations may, in some cases, impose strict liability rendering a person liable for damages to natural resources or threats to public health and safety without regard to negligence or fault. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances. These laws and regulations may expose us to liability for the conduct of or conditions caused by others or for acts that were in compliance with all applicable laws at the time they were performed.

Compliance with applicable requirements and the adoption of new requirements could have a material adverse effect on our consolidated financial condition, results of operations or cash flows. The costs and ultimate impact of complying with environmental laws and regulations are not always clearly known or determinable since regulations under some of these laws have not yet been promulgated or are undergoing revision. The expenditures necessary to remain in compliance with these laws and regulations, including site or other remediation costs, or costs incurred as a result of potential violations of environmental laws could have a material adverse effect on our financial condition and profitability. While we incur and will continue to incur expenditures to comply with applicable laws and regulations, there always remains a risk that environmental incidents or accidents may occur that may negatively affect our reputation or our operations.

Our oil and gas casing, tubing and line pipe products are sold primarily for use in oil and gas drilling, gathering, transportation, processing and power generation facilities, which are subject to inherent risks, including well failures, line pipe leaks, blowouts, bursts and fires, that could result in death, personal injury, property damage, environmental pollution or loss of production. Any of these hazards and risks can result in environmental liabilities, personal injury claims and property damage from the release of hydrocarbons.

Defects in specialty tubing products could result in death, personal injury, property damage, environmental pollution, damage to equipment and facilities or loss of production.

We normally warrant the oilfield products and specialty tubing products we sell or distribute in accordance with customer specifications, but as we pursue our business strategy of providing customers with additional services, such as Rig Direct®, we may be required to warrant that the goods we sell and services we provide are fit for their intended purpose. Actual or claimed defects in our products may give rise to claims against us for losses suffered by our customers and expose us to claims for damages. The insurance we maintain will not be available in cases of gross negligence or willful misconduct, in other cases may not be adequate or available to protect us in the event of a claim, its coverage may be limited, canceled or otherwise terminated, or the amount of our insurance may be less than the related impact on enterprise value after a loss. Similarly, our sales of tubes and components for the automotive industry subject us to potential product liability risks that could extend to being held liable for the costs of the recall of automobiles sold by car manufacturers and their distributors.

Limitations on our ability to protect our intellectual property rights, including our trade secrets, could cause a loss in revenue and any competitive advantage we hold.

Some of our products or services, and the processes we use to produce or provide them, have been granted patent protection, have patent applications pending, or are trade secrets. Our business may be adversely affected if our patents are unenforceable, the claims allowed under our patents are not sufficient to protect our technology, our patent applications are denied or our trade secrets are not adequately protected. Our competitors may be able to develop technology independently that is similar to ours without infringing on our patents or gaining access to our trade secrets, which could adversely affect our financial condition, results of operations and cash flows.

Cyberattacks could have a material adverse impact on our business and results of operation.

We rely heavily on information systems to conduct our business. Although we devote significant resources to protect our systems and data, we have experienced and will continue to experience varying degrees of cyber incidents in the normal conduct of our business, which may occasionally include sophisticated cybersecurity threats such as unauthorized access to data and systems, loss or destruction of data, computer viruses or other malicious code, phishing, spoofing and/or cyberattacks. These threats often arise from numerous sources, not all of which are within our control, such as fraud or malice from third parties, including fraud involving business email compromises, failures of computer servers or other accidental technological failures, electrical or telecommunication outages or other damage to our property or assets. For example, in 2019, we suffered five spoofing attempts with no material impact on results. Given the rapidly evolving nature of cyber threats, there can be no assurance that the systems we have designed to prevent or limit the effects of cyber incidents or attacks will be sufficient to prevent or detect such incidents or attacks, or to avoid a material adverse impact on our systems when such incidents or attacks do occur. While we attempt to mitigate these risks, we remain vulnerable to additional known or unknown threats, including theft, misplacement or loss of data, programming errors, employee errors and/or dishonest behavior that could potentially lead to the compromising of sensitive information, improper use of our systems or networks, as well as unauthorized access, use, disclosure, modification or destruction of such information, systems and/or networks. If our systems for protecting against cybersecurity risks are circumvented or breached, this could also result in disruptions to our business operations (including but not limited to, defective products or production downtimes), access to our financial reporting systems, the loss of access to critical data or systems, misuse or corruption of critical data and proprietary information (including our intellectual property and customer data), as well as damage to our reputation with our customers and the market, failure to meet customer requirements, customer dissatisfaction and/or other financial costs and losses. In addition, given that cybersecurity threats continue to evolve, we may be required to devote additional resources in the future to enhance our protective measures or to investigate and/or remediate any cybersecurity vulnerabilities. Moreover, any investigation of a cyberattack would take time before completion, during which we would not necessarily know the extent of the actual or potential harm or how best to remediate it, and certain errors or actions could be repeated or compounded before duly discovered and remediated (all or any of which could further increase the costs and consequences arising out of such cyberattack). Tenaris does not maintain any specific insurance coverage to protect against cybersecurity risks.

Risks Relating to the Structure of the Company

The Company's dividend payments depend on the results of operations and financial condition of its subsidiaries and could be affected by legal, contractual or other limitations or tax changes.

The Company is a holding company and conducts all its operations through subsidiaries. Dividends or other intercompany transfers of funds from those subsidiaries are the Company's primary source of funds to pay its expenses, debt service and dividends and to repurchase shares or ADSs.

The ability of the Company's subsidiaries to pay dividends and make other payments to us will depend on their results of operations and financial condition and could be restricted by applicable corporate and other laws and regulations, including those imposing foreign exchange controls or restrictions on the repatriation of capital or the making of dividend payments, and agreements and commitments of such subsidiaries. If earnings and cash flows of the Company's operating subsidiaries are substantially reduced, including as a result of deteriorating market conditions, the Company may not be in a position to meet its operational needs or to pay dividends. For information concerning potential restrictions on our ability to collect dividends from certain subsidiaries, see "Risks Relating to Our Business – Adverse economic or political conditions in the countries where we operate or sell our products and services may decrease our sales or disrupt our manufacturing operations, thereby adversely affecting our revenues, profitability and financial condition", and "Recent Developments – Annual Dividend Proposal".

The Company's ability to pay dividends to shareholders is subject to legal and other requirements and restrictions in effect at the holding company level. For example, the Company may only pay dividends out of net profits, retained earnings and distributable reserves and premiums, each as defined and calculated in accordance with Luxembourg law and regulations.

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

As of the date of this annual report, San Faustin beneficially owned 60.45% of our outstanding voting shares. Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin ("RP STAK"), holds voting rights in San Faustin sufficient to control San Faustin. As a result, RP STAK is indirectly able to elect a substantial majority of the members of the Company's board of directors and has the power to determine the outcome of most actions requiring shareholder approval, including, subject to the requirements of Luxembourg law, the payment of dividends. The decisions of the controlling shareholder may not reflect the will of other shareholders. In addition, the Company's articles of association permit the Company's board of directors to waive, limit or suppress preemptive rights in certain cases. Accordingly, the Company's controlling shareholder may cause its board of directors to approve in certain cases an issuance of shares for consideration without preemptive rights, thereby diluting the minority interest in the Company. See "Risks Relating to shares and ADSs – Holders of shares and ADSs in the United States may not be able to exercise preemptive rights in certain cases".

Risks Relating to shares and ADSs

Holders of shares or ADSs may not have access to as much information about us as they would in the case of a domestic issuer.

There may be less publicly available information about us than is regularly published by or about domestic issuers. Also, corporate and securities regulations governing Luxembourg companies may not be as extensive as those in effect in other jurisdictions and U.S. securities regulations applicable to foreign private issuers, such as the Company, differ in certain respects from those applicable to U.S. domestic issuers. Furthermore, IFRS, the accounting standards in accordance with which we prepare our consolidated financial statements, differ in certain material significant aspects from local GAAP.

Holders of ADSs may not be able to exercise, or may encounter difficulties in the exercise of, certain rights afforded to shareholders.

Certain shareholders' rights under Luxembourg law, including the rights to participate and vote at general meetings of shareholders, to include items on the agenda for the general meetings of shareholders, to receive dividends and distributions, to bring actions, to examine our books and records and to exercise appraisal rights may not be available to holders of ADSs, or may be subject to restrictions and special procedures for their exercise, as holders of ADSs only have those rights that are expressly granted to them in the deposit agreement. Deutsche Bank Trust Company Americas, as depositary under the ADS deposit agreement, or the Depositary, through its custodian agent, is the registered shareholder of the deposited shares underlying the ADSs, and therefore only the Depositary can exercise the shareholders' rights in connection with the deposited shares. For example, if we make a distribution in the form of securities, the Depositary is allowed, at its discretion, to sell the right to acquire those securities on your behalf and instead distribute the net proceeds to you. Also, under certain circumstances, such as our failure to provide the Depositary with properly completed voting instructions on a timely basis, you may not be able to vote at general meetings of shareholders by giving instructions to the Depositary. If the Depositary does not receive voting instructions from the holder of ADSs by the prescribed deadline, or the instructions are not in proper form, then the Depositary shall deem such holder of ADSs to have instructed the Depositary to vote the underlying shares represented by ADSs in favor of any proposals or recommendations of the Company (including any recommendation by the Company to vote such underlying shares on any given issue in accordance with the majority shareholder vote on that issue), for which purposes the Depositary shall issue a proxy to a person appointed by the Company to vote such underlying shares represented by ADSs in favor of any proposals or recommendations of the Company. Under the ADS deposit agreement, no instruction shall be deemed given and no proxy shall be given with respect to any matter as to which the Company informs the Depositary that (i) it does not wish such proxy given, (ii) it has knowledge that substantial opposition exists with respect to the action to be taken at the meeting, or (iii) the matter materially and adversely affects the rights of the holders of ADSs.

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

Pursuant to Luxembourg corporate law, existing shareholders of the Company are generally entitled to preferential subscription rights (preemptive rights) in the event of capital increases and issues of shares against cash contributions. Under the Company's articles of association, the board of directors has been authorized to waive, limit or suppress such preemptive subscription rights. Although the validity period of such authorization will expire on June 5, 2020, the board of directors has convened an extraordinary meeting of shareholders to be held on June 2, 2020, which will consider the renewal of such authorization for an additional five year-period. Notwithstanding the waiver of any preemptive subscription rights, any issuance of shares for cash within the limits of the authorized share capital shall be subject to the pre-emptive subscription rights of existing shareholders, except (i) any issuance of shares (including without limitation, the direct issuance of shares or upon the exercise of options, rights convertible into shares, or similar instruments convertible or exchangeable into shares) against a contribution other than in cash; and (ii) any issuance of shares (including by way of free shares or at discount), up to an amount of 1.5% of the issued share capital of the Company, to directors, officers, agents, employees of the Company, its direct or indirect subsidiaries or its affiliates (or, collectively, the Beneficiaries), including without limitation, the direct issuance of shares or upon the exercise of options, rights convertible into shares or similar instruments convertible or exchangeable into shares, issued for the purpose of compensation or incentive of the Beneficiaries or in relation thereto (which the board of directors shall be authorized to issue upon such terms and conditions as it deems fit).

Holders of ADSs in the United States may, in any event, not be able to exercise any preemptive rights, if granted, for shares underlying their ADSs unless additional shares and ADSs are registered under the U.S. Securities Act of 1933, as amended ("Securities Act"), with respect to those rights, or an exemption from the registration requirements of the Securities Act is available. We intend to evaluate, at the time of any rights offering, the costs and potential liabilities associated with the exercise by holders of shares and ADSs of the preemptive rights for shares, and any other factors we consider appropriate at the time, and then to make a decision as to whether to register additional shares. We may decide not to register any additional shares, requiring a sale by the Depositary of the holders' rights and a distribution of the proceeds thereof. Should the Depositary not be permitted or otherwise be unable to sell preemptive rights, the rights may be allowed to lapse with no consideration to be received by the holders of the ADSs.

It may be difficult to enforce judgments against us outside Luxembourg.

The Company is a *société anonyme* organized under the laws of Luxembourg, and most of its assets are located in other jurisdictions. Furthermore, most of the Company's directors and officers named in this annual report reside in different jurisdictions. As a result, investors may not be able to effect service of process upon us or our directors or officers. Investors may also not be able to enforce against us or our directors or officers in the investors' domestic courts, judgments predicated upon the civil liability provisions of the domestic laws of the investors' home countries. Likewise, it may be difficult for investors not domiciled in Luxembourg to bring an original action in a Luxembourg court predicated upon the civil liability provisions of other securities laws, including U.S. federal securities laws, against the Company, its directors and officers. There is also uncertainty with regard to the enforceability of original actions of civil liabilities predicated upon the civil liability provisions of securities laws, including U.S. federal securities laws, outside the jurisdiction where such judgments have been rendered; and enforceability will be subject to compliance with procedural requirements under applicable local law, including the condition that the judgment does not violate the public policy of the applicable jurisdiction.

Operating and Financial Review and Prospects

The following discussion and analysis of our financial condition and results of operations are based on, and should be read in conjunction with, our audited consolidated financial statements and the related notes included elsewhere in this annual report. This discussion and analysis presents our financial condition and results of operations on a consolidated basis. We prepare our consolidated financial statements in conformity with IFRS, as issued by the IASB and in accordance with IFRS as adopted by the European Union.

Certain information contained in this discussion and analysis and presented elsewhere in this annual report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. See "Cautionary Statement Concerning Forward-Looking Statements". In evaluating this discussion and analysis, you should specifically consider the various risk factors identified in "Principal Risks and Uncertainties", other risk factors identified elsewhere in this annual report and other factors that could cause results to differ materially from those expressed in such forward-looking statements.

Overview

We are a leading global manufacturer and supplier of steel pipe products and related services for the energy industry and other industries.
We are a leading global manufacturer and supplier of steel pipe products and related services for the world's energy industry as well as for other industrial applications. Our customers include many of the world's leading oil and gas companies, engineering companies engaged in constructing oil and gas gathering and processing and power facilities, and industrial companies operating in a range of industries. We operate an integrated worldwide network of steel pipe manufacturing, research, finishing and service facilities with industrial operations in the Americas, Europe, Asia and Africa and a direct presence in most major oil and gas markets.

Our main source of revenue is the sale of products and services to the oil and gas industry, and the level of such sales is sensitive to international oil and gas prices and their impact on drilling activities.
Demand for our products and services from the global oil and gas industry, particularly for tubular products and services used in drilling operations, represents a substantial majority of our total Tubes sales (84% in 2019). Our sales, therefore, depend on the condition of the oil and gas industry and our customers' willingness to invest capital in oil and gas exploration and development as well as in associated downstream processing activities. The level of these expenditures is sensitive to oil and gas prices as well as the oil and gas industry's view of such prices in the future. Crude oil prices fell from over $100 per barrel in June 2014 to less than $30 per barrel in February 2016, before recovering to around $80 per barrel in the third quarter of 2018, but subsequently fell 40% in the fourth quarter of 2018 before recovering in 2019. Prices have fallen again historically low levels in the wake of the COVID-19 pandemic and the oil price conflict between Saudi Arabia and Russia. North American natural gas prices (Henry Hub), which were around $4 per million BTU in 2014, also briefly fell below $2 per million BTU at the beginning of 2016, before recovering to average levels of $3 per million BTU during the past three years, but have subsequently fallen back below $2 per million BTU.

In 2019, worldwide drilling activity, as represented in the number of active drilling rigs published by Baker Hughes, decreased 2% compared to the level of 2018, with larger decreases concentrated in the U.S. and Canadian shale plays, partially compensated by a gradual increase in international rigs which started in the second half of 2018. In the United States the rig count in 2019 decreased by 9%, with an average of 943 active rigs, but ended the year with more than 200 fewer active rigs than at the beginning. Drilling activity in the United States declined throughout the year but has stabilized around 790 rigs in the beginning of 2020, prior to the most recent decline in oil prices. In Canada, the rig count in 2019 declined by 30% compared with 2018, while in the rest of the world, it rose 11%.

Prior to the 2014 downturn in oil prices, a growing proportion of exploration and production spending by oil and gas companies had been directed at offshore, deep drilling and non-conventional drilling operations in which high-value tubular products, including special steel grades and premium connections, are usually specified. The success, however, of shale drilling operators, with their inherently short investment cycles, in adapting to lower oil and gas costs and increasing production, and the increasing share of oil produced in shale plays as a proportion of global supply, has led to a slowdown in new developments of complex offshore projects with long investment lead times in a context of low and more volatile oil prices, consequently affecting the level of product differentiation.

Our business is highly competitive.
The global market for steel pipes is highly competitive, with the primary competitive factors being price, quality, service and technology. We sell our products in a large number of countries worldwide and compete primarily against European and Japanese producers in most markets outside North America. In the United States and Canada, we compete against a wide range of local and foreign producers. Over the past decade, substantial investments have been made, especially in China but also in other regions around the world, to increase production capacity of seamless steel pipe products. Production capacity for more specialized product grades has also increased. With the downturn between 2014 and 2016 in the price of oil and demand for tubes for oil and gas drilling, the overcapacity in steel pipe and seamless steel pipe production worldwide has become acute, and now extends beyond commodity grades. The competitive environment has, as a result, become more intense, and we expect that this will continue for some time. Effective competitive differentiation will be a key factor for Tenaris.

In addition, there is an increased risk of unfairly traded steel pipe imports in markets in which we produce and sell our products. In September 2014, the United States imposed anti-dumping duties on OCTG imports from various countries, including South Korea. Despite the duties imposed, imports from South Korea continued at a very high level. As a result, U.S. domestic producers have requested successive reviews of South Korea's exports, which are ongoing. At the same time South Korean producers have appealed the duties imposed. Similarly, in Canada, the Canada Border Services Agency introduced anti-dumping duties on OCTG imports from South Korea and other countries in April 2015.

During 2018, in addition to anti-dumping duties, the U.S. government introduced tariffs and quotas pursuant to Section 232 on the imports of steel products, including steel pipes, with the objective of strengthening domestic production capacity utilization and investment. Quotas were imposed on the imports of steel products from South Korea, Brazil and Argentina, while 25% tariffs were imposed on imports from most other countries, except Australia. The proportion of the OCTG market supplied by imports has declined from around 60% prior to the imposition of tariffs and quotas to around 35% at the end of 2019. This included, as a direct result of the fixed quota imposed on the imports of steel pipes from South Korea, that South Korean imports have halved compared to prior levels.

Our production costs are sensitive to prices of steelmaking raw materials and other steel products. We purchase substantial quantities of steelmaking raw materials, including ferrous steel scrap, direct reduced iron (DRI), pig iron, iron ore and ferroalloys, for use in the production of our seamless pipe products. In addition, we purchase substantial quantities of steel coils and plates for use in the production of our welded pipe products. Our production costs, therefore, are sensitive to prices of steelmaking raw materials and certain steel products, which reflect supply and demand factors in the global steel industry and in the countries where we have our manufacturing facilities.

The costs of steelmaking raw materials and of steel coils and plates decreased during 2019. As a reference, prices for hot rolled coils, HRC Midwest USA Mill, published by CRU, averaged $670 per ton in 2019 compared to $915 per ton in 2018.

Summary of results

In 2019, our sales declined 5% compared to 2018, reflecting lower drilling activity in Canada and the USA and lower sales in the Middle East and Africa. Despite the integration of SSPC and a strong level of premium sales for Indian offshore gas projects, sales in the Middle East and Africa region were affected by Aramco destocking in Saudi Arabia and did not include the extraordinary level of sales to East Mediterranean gas pipelines recorded in 2018.

Operating income declined 5% in line with the decline in sales. Although gross margins were affected by lower volumes and high maintenance and start-up delays associated with the major overhauls and investments we carried out at many of our industrial facilities including Tamsa in Mexico, these were compensated by lower amortization charges. Shareholders net income declined 15% for the year, reflecting the decline in operating income and lower returns on our investment in Ternium.

Cash flow provided by operating activities amounted to $1,528 million during 2019, which included a reduction in working capital of $523 million. This amounted to a free cash flow margin of 16%, following capital expenditures of $350 million. During the year we made dividend payments of $484 million, an investment of $133 million in SSPC, and our net cash position increased by $495 million to $980 million at December 31, 2019.

Outlook

The rapid decline in economic activity and unprecedented collapse in global oil demand as a result of the measures taken to contain the spread of the COVID-19 pandemic around the world has resulted in an equally unprecedented collapse in oil prices, due to the imbalance between production, storage capacity and demand. At this moment, it is not possible to determine how long it will take for economic activity and oil and gas demand to recover and for supply and demand to rebalance. In this environment, investments in exploration and production of oil and gas are being severely curtailed and are not expected to recover in the short term.

We are taking action to preserve adequate levels of operation while protecting the health and safety of our employees, fulfill our commitments to customers, strengthen the medical response capability in the local communities where we have our operations and ensure the financial stability of the company.

To mitigate the impact of expected lower sales, we are working on a worldwide rightsizing program and cost containment plan aimed at preserving financial resources and liquidity and maintaining the continuity of our operations. The actions include:

(i) adjusting the level of our operations and workforce around the world, including the temporary closure of facilities and production lines in the USA;
(ii) downsizing our fixed cost structure, including pay reductions for the board and senior management with aggregated cost savings of approximately $220 million by year end;
(iii) reducing capital expenditures and R&D expenses by approximately $150 million compared to 2019;
(iv) proposing to limit the payment of the dividend in respect of the 2019 fiscal year to the $153 million payment already made as an interim dividend during November;
(v) reducing working capital in accordance with activity levels.

For the second quarter of 2020, we are expecting a substantial reduction in sales and margins, particularly in the Americas, though sales in the rest of the world may remain more stable. In this highly uncertain environment, sales could be around 35% lower than the first quarter and our EBITDA margin, excluding restructuring charges, could fall to a high single digit. We do, however, expect to reduce working capital further and continue to generate positive free cash flow.

For more information on the impact of the COVID-19 pandemic and the oil and gas crisis, see "Recent Developments - The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition."

Functional and presentation currency

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

Except for the Brazilian and Italian subsidiaries whose functional currencies are their local currencies, Tenaris determined that the functional currency of its other subsidiaries is the U.S. dollar, based on the following principal considerations:

- Sales are mainly negotiated, denominated and settled in U.S. dollars. If priced in a currency other than the U.S. dollar, the sales price may consider exposure to fluctuation in the exchange rate versus the U.S. dollar;
- Prices of their critical raw materials and inputs are priced and settled in U.S. dollars;
- Transaction and operational environment and the cash flow of these operations have the U.S. dollars as reference currency;
- Significant level of integration of local operations within Tenaris's international global distribution network;
- Net financial assets and liabilities are mainly received and maintained in U.S. dollars; *and*
- The exchange rate of certain legal currencies has long been affected by recurring and severe economic crises.

Critical Accounting Estimates

This discussion and analysis of our financial condition and results of operations are based on our audited consolidated financial statements, which have been prepared in accordance with IFRS.

The preparation of our audited consolidated financial statements and related disclosures in conformity with IFRS requires us to make estimates and assumptions that might affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Management evaluates its accounting estimates and assumptions, including those related to impairment of long-lived tangible and intangible assets; assets useful lives; deferred income tax; obsolescence of inventory; doubtful accounts; post employment benefits and loss contingencies, and revises them when appropriate. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Although management believes that these estimates and assumptions are reasonable, they are based upon information available at the time they are made. Actual results may differ significantly from these estimates under different assumptions or conditions.

Our most critical accounting estimates are those that are most important to the portrayal of our financial condition and results of operations, and which require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our most critical accounting estimates and judgments are the following:

Accounting for business combinations

To account for our business combinations we use the acquisition method, which requires the acquired assets and assumed liabilities to be recorded at their respective fair value as of the acquisition date. The determination of fair values of assets acquired, liabilities and contingent liabilities assumed and determination of useful lives, requires us to make estimates and use valuation techniques, including the use of independent valuators, when market value is not readily available. The excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Impairment and recoverability of goodwill and other assets

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

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

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

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

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

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

For purposes of calculating the fair value less costs of disposal Tenaris uses the estimated value of future cash flows that a market participant could generate from the corresponding CGU.

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

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

No impairment charge was recorded in 2019, 2018, or 2017. For more information on impairment and recoverability of goodwill and other assets, see "II. Accounting Policies G. Impairment of non-financial assets" to our audited consolidated financial statements included in this annual report. For information on impairment charges on our U.S. operations, see "Recent Developments - The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition."

Reassessment of Property, Plant and Equipment Assets Useful Lives
Property, plant and equipment are stated at directly attributable historical acquisition or construction cost less accumulated depreciation and impairment losses, if any. Property, plant and equipment acquired through acquisitions accounted for as business combinations are valued initially at fair market value of the assets acquired. Depreciation of the cost of the asset (apart from land, which is not depreciated) to its residual value over its estimated useful life, is done using the straight line method. The depreciation method is reviewed at each year end. Estimating useful lives for depreciation is particularly difficult as the service lives of assets are also impacted by maintenance

and changes in technology, and our ability to adapt technological innovation to the existing asset base. In accordance with IAS 16, “Property, Plant and Equipment”, the depreciation method, the residual value and the useful life of an asset must be reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change must be treated as a change in an accounting estimate. Management’s re-estimation of asset useful lives performed in accordance with IAS 16 did not materially affect depreciation expense for 2019. However, if management’s estimates prove incorrect, the carrying value of plant and equipment and its useful lives may be required to be reduced from amounts currently recorded. Any such reductions may materially affect asset values and results of operations.

Reassessment of Useful Lives of Customer Relationships

In accordance with IFRS 3, “Business Combinations” and IAS 38, “Intangible Assets” Tenaris has recognized the value of customer relationships separately from goodwill attributable to the acquisition of Maverick and Hydril groups, as well as the more recent acquisition of SSPC.

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date, have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight line method over the initial expected useful life of approximately 14 years for Maverick, 10 years for Hydril and 9 years for SSPC.

In 2018 the Company reviewed the useful life of Maverick’s Tubes customer relationships and decided to reduce the remaining useful life from 2 years to zero, consequently a higher amortization charge of approximately $109 million was recorded in the Consolidated Income Statement under Selling, general and administrative expenses for the year ended December 31, 2018.

As of December 31, 2019, the net book value of SSPC’s customer relationship amounted to $72.9 million, with a residual useful life of 8 years. Maverick’s coiled tubing customer relationships amounted to $9.9 million with a residual useful life of 1 year, while Hydril’s customer relationships is fully amortized.

Allowance for Obsolescence of Supplies and Spare Parts and Slow-Moving Inventory

Inventories are stated at the lower between cost and net realizable value. The cost of finished goods and goods in process is comprised of raw materials, direct labor, utilities, freights and other direct costs and related production overhead costs, and it excludes borrowing costs. The allocation of fixed production costs, including depreciation and amortization charges, is based on the normal level of production capacity. Inventories cost is mainly based on the FIFO method. Tenaris estimates net realizable value of inventories by grouping, where applicable, similar or related items. Net realizable value is the estimated selling price in the ordinary course of business, less any estimated costs of completion and selling expenses. Goods in transit as of year-end are valued based on the supplier’s invoice cost.

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

Allowances for Doubtful Accounts
Trade and other receivables are recognized initially at fair value that corresponds to the amount of consideration that is unconditional unless they contain significant financing components. The Company holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Due to the short-term nature, their carrying amount is considered to be the same as their fair value.

Tenaris applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of three years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

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

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax basis of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are re-measured if tax rates change. These amounts are charged or credited to the Consolidated Income Statement or to the item Other comprehensive income for the year in the Consolidated Statement of Comprehensive Income, depending on the account to which the original amount was charged or credited.

Post employment benefits

The Company estimates at each year-end the provision necessary to meet its post employment obligations in accordance with the advice from independent actuaries. The calculation of post employment and other employee obligations requires the application of various assumptions. The main assumptions for post employment and other employee obligations include discount rates, compensation growth rates, pension growth rates and life expectancy. Changes in the assumptions could give rise to adjustments in the results and liabilities recorded and might have an impact on the post employment and other employee obligations recognized in the future.

Contingencies

We are from time to time subject to various claims, lawsuits and other legal proceedings, including customer, employee, tax and environmental-related 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. Our potential liability with respect to such claims, lawsuits and other legal proceedings cannot be estimated with certainty.

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 consolidated 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.

These estimates are primarily constructed with the assistance of legal counsel, and management believes that the aggregate provisions recorded for potential losses in the consolidated financial statements are adequate based upon currently available information. However, if management's estimates prove incorrect, current reserves could be inadequate and we could incur a charge to earnings which could have a material adverse effect on our results of operations, financial condition, net worth and cash flows. As the scope of liabilities becomes better defined, there may be changes in the estimates of future costs which could have a material adverse effect on our results of operations, financial condition, net worth and cash flows.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting was designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of its financial statements for external purposes in accordance with IFRS.

In addition, under the Company's articles of association, as supplemented by the audit committee's charter, the audit committee assists the board of directors in fulfilling its oversight responsibilities relating to the effectiveness of the Company's systems of internal control, risk management and internal audit over financial reporting. In particular, the audit committee is required to review the scope and results of the activities of the Company's external auditors and the internal audit function relating to the Company's internal control over financial reporting, and obtain reports on significant findings and recommendations; and is also required to assess, at least annually at the time the annual accounts are approved, the effectiveness of the Company's systems of internal control and risk management over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or omissions. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

On a yearly basis, management conducts its assessment of the effectiveness of Tenaris's internal control over financial reporting based on the framework in *Internal Control- Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

On February 18, 2020, management reported to the audit committee of the Company's board of directors that management had conducted its assessment of the effectiveness of the Company's internal controls over financial reporting for the year ended December 31, 2019, and that, based on management's evaluation and considering the inherent limitations to the effectiveness of any internal control system, management had concluded that the Company's internal controls over financial reporting were effective as of December 31, 2019.

Results of Operations

Thousands of U.S. dollars (except number of shares and per share amounts)

FOR THE YEAR ENDED DECEMBER 31	2019	2018	2017
Selected consolidated income statement data			
CONTINUING OPERATIONS			
Net sales	7,294,055	7,658,588	5,288,504
Cost of sales	(5,107,495)	(5,279,300)	(3,685,057)
Gross profit	**2,186,560**	**2,379,288**	**1,603,447**
Selling, general and administrative expenses	(1,365,974)	(1,509,976)	(1,270,016)
Other operating income (expenses), net	11,805	2,501	1,157
Operating income (loss)	**832,391**	**871,813**	**334,588**
Finance income	47,997	39,856	47,605
Finance cost	(43,381)	(36,942)	(27,072)
Other financial results	14,667	34,386	(43,550)
Income before equity in earnings of non-consolidated companies and income tax	**851,674**	**909,113**	**311,571**
Equity in earnings of non-consolidated companies	82,036	193,994	116,140
Income before income tax	**933,710**	**1,103,107**	**427,711**
Income tax	(202,452)	(229,207)	17,136
Income for the year for continuing operations	**731,258**	**873,900**	**444,847**
DISCONTINUED OPERATIONS			
Result for discontinued operations	–	–	91,542
Income for the year (1)	**731,258**	**873,900**	**536,389**
INCOME (LOSS) ATTRIBUTABLE TO (1)			
Owners of the parent	742,686	876,063	544,737
Non-controlling interests	(11,428)	(2,163)	(8,348)
Income for the year (2)	**731,258**	**873,900**	**536,389**
Depreciation and amortization for continuing operations	(539,521)	(664,357)	(608,640)
Weighted average number of shares outstanding	1,180,536,830	1,180,536,830	1,180,536,830
Basic and diluted earnings per share for continuing operations	0.63	0.74	0.38
Basic and diluted earnings per share	0.63	0.74	0.46
Dividends per share (2)	0.41	0.41	0.41

(1) IAS 1 (revised), requires that income for the year as shown on the income statement does not exclude non-controlling interests. Earnings per share, however, continue to be calculated on the basis of income attributable solely to the owners of the parent.

(2) Dividends per share correspond to the dividends proposed or paid in respect of the year.

Thousands of U.S. dollars (except number of shares)

AT DECEMBER 31	2019	2018	2017
Selected consolidated financial position data			
Current assets	5,670,607	5,464,192	5,381,154
Property, plant and equipment, net	6,090,017	6,063,908	6,229,143
Other non-current assets	3,082,367	2,723,199	2,787,921
Total assets	**14,842,991**	**14,251,299**	**14,398,218**
Current liabilities	1,780,457	1,718,363	2,070,899
Non-current borrowings	40,880	29,187	34,645
Deferred tax liabilities	336,982	379,039	457,970
Other non-current liabilities	498,300	249,218	253,734
Total liabilities	**2,656,619**	**2,375,807**	**2,817,248**
Capital and reserves attributable to the owners of the parent	11,988,958	11,782,882	11,482,185
Non-controlling interests	197,414	92,610	98,785
Total equity	**12,186,372**	**11,875,492**	**11,580,970**
Total liabilities and equity	**14,842,991**	**14,251,299**	**14,398,218**
Share capital	**1,180,537**	**1,180,537**	**1,180,537**
Number of shares outstanding	**1,180,536,830**	**1,180,536,830**	**1,180,536,830**

The following table sets forth our operating and other costs and expenses as a percentage of net sales for the periods indicated.

Percentage of net sales

FOR THE YEAR ENDED DECEMBER 31	2019	2018	2017
CONTINUING OPERATIONS			
Net sales	100.0	100.0	100.0
Cost of sales	(70.0)	(68.9)	(69.7)
Gross profit	**30.0**	**31.1**	**30.3**
Selling, general and administrative expenses	(18.7)	(19.7)	(24.0)
Other operating income (expenses), net	0.2	0.0	0.0
Operating income	**11.4**	**11.4**	**6.3**
Finance income	0.7	0.5	0.9
Finance cost	(0.6)	(0.5)	(0.5)
Other financial results	0.2	0.4	(0.8)
Income before equity in earnings of non-consolidated companies and income tax	**11.7**	**11.9**	**5.9**
Equity in earnings of non-consolidated companies	1.1	2.5	2.2
Income before income tax	**12.8**	**14.4**	**8.1**
Income tax	(2.8)	(3.0)	0.3
Income for the year for continuing operations	**10.0**	**11.4**	**8.4**
DISCONTINUED OPERATIONS			
Result for discontinued operations	–	–	1.7
Income for the year	**10.0**	**11.4**	**10.1**
INCOME (LOSS) ATTRIBUTABLE TO			
Owners of the parent	10.2	11.4	10.3
Non-controlling interests	(0.2)	(0.0)	(0.2)

Fiscal year ended December 31, 2019, compared to fiscal year ended December 31, 2018

The following table shows our net sales by business segment for the periods indicated below:

Millions of U.S. dollars

FOR THE YEAR ENDED DECEMBER 31	2019		2018		Increase / (Decrease)
Tubes	6,870	94%	7,233	94%	(5%)
Others	424	6%	426	6%	(0%)
Total	**7,294**	**100%**	**7,659**	**100%**	**(5%)**

Tubes

The following table indicates, for our Tubes business segment, sales volumes of seamless and welded pipes for the periods indicated below:

Thousands of tons

FOR THE YEAR ENDED DECEMBER 31	2019	2018	Increase / (Decrease)
Seamless	2,600	2,694	(3%)
Welded	671	878	(24%)
Total	**3,271**	**3,572**	**(8%)**

The following table indicates, for our Tubes business segment, net sales by geographic region, operating income and operating income as a percentage of net sales for the periods indicated below:

Millions of U.S. dollars

FOR THE YEAR ENDED DECEMBER 31	2019	2018	Increase / (Decrease)
NET SALES			
North America	3,307	3,488	(5%)
South America	1,240	1,284	(3%)
Europe	641	628	2%
Middle East & Africa	1,337	1,541	(13%)
Asia Pacific	345	292	18%
Total net sales	**6,870**	**7,233**	**(5%)**
Operating income	755	777	(3%)
Operating income (% of sales)	11.0%	10.7%	

Net sales of tubular products and services decreased 5% to $6,870 million in 2019, compared to $7,233 million in 2018, reflecting an 8% decline in volumes and a 4% increase in average selling prices. In North America, while sales were higher in Mexico, they declined in Canada and the United States reflecting lower drilling activity. In South America sales declined slightly reflecting a reduction in drilling activity in Argentina towards the end of the year. In Europe sales increased due to higher demand for offshore line pipe and OCTG with lower sales of mechanical pipes and line pipe for hydrocarbon process projects. In the Middle East & Africa, the acquisition of Saudi Steel Pipe and an increase in sales in the Middle East outside of Saudi Arabia (where destocking took place) did not compensate for the drop in sales of offshore line pipe following the completion of deliveries for East Mediterranean gas development projects. In Asia Pacific, while sales increased in China, Indonesia and Australia, they declined in Thailand.

Operating income from tubular products and services, amounted to $755 million in 2019, compared to $777 million in 2018 (including $109 million one-off charge from higher amortization of intangibles). Operating income during 2019 was negatively affected by lower shipment volumes after the completion of deliveries of offshore line pipe for East Mediterranean gas development projects.

Others

The following table indicates, for our Others business segment, net sales, operating income and operating income as a percentage of net sales for the periods indicated below:

Millions of U.S. dollars

FOR THE YEAR ENDED DECEMBER 31	2019	2018	Increase / (Decrease)
Net sales	424	426	(0%)
Operating income	77	95	(19%)
Operating income (% of sales)	18.2%	22.3%	

Net sales of other products and services remained stable as lower sales of energy and excess raw materials and coiled tubing were compensated by higher sales of industrial equipment in Brazil and sucker rods.

Operating income from other products and services, decreased from $95 million in 2018 to $77 million in 2019, mainly due to the lower contribution from our sales of energy and excess raw materials and from our coiled tubing business.

Selling, general and administrative expenses or SG&A, decreased by $144 million in 2019 to $1,366 million in 2019, from $1,510 million in 2018 (in 2018 included a one-off higher amortization charge of $109 million). As a percentage of sales SG&A amounted to 18.7% in 2019 compared to 19.7% in 2018. Apart from the lower amortization and depreciation charge, SG&A declined mainly due to lower logistic costs and allowance for doubtful accounts partially compensated by higher services and fees, labor costs and taxes.

Financial results amounted to a gain of $19 million in 2019, compared to $37 million in 2018. The 2019 gain corresponds mainly to an FX gain of $28 million mainly related to the Argentine peso devaluation on Peso denominated financial, trade, social and fiscal payables at Argentine subsidiaries which functional currency is the U.S. dollar.

Equity in earnings of non-consolidated companies generated a gain of $82 million in 2019, compared to $194 million in 2018. These results were mainly derived from our equity investment in Ternium (NYSE:TX).

Income tax charge amounted to $202 million in 2019 (24% over income before equity in earnings of non-consolidated companies and income tax), compared to $229 million in 2018 (25%).

Net income for continuing operations amounted to $731 million in 2019, compared with $874 million in 2018. The lower results reflect a worse operating environment and a reduction of $112 million in the contribution from our non-consolidated investments, mainly Ternium.

Liquidity and Capital Resources

The following table provides certain information related to our cash generation and changes in our cash and cash equivalents position for each of the last three years:

Millions of U.S. dollars

FOR THE YEAR ENDED DECEMBER 31	2019	2018	2017
Net cash provided by (used in) operating activities	1,528	611	(22)
Net cash (used in) provided by investing activities	(40)	399	349
Net cash used in financing activities	(354)	(900)	(401)
Increase (decrease) in cash and cash equivalents	**1,134**	**109**	**(74)**
Cash and cash equivalents at the beginning of year (excluding overdrafts)	427	330	399
Effect of exchange rate changes	(6)	(13)	6
Increase (decrease) in cash and cash equivalents	1,134	109	(74)
Cash and cash equivalents at the end of year (excluding overdrafts)	**1,554**	**427**	**330**
Cash and cash equivalents at the end of year (excluding overdrafts)	1,554	427	330
Bank overdrafts	0	2	0
Other current investments	210	488	1,192
Non-current investments	18	114	123
Derivatives hedging borrowings and investments	19	(6)	(33)
Current and non current borrowings	(822)	(539)	(966)
Net cash at the end of the year	**980**	**485**	**647**

Our financing strategy aims to maintain adequate financial resources and access to additional liquidity. During 2019 cash flow provided by operating activities amounted to $1,528 million (including a decrease in working capital of $523 million), our capital expenditures amounted to $350 million and we paid dividends amounting to $484 million. At the end of the year we had a net cash position of $980 million, compared to $485 million at the beginning of the year.

We believe that funds from operations, the availability of liquid financial assets and our access to external borrowing through the financial markets will be sufficient to satisfy our working capital needs, to finance our planned capital spending program, to service our debt in the future twelve months and to address short-term changes in business conditions. For more information see "Recent Developments - The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition."

We have a conservative approach to the management of our liquidity, which consists of (i) cash and cash equivalents (cash in banks, liquidity funds and investments with a maturity of less than three months at the date of purchase), and (ii) Other Investments (fixed income securities, time deposits, and fund investments).

At December 31, 2019, liquid financial assets as a whole (comprising cash and cash equivalents and other investments) were 12% of total assets compared to 7% at the end of 2018.

We hold investments primarily in liquidity funds and variable or fixed-rate securities from investment grade issuers. We hold our cash and cash equivalents primarily in U.S. dollars and in major financial centers. As of December 31, 2019, and 2018, U.S. dollar denominated liquid assets represented 95% of total liquid financial assets.

Fiscal year ended December 31, 2019,
compared to fiscal year ended December 31, 2018

Operating activities

Net cash provided by operations during 2019 was $1,528 million, compared to $611 million during 2018. This increase was mainly attributable to a $523 million decrease in working capital in 2019, while in 2018 the increase in working capital amounted to $738 million. The annual variation was mainly attributed to a decrease of $428 million in trade receivables, compared with an increase of $518 million in 2018. Additionally, during 2019 inventories decreased $311 million which compares with an increase in inventory of $176 million in 2018. For more information on cash flow disclosures and changes to working capital, see note 28 "Cash flow disclosures" to our audited consolidated financial statements included in this annual report.

Investing activities

Net cash used in investing activities was $40 million in 2019, compared to a net cash provided by investing activities of $399 million in 2018. We reduced our financial investments by $390 million in 2019 compared to a reduction of $717 million in 2018. Additionally, during 2019 we spent $133 million in acquisition of subsidiaries.

Financing activities

Net cash used in financing activities, including dividends paid, proceeds and repayments of borrowings and acquisitions of non-controlling interests, was $354 million in 2019, compared to $900 million in 2018.

During 2019 we had net proceeds from borrowings of $174 million, while in 2018 we had net repayments of borrowings of $413 million.

Dividends paid during 2019 and 2018 amounted to $484 million in each year.

Our total liabilities to total assets ratio was 0.18:1 as of December 31, 2019 and 0.17:1 as of December 31, 2018.

Principal Sources of Funding

During 2019, we funded our operations with operating cash flows, bank financing and available liquid financial assets. Short-term bank borrowings were used as needed throughout the year.

Financial liabilities

During 2019 borrowings increased by $283 million to $822 million at December 31, 2019, from $539 million at December 31, 2018.

Borrowings consist mainly of bank loans. As of December 31, 2019, U.S. dollar-denominated borrowings plus borrowings denominated in other currencies swapped to the U.S. dollar represented 89% of total borrowings.

For further information about our financial debt, please see note 19 "Borrowings" to our audited consolidated financial statements included in this annual report.

The following table shows the composition of our financial debt at December 31, 2019, 2018 and 2017:

Millions of U.S. dollars

	2019	2018	2017
Bank borrowings	822	537	966
Bank overdrafts	0	2	0
Total borrowings	**822**	**539**	**966**

Our weighted average interest rates before tax (considering hedge accounting), amounted to 3.18% at December 31, 2019 and to 3.98% at December 31, 2018.

The maturity of our financial debt is as follows:

Millions of U.S. dollars

AT DECEMBER 31, 2019	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Borrowings	781	17	24	–	–	–	822
Interests to be accrued (*)	11	1	0	–	–	–	13
Total	**793**	**18**	**24**	**–**	**–**	**–**	**835**

(*) Includes the effect of hedge accounting.

Our current borrowings to total borrowings ratio amounted to 0.95:1 as of December 31, 2019 and December 31, 2018. Our liquid financial assets exceeded our total borrowings, we had a net cash position (cash and cash equivalents, other current and non-current investments, derivatives hedging borrowings and investments, less total borrowings) of $980 million at December 31, 2019, compared to $485 million at December 31, 2018.

For information on our derivative financial instruments, please see "Quantitative and Qualitative Disclosure about Market Risk – Accounting for Derivative Financial Instruments and Hedging Activities" and note 24 "Derivative financial instruments" to our audited consolidated financial statements included in this annual report.

For information regarding the extent to which borrowings are at fixed rates, please see "Quantitative and Qualitative Disclosure About Market Risk".

Significant borrowings

Our most significant borrowings as of December 31, 2019 were as follows:

Millions of U.S. dollars

Disbursement date	Borrower	Type	Original & Outstanding	Final Maturity
2019	Tamsa	Bank loans	621	2020
2019	Siderca	Bank loans	60	2020

As of December 31, 2019, Tenaris was in compliance with all of its covenants under its significant borrowings, including financial covenants on leverage ratio.

Quantitative and Qualitative Disclosure about Market Risk

The multinational nature of our operations and customer base expose us to a variety of risks, including the effects of changes in foreign currency exchange rates, interest rates and commodity prices. In order to reduce the impact related to these exposures, management evaluates exposures on a consolidated basis to take advantage of natural exposure netting. For the residual exposures, we may enter into various derivative transactions in order to reduce potential adverse effects on our financial performance. Such derivative transactions are executed in accordance with internal policies and hedging practices. We do not enter into derivative financial instruments for trading or other speculative purposes, other than non-material investments in structured products.

The following information should be read together with section III, "Financial risk management" to our audited consolidated financial statements included elsewhere in this annual report.

Debt Structure

The following tables provide a breakdown of our debt instruments at December 31, 2019 and 2018 which included fixed and variable interest rate obligations, detailed by maturity date:

In millions of U.S. dollars

	EXPECTED MATURITY DATE						
AT DECEMBER 31, 2019	2020	2021	2022	2023	2024	Thereafter	**Total (1)**
NON-CURRENT DEBT							
Fixed rate	–	16	24	–	–	–	40
Floating rate	–	1	0	–	–	–	1
CURRENT DEBT							
Fixed rate	728	–	–	–	–	–	728
Floating rate	53	–	–	–	–	–	53
	781	**17**	**24**	**–**	**–**	**–**	**822**

	EXPECTED MATURITY DATE						
AT DECEMBER 31, 2018	2019	2020	2021	2022	2023	Thereafter	**Total (1)**
NON-CURRENT DEBT							
Fixed rate	–	4	4	20	–	–	28
Floating rate	–	0	1	0	–	–	1
CURRENT DEBT							
Fixed rate	493	–	–	–	–	–	493
Floating rate	17	–	–	–	–	–	17
	510	**4**	**5**	**20**	**–**	**–**	**539**

(1) As most borrowings are based on short-term fixed rates, or floating rates that approximate market rates, with interest rate resetting every 3 to 6 months, the fair value of the borrowings approximates its carrying amount and is not disclosed separately.

Our weighted average interest rates before tax (considering hedge accounting), amounted to 3.18% at December 31, 2019 and to 3.98% at December 31, 2018.

Our financial liabilities (other than trade payables and derivative financial instruments) consist mainly of bank loans. As of December 31, 2019, U.S. dollar denominated financial debt plus debt denominated in other currencies swapped to the U.S. dollar represented 89% of total financial debt.

For further information about our financial debt, please see note 19 “Borrowings” to our audited consolidated financial statements included in this annual report.

Interest Rate Risk

Fluctuations in market interest rates create a degree of risk by affecting the amount of our interest payments. At December 31, 2019, we had variable interest rate debt of $54 million and fixed rate debt of $768 million ($728 million of the fixed rate debt are short-term).

Foreign Exchange Rate Risk

We manufacture and sell our products in a number of countries throughout the world and consequently we are exposed to foreign exchange rate risk. Since the Company’s functional currency is the U.S. dollar, the purpose of our foreign currency hedging program is mainly to reduce the risk caused by changes in the exchange rates of other currencies against the U.S. dollar.

Most of our revenues are determined or influenced by the U.S. dollar. In addition, a relevant part of our costs corresponds to steelmaking raw materials and steel coils and plates, also determined or influenced by the U.S. dollar. However, outside the United States, a portion of our expenses is incurred in foreign currencies (e.g. labor costs). Therefore, when the U.S. dollar weakens in relation to the foreign currencies of the countries where we manufacture our products, the U.S. dollar-reported expenses increase. Had the U.S. dollar average exchange rate been weaker by 5% against the currencies of the countries where we have labor costs, operating income would have decreased approximately by $49 million in 2019, compared with $50 million in 2018.

Our consolidated exposure to currency fluctuations is reviewed on a periodic basis. A number of hedging transactions are performed in order to achieve an efficient coverage in the absence of operative or natural hedges. Almost all of these transactions are forward exchange rate contracts.

Because certain subsidiaries have functional currencies other than the U.S. dollar, the results of hedging activities as reported in the income statement under IFRS may not reflect entirely management's assessment of its foreign exchange risk hedging needs. Also, intercompany balances between our subsidiaries may generate exchange rate results to the extent that their functional currencies differ.

The value of our financial assets and liabilities is subject to changes arising out of the variation of foreign currency exchange rates. The following table provides a breakdown of our main financial assets and liabilities (including foreign exchange derivative contracts) that impact our profit and loss as of December 31, 2019.

All amounts in millions of U.S. dollars

CURRENCY EXPOSURE / FUNCTIONAL CURRENCY	Long / (Short) Position
Argentine Peso / U.S. dollar	(96)
Euro / U.S. dollar	(104)
Saudi Arabian Riyal / U.S. dollar	(108)

The main relevant exposures as of December 31, 2019 were to Argentine peso-denominated financial, trade, social and fiscal payables at our Argentine subsidiaries, for which the functional currency is the U.S. dollar, Euro-denominated intercompany liabilities at certain subsidiaries for which functional currency is the U.S. dollar, and Saudi Arabian Riyal-denominated financial and trade payables. The Saudi Arabian Riyal is tied to the US dollar.

Foreign Currency Derivative Contracts

The net fair value of our foreign currency derivative contracts amounted to an asset of $18.1 million at December 31, 2019 and a liability of $2.8 million at December 31, 2018. For further detail on our foreign currency derivative contracts, please see note 24 "Derivative financial instruments – Foreign exchange derivative contracts and hedge accounting" to our audited consolidated financial statements included in this annual report.

Accounting for Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are classified as financial assets (or liabilities) at fair value through profit or loss. Their fair value is calculated using standard pricing techniques and, as a general rule, we recognize the full amount related to the change in its fair value under financial results in the current period.

We designate for hedge accounting certain derivatives and non-derivative financial liabilities (leasing liabilities denominated in Japanese Yen) to hedge risks associated with recognized assets, liabilities or highly probable forecast transactions. These instruments are classified as cash flow hedges. The effective portion of the fair value of such derivatives is accumulated in a reserve account in equity. Similarly, the effective portion of the foreign exchange result on the designated leasing liability is recognized in equity. Amounts accumulated in equity are then recognized in the income statement in the same period when the offsetting losses and gains on the hedged item are recorded. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of our derivative financial instruments (assets or liabilities) continues to be reflected on the consolidated statement of financial position. The lease liability is recognized on the balance sheet at each period end at the exchange rate as of the end of each month.

At December 31, 2019, the effective portion of designated cash flow hedges, included in other reserves in shareholders' equity amounted to a credit of $2.6 million.

Concentration of credit risk

There is no significant concentration of credit from customers. No single customer comprised more than 10% of our net sales in 2019.

Our credit policies related to sales of products and services are designed to identify customers with acceptable credit history, and to allow us to use credit insurance, letters of credit and other instruments designed to minimize credit risk whenever deemed necessary. We maintain allowances for potential credit losses.

Commodity Price Sensitivity

We use commodities and raw materials that are subject to price volatility caused by supply conditions, political and economic variables and other unpredictable factors. As a consequence, we are exposed to risk resulting from fluctuations in the prices of these commodities and raw materials. Although we fix the prices of such raw materials and commodities for short-term periods, typically not in excess of one year, in general we do not hedge this risk.

Trend Information

Principal Factors Affecting Oil and Gas Prices and Demand for Steel Pipes from the Global Oil and Gas Industry.

Sales to the oil and gas industry worldwide represent a high percentage of our total sales, and demand for steel pipes from the global oil and gas industry is a significant factor affecting the general level of volumes and prices for our products. Downward pressures on oil and gas prices usually result in lower oil and gas drilling activity and investment throughout the oil and gas industry with consequently lower demand for our steel pipe products and, in some circumstances, upward pressures can result in higher demand from our oil and gas customers.

Whereas oil prices are similar in most parts of the world because oil is a fully tradable commodity, gas prices are influenced by regional factors. In North America, where gas production is extensively developed and there is an extensive regional pipeline system, these factors include available gas storage capacity and seasonal weather patterns, particularly winter temperatures in the United States. LNG prices were traditionally established in relation to international oil prices, particularly in the largest LNG markets in Asia. However, as the market for LNG becomes more global and the USA becomes a relevant source of LNG, LNG prices are now being set increasingly in relation to gas prices prevailing at regional gas hubs.

International oil prices depend on diverse factors. On the supply side, major oil-and-gas-producing nations and companies have frequently collaborated to balance the supply (and thus the price) of oil in the international markets. A major vehicle for this collaboration has been OPEC. Many of our customers are state-owned companies in member countries of OPEC. Another factor that has affected the international price level of oil is the political and socioeconomic conditions of oil-producing countries, such as Libya, Nigeria and Venezuela and the persistence of geo-political and armed conflicts affecting the Middle East region, which is home to a substantial proportion of the world's known oil reserves. On the demand side, economic conditions and the level of oil inventories in the leading industrial nations of the world, and more recently China, which constitute the largest oil consuming nations, also play a significant role in oil prices.

A more recent factor affecting oil and gas prices has been the ability of producers in the United States and Canada to rapidly increase production from their reserves of tight oil and shale gas in response to changes in market conditions. Production from U.S. tight oil reserves has grown in recent years to represent around 10% of global liquids production, and production from shale gas plays is converting the United States into a net exporter of natural gas and a significant player in the LNG market.

Following three years of relatively stable oil prices of around $100 per barrel, prices started to decline in the middle of 2014 as the rate of U.S. production increase began to exceed the increase in global demand and OPEC confirmed at its November 2014 meeting that it would not cut production to balance demand. As a consequence, prices reached levels below $30 per barrel in January 2016. Prices then recovered to around $80 per barrel during 2018 once OPEC and other producers agreed to cut production levels to accelerate the market rebalancing process. By this time, OPEC and other producers had lifted their production cuts and U.S. oil production was increasing at a rate greater than the increase in global demand. Oil prices declined 40% in the fourth quarter of 2018 before partially recovering in 2019. In the first quarter of 2020, the COVID-19 pandemic has affected global oil demand. In addition, agreements between OPEC member countries and other producers (principally Russia) to cut production levels fell apart. Consequently, oil prices have collapsed to historically low levels.

The 2014 collapse in oil prices led oil and gas operators to substantially reduce their exploration and production investments to a level which is currently around 60% of the average of the 2012-14 period and this, in turn, resulted in a severe contraction in demand and pressure on pricing for steel pipes used in oil and gas drilling and associated operations. During 2017, however, oil and gas operators in North America, who have been very successful in reducing production costs in their shale plays, increased investments in response to more favorable market conditions, and U.S. operators continued to do so in 2018. However, in 2019 and during the first quarter of 2020, operators have been reducing investment in the shales as they reacted to financial market pressures in order to achieve positive cash flow returns. With the collapse of oil prices in March 2020 and continuing financial market pressures, we are likely to see further substantial reductions in their investments.

Since the development of the Marcellus shale gas play, North American gas prices have remained at low levels compared to previous decades. Over the past three years, average prices have fluctuated in the range of $2.00-3.00 per million BTU, significantly below prices in many other major gas-consuming regions. For several years, production increases, primarily from productive shale gas deposits, have exceeded demand increases, reducing the need for imports, to the extent that, in 2017, the U.S. became a net exporter of natural gas. Low prices have encouraged investment in gas consuming industrial facilities and LNG export facilities as well as switching from coal to gas for electric power production, particularly with the adoption of new regulations which could force the retirement of older coal-based generating units. With continuing investments in LNG export facilities, the U.S. has become a major global LNG exporter. More recently, North American gas prices have fallen below $2 per million BTU as global demand growth for LNG has been affected by warmer northern hemisphere weather and the COVID-19 pandemic.

Drilling activity in the United States and Canada, following several years of high activity, fell sharply through 2015 and the first half of 2016 before beginning a recovery which ended at the end of 2018. Drilling activity declined throughout 2019 in response to a fall in oil prices at the end of 2018 and financial market pressures to produce positive cash flow returns. Despite lower prices, production levels today are higher than before the 2014 collapse in oil prices but rig counts are around less than 50% of the levels they reached in 2014, reflecting the strong productivity gains made by the U.S. oil and gas drilling industry. In the rest of the world, drilling activity began to decline in the second half of 2014, continued to decline during 2015, 2016 and 2017 before beginning a gradual recovery in the second half of 2018. Although drilling activity in the Middle East has remained relatively stable, drilling in Latin America and offshore drilling declined significantly, but began to recover in 2019, although drilling in Argentina declined sharply in the last quarter of 2019, in response to uncertainty about the policies that the new Argentine government would implement in respect of investments in the Vaca Muerta shale resource.

Prior to the 2014 downturn in oil prices, a growing proportion of exploration and production spending by oil and gas companies had been directed at offshore, deep drilling and non-conventional drilling operations in which high-value tubular products, including special steel grades and premium connections, are usually specified. The success, however, of shale drilling operators, with their inherently short investment cycles, in adapting to lower oil and gas costs and increasing production, led to a slowdown in new developments of complex offshore projects with long investment lead times in a context of low and more volatile oil prices, consequently affecting the level of product differentiation.

In addition, the increasing cost competitiveness and use of alternative renewable sources of energy could limit growth in demand for oil and gas and put downward pressure on oil and gas prices in the longer term. This trend could accelerate if carbon taxes or carbon pricing instruments resulting in high prices for carbon emissions are implemented around the world.

The tables below show the annual average number of active oil and gas drilling rigs, or rig count, in the United States, Canada, International (worldwide other than the United States and Canada and excluding Iran, Sudan, onshore China, Russia and Syria) and Worldwide, as published by Baker Hughes, for the years indicated and the percentage increase or decrease over the previous year. Baker Hughes, a leading oil service company, has published its rig counts on a monthly basis since 1975 as a general indicator of activity in the oil and gas sector.

RIG COUNT	2019	2018	2017	2016	2015
International (*)	1,098	988	948	955	1,167
Canada	134	191	207	128	193
United States	943	1,032	875	510	977
Worldwide	**2,175**	**2,211**	**2,029**	**1,593**	**2,337**

(*) International rig count excludes Iran, Sudan, onshore China, Russia and Syria (discontinued in February 2013).

PERCENTAGE INCREASE (DECREASE) OVER THE PREVIOUS YEAR	2019	2018	2017	2016
International (*)	11%	4%	(1%)	(18%)
Canada	(30%)	(7%)	62%	(34%)
United States	(9%)	18%	72%	(48%)
Worldwide	**(2%)**	**9%**	**27%**	**(32%)**

(*) International rig count excludes Iran, Sudan, onshore China, Russia and Syria (discontinued in February 2013).

Off-Balance Sheet Arrangements

As of December 31, 2019, the Company reported the following financial commitments, consisting of guarantees in connection to its participation in the non-consolidated company Techgen:

- On February 13, 2019, Techgen entered into a $640 million syndicated loan agreement with several banks to refinance an existing loan, resulting in the release of certain corporate guarantee issued by Techgen's shareholders to secure the replaced facility.

Techgen's obligations under the current facility, which is "non-recourse" on the sponsors, are guaranteed by a Mexican security trust covering Techgen's shares, assets and accounts as well as Techgen's affiliates rights under certain contracts. In addition, Techgen's collection and payment accounts not subject to the trust have been pledged in favor of the lenders under the new loan agreement, and certain direct agreements –customary for these type of transactions– have been entered into with third parties and affiliates, including in connection with the agreements for the sale of energy produced by the project and the agreements for the provision of gas and long-term maintenance services to Techgen. The commercial terms and conditions governing the purchase, by the Company's Mexican subsidiary Tamsa, of 22% of the energy generated by the project remain unchanged.

Under the loan agreement, Techgen is committed to maintain a debt service reserve account covering debt service becoming due during two consecutive quarters; such account is funded by stand-by letters of credit issued for the account of Techgen's sponsors in proportion to their respective participations in Techgen. Accordingly, the Company and its Swiss subsidiary, Tenaris Investments Switzerland AG, applied for stand-by letters of credit covering 22% of the debt service coverage ratio, which as of December 31, 2019 amounts to $9.8 million.

- Tenaris issued a corporate guarantee covering 22% of the outstanding value of natural gas transportation capacity agreements entered into by Techgen with Kinder Morgan Gas Natural de Mexico S. de R.L. de C.V., and Kinder Morgan Texas Pipeline LLC for a natural gas purchasing capacity of 150,000 million BTU 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 December 31, 2019, our exposure under the guarantee in connection with these agreements amounted to $51.9 million and $0.9 million respectively.

- SSPC issued corporate guarantees to secure repayment of loan agreements entered into by Global Pipe Company ("GPC"), a Saudi line pipe producer, with Saudi Investment Development Fund, Saudi British Bank and Banque Saudi Fransi to finance GPC's capital expenditures and working capital. SSPC currently owns 35% of the share capital of GPC. As of December 31, 2019, SSPC's exposure under the guarantees amounted to $131.7 million.

In addition, we have various off-balance sheet commitments, as described in note 25 "Contingencies, commitments and restrictions on the distribution of profits – (ii) Commitments and guarantees" to our audited consolidated financial statements included in this annual report.

Outstanding Legal Proceedings

Tenaris is from time to time subject to various claims, lawsuits and other legal proceedings, including customer, employee, tax and environmental-related 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 consolidated 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 its consolidated financial statements (see notes 22 "Non-current allowances and provisions" and 23 "Current allowances and provisions" to our audited consolidated financial statements included in this annual report) 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.

Material Legal Proceedings

Below is a summary description of Tenaris's material legal proceedings for the year ended December 31, 2019. 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

Confab Industrial S.A. ("Confab"), a Brazilian subsidiary of the Company, is one of the defendants in a lawsuit filed in Brazil by Companhia Siderúrgica Nacional ("CSN") and various entities affiliated with CSN against Confab and several Ternium subsidiaries 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 and on January 22, 2019, the court of appeals rejected it and ordered that the case be submitted to the Superior Court of Justice. On September 10, 2019, the Superior Court of Justice declared CSN's appeal admissible. The Superior Court of Justice will review the case and 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.

Veracel Celulose 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 and then replaced by Chubb Seguros Brasil S/A ("Chubb"), 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 claimed 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 were consolidated and are considered by the 6th Civil Court of São Caetano do Sul; however, each lawsuit will be adjudicated separately.

On September 28, 2018 Confab and Chubb, entered into a settlement agreement pursuant to which on October 9, 2018, Confab paid an amount of approximately $3.5 million to Chubb, without assuming any liability for the accident or the claim.

On October 10, 2018, Confab was notified that the court had issued rulings for both lawsuits. Both decisions were unfavorable to Confab:

- With respect to Chubb's claim, Confab was ordered to pay an amount of approximately BRL89.8 million (approximately $21.6 million) (including interest, fees and expenses). On October 15, 2018, Confab filed a request for homologation of the settlement agreement mentioned above, as such settlement agreement remains valid and binding between the parties. On November 8, 2018, the settlement agreement was homologated by the court.

- With respect to Veracel's claim, Confab was ordered to pay the insurance deductible and other concepts not covered by insurance, currently estimated to amount to BRL62.9 million (approximately $15.6 million) (including interest, fees and expenses). Both parties filed motions for clarification against the court's decision, which were partially granted. Although the contract between Confab and Veracel expressly provided that Confab would not be liable for damages arising from lost profits, the court award would appear to include BRL54.0 million (approximately $13.4 million) of damages arising therefrom; Confab has additional defense arguments in respect of a claim for lost profits. On December 18, 2018, Confab filed an appeal against the first instance court decision, and on April 30, 2019, Veracel filed its response to the appeal. 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.

Ongoing investigation

The Company is aware that Brazilian, Italian and Swiss authorities have been investigating whether certain payments were made from accounts of entities presumably associated with affiliates of the Company to accounts allegedly linked to individuals related to Petróleo Brasileiro S.A. ("Petrobras") and whether any such payments were intended to benefit the Company's Brazilian subsidiary 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", a new phase of which is presently ongoing, and did not uncover any information that corroborated allegations of involvement in these alleged payments by the Company or its subsidiaries. Furthermore, the Company became aware that a Petrobras internal investigation commission reviewed certain contracts with Confab and concluded that they had not found evidence that Petrobras had benefitted Confab or had misused applicable local content rules.

The Company's audit committee engaged external counsel in connection with the Company's review of these matters. In addition, the Company voluntarily notified the U.S. Securities and Exchange Commission and the U.S. Department of Justice in October 2016.

In July 2019, the Company learned that the public prosecutor office of Milan, Italy, had completed a preliminary investigation into the alleged payments and had included in the investigation, among other persons, the Company's Chairman and Chief Executive Officer, two other board members, Gianfelice Mario Rocca and Roberto Bonatti, and the Company's controlling shareholder, San Faustin. In February 2020, the Company learned that the magistrate overseeing the investigation decided to move the case to trial. The Company's outside counsel had previously reviewed the Italian prosecutors' investigative file and has informed the board of directors that neither that file nor this magistrate's decision sets forth evidence of involvement by any of the three directors in the alleged wrongdoing. Accordingly, the board of directors has concluded that no particular action is warranted at the present time, other than inviting the referred board members to continue discharging their respective responsibilities with the full support of the board of directors.

The Company continues to review these matters and to respond to requests from and otherwise cooperate with the appropriate 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.

Putative class actions

Following the Company's November 27, 2018 announcement that its Chairman and chief executive officer Paolo Rocca had been included in an Argentine court investigation known as the Notebooks Case (a decision subsequently reversed by a higher court), two putative class action complaints were filed in the U.S. District Court for the Eastern District of New York. On April 29, 2019, the court consolidated the complaints into a single case, captioned "In re Tenaris S.A. Securities Litigation", and appointed lead plaintiffs and lead counsel. On July 19, 2019, the lead plaintiffs filed an amended complaint purportedly on behalf of purchasers of Tenaris securities during the putative class period of May 1, 2014 through December 5, 2018. The individual defendants named in the complaint are Tenaris's Chairman and chief executive officer and Tenaris's former chief financial officer. The complaint alleges that during the class period, the Company and the individual defendants inflated the Tenaris share price by failing to disclose that sale proceeds received by Ternium (in which Tenaris held an 11.46% stake) when Sidor was expropriated by Venezuela were received or expedited as a result of allegedly improper payments made to Argentine officials. The complaint does not specify the damages that plaintiff is seeking. Defendants' motions to dismiss are expected to be decided during 2020. Management believes the Company has meritorious defenses to these claims; however, 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 alleged price overcharges in Brazil

In 2018, two Brazilian subsidiaries of the Company were notified of formal charges arising from a review by the Tribunal de Contas da Uniao ("TCU") for alleged price overcharges on goods supplied to Petrobras under a supply contract. Both companies have already filed their defenses. The estimated amount of this claim is BRL29.8 million (approximately $7.4 million). Tenaris believes, based on the advice of counsel and external consultants, that the prices charged under the Petrobras contract do not result in overprices and that it is unlikely that the ultimate resolution of this matter will result in a material obligation.

Administrative proceeding concerning Brazilian tax credits

Confab is a party to an administrative proceeding concerning the recognition and transfer of tax credits for an amount allegedly exceeding the amount that Confab would have been entitled to recognize and/or transfer. The proceeding resulted in the imposition of a fine against Confab representing approximately 75% of the allegedly undue credits, which was appealed by Confab. On January 21, 2019, Confab was notified of an administrative decision denying Confab's appeal, thereby upholding the tax determination and the fine against Confab. On January 28, 2019, Confab challenged such administrative decision and is currently awaiting a resolution. In case of an unfavorable resolution, Confab may still appeal before the courts. The estimated amount of this claim is BRL56.8 million (approximately $14.1 million). At this stage, the Company cannot predict the outcome of this claim.

U.S. patent infringement litigation

Tenaris Coiled Tubes, LLC ("TCT"), a U.S. subsidiary of the Company, was sued on 2017 by its competitor Global Tubing, alleging violations to certain intellectual property regulations and seeking a declaration that certain Global Tubing products do not infringe patents held by TCT. TCT filed a counterclaim seeking declaration that certain Global Tubing products infringe patents held by TCT, and Global Tubing responded alleging that such patents should be invalidated. On December 13, 2019, Global Tubing filed an amended complaint (including the Company as defendant) and alleging that TCT and the Company misled the patent office in order to monopolize the coiled tubing market for quench and tempered products. Trial is set for August of 2021. At this time, the Company cannot predict the outcome of this matter or estimate the range of potential losses that may result from resolution of this claim.

Tax assessment from Italian tax authorities

Tenaris's Italian subsidiary Dalmine received on December 27, 2019, a tax assessment from the Italian tax authorities related to fiscal year 2014. As of December 31, 2019, the claim amounted to approximately EUR25 million (approximately $28 million), comprising EUR20.7 million (approximately $23.2 million) in principal and EUR4.3 million (approximately $4.8 million) in interest and penalties. In the report for a tax audit conducted in 2019, the Italian tax inspectors indicated that they also intend to bring claims for fiscal year 2015 with respect to the same matters; as of December 31, 2019, these additional claims would amount to approximately EUR10.3 million (approximately $11.6 million), comprising EUR8.1 million (approximately $9.1 million) in principal and EUR2.2 million (approximately $2.5 million) in interest and penalties. The claims mainly refer to the compensation for certain intercompany transactions involving Dalmine in connection with sales of products and R&D activities. Based on the counsel's advice, Tenaris believes that it is unlikely that the ultimate resolution of these matters will result in a material obligation.

IPSCO product liability claims

Tenaris's recently acquired U.S. subsidiary, IPSCO Tubulars Inc, or its subsidiaries are parties to several product liability claims, which may result in damages for an aggregate amount estimated at approximately $26.6 million. This includes a lawsuit alleging product liability and negligent misrepresentation in which the plaintiff alleges that defects in certain casing provided by IPSCO resulted in three well failures causing damages for an amount of approximately $15 million. Although at this time the Company cannot predict the outcome of any of these matters, the Company believes that provisions have been recorded in an amount sufficient to cover potential exposure under these claims.

Recent developments

Acquisition of IPSCO Tubulars, Inc.

a) Acquisition

On January 2, 2020, Tenaris acquired 100% of the shares of IPSCO Tubulars, Inc. ("IPSCO"), a U.S. manufacturer of steel pipes, from PAO TMK ("TMK"). The acquisition price was determined on a cash-free, debt-free basis, and the amount paid in cash at the closing, following contractual adjustments for cash, indebtedness, working capital and certain other items as estimated by the seller as of the closing date, was $1,067 million. The final acquisition price is subject to a contractual true-up adjustment based on actual amounts of cash, indebtedness, working capital and certain other items as of the closing date. On March 16, 2020, Tenaris delivered, for TMK's review, a closing statement prepared in accordance with the acquisition agreement, including Tenaris's calculation of the closing price based on actual amounts of cash, indebtedness, working capital and certain other items as of the closing date. In case of disagreement, the parties are expected to engage in good-faith negotiations to solve any discrepancies. If the parties cannot resolve the disputed amounts, the discrepancies must be submitted to and resolved by an independent accounting firm.

IPSCO's facilities are located mainly in the midwestern and northeastern regions of the country. IPSCO's steel shop in Koppel, Pennsylvania, is Tenaris's first in the United States, providing vertical integration through domestic production of a relevant part of its steel bar needs. The Ambridge, Pennsylvania, mill adds a second seamless manufacturing facility and complements Tenaris's seamless plant in Bay City, Texas. Given the abrupt and steep decline in market demand, however, all of IPSCO's facilities are currently temporarily closed until market conditions improve.

In connection with the closing of the transaction, subsidiaries of Tenaris and TMK entered into a 6-year master distribution agreement (the "MDA") whereby, effective on January 2, 2020, Tenaris became the exclusive distributor of TMK's OCTG and line pipe products in the United States and Canada. At the end of the MDA's 6-years term, TMK will have the option to extend the duration of the MDA for an additional 12-month period. Under the MDA, Tenaris is required to purchase minimum annual volumes of TMK-manufactured OCTG and line pipe products, based on the aggregate market demand for the relevant product category in the United States in the relevant year. As of March 31, 2020, Tenaris's commitment under the MDA totaled approximately $512 million. In light of the adverse scenario of declining oil and gas prices and unprecedented oversupply in the oil market Tenaris and TMK are engaging in good faith discussions to try and identify mutually satisfactory accommodations under the MDA to minimize the negative impact of the crisis on both parties.

b) Fair value of net assets acquired

The application of the purchase method requires certain estimates and assumptions, including estimates and assumptions concerning the determination of the fair values of the acquired intangible assets and property, plant and equipment as well as the liabilities assumed at the date of the acquisition. The fair values determined at the acquisition date are based mainly on discounted cash flows and other valuation techniques.

The preliminary purchase price allocation was carried out with the assistance of a third-party expert. Following IFRS 3, the Company will continue reviewing the allocation and make any necessary adjustments (mainly over property, plant and equipment, intangible assets) during the twelve months following the acquisition date.

The preliminary allocation of the fair values determined for the assets and liabilities arising from the acquisition is as follows:

FAIR VALUE OF ACQUIRED ASSETS AND LIABILITIES:	USD million
Property, Plant and Equipment	506
Intangible assets	170
Working capital	144
Cash and Cash Equivalents	4
Other assets	46
Borrowings	(53)
Provisions	(27)
Other liabilities	(77)
Deferred tax liabilities	(3)
Net assets acquired	**710**

Tenaris acquired total assets and liabilities shown above, for approximately $1,067 million. As a result of the acquisition, the Company recognized goodwill for approximately $357 million. The goodwill is not expected to be deductible for tax purposes.

The goodwill generated by the acquisition is mainly attributable to the synergy created following the integration between Tenaris and IPSCO, which is expected to enhance Tenaris's position as well as its local manufacturing presence in the U.S. market, and also expand its product range and services capabilities. The goodwill has been allocated to the Tubes segment. After the conclusion of the preliminary purchase price allocation determination and as a consequence of the unprecedented decline in oil prices and other changes in circumstances, the management has decided to impair the goodwill mentioned above.

Acquisition-related costs of $9.7 million were included in general and administrative expenses ($9.4 and $0.3 in 2019 and 2020 respectively). For contingent liabilities related to the acquisition see "Oustanding Legal Proceedings".

For more information on impairment testing, see "Critical Accounting Estimates - Impairment and recoverability of goodwill and other assets".

The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition

A novel strain of coronavirus (SARS-CoV-2) surfaced in China in December 2019 and subsequently spread to the rest of the world in early 2020. In March 2020, the World Health Organization declared COVID-19, the disease caused by the SARS-CoV-2 virus, a global pandemic. In response to the COVID-19 outbreak, countries have taken different measures in relation to prevention and containment. For example, several countries introduced bans on business activities or locked down cities or countries, including countries where Tenaris has operations (such as Argentina, China, Colombia, Italy, Mexico and the United States). The rapid expansion of the virus and the measures taken to contain it have triggered a severe fall in global economic activity and a serious crisis in the energy sector.

While the extent of the effects of COVID-19 on the global economy and oil demand were still unclear, in March 2020, the members of OPEC+ (OPEC plus other major oil producers including Russia) did not agree to extend their agreement to cut oil production and Saudi Arabia precipitated a wave of additional supply on the market triggering a collapse in oil prices below $30 per barrel. This exacerbated what soon became clear was an unprecedented situation of oversupply, caused primarily by the sudden and dramatic fall in oil consumption consequent to the measures taken to contain the spread of the virus around the world. Although OPEC+ subsequently reached an equally unprecedented agreement to cut production by as much as 9.7 million barrels per day, a situation of acute oversupply remains, causing oil prices to hit record lows. By the end of trading on April 20, 2020, the West Texas Intermediate (WTI) forward price for delivery in May, which had to be closed out the following day, fell to a negative value for the first time in history, as oil storage facilities were completely committed, and producers were forced to pay buyers to take their barrels. It is not known how long it will take for oil and gas demand to recover or achieve a more balanced position between supply and demand. As a result, prices are expected to remain at low levels for an extended period. In these circumstances, most of our customers have announced, or are making, significant cuts to their investment plans and are likely to announce further cuts. Similarly, several of our suppliers are closing, either temporarily or permanently, some of their facilities, which may result in unavailability or increased prices for our raw materials and other inputs.

Status of our operations

We are adjusting our operations on a country-by-country basis to comply with applicable rules and requirements and adapt to this new, rapidly evolving scenario. As of the date of this annual report, this is the status of our facilities:

- In China, we are again fully operational, after several weeks of interruption and an extraordinary combined effort of our people and of our community.

- In Italy, production was greatly reduced; although our Dalmine facility was used exclusively for the manufacturing of oxygen tanks to aid local hospitals and health centers for a limited period of time, currently the facility is gradually resuming normal operations. In Argentina, Colombia, Mexico and Saudi Arabia, Tenaris decreased its activity following the imposition of mandatory lockdowns, and our plants in these countries are currently operating at reduced levels. Although the lockdowns or restrictions to operate in these countries are expected to end or be relaxed in the next few weeks, these could be extended and/or made more stringent if so decided by the appropriate authorities as the circumstances could require.

- In the United States, our facilities in Koppel and Ambridge (PA), Brookfield (OH), Blytheville (AR), Wilder (KY), and Odessa and Baytown (TX), have been or will be temporarily closed until market conditions improve. In addition, Tenaris is in the process of performing employee reductions and adjusting production levels at its other facilities in line with market demand.

In order to safeguard the health and safety of its employees, customers and suppliers, Tenaris has taken preventive measures, including remote working for the majority of white collar employees, restricting onsite access to essential operational personnel, keeping personnel levels at a minimum, implementing a special operations protocol to ensure social distancing and providing medical assistance and supplies to onsite employees. As of the date of this annual report, remote work and other work arrangements have not materially adversely affected Tenaris's ability to conduct operations. In addition, these alternative working arrangements have not adversely affected our financial reporting systems, internal control over financial reporting or disclosure controls and procedures.

Risks associated with the COVID-19 pandemic and the oil & gas crisis

Given the uncertainty around the extent and timing of the future spread of the SARS-CoV-2 virus and the unprecedented extent of the oversupply on the oil market and the uncertainty about the timing and extent of any recovery in demand, it is not possible at this time to predict the full magnitude of the adverse effects that these two circumstances will have on our industry generally, nor to reasonably estimate the impact on Tenaris's results of operations, cash flows or financial condition.

Without limiting the generality of the risks described in "Principal risks and uncertainties—Risks Relating to our Industry", the COVID-19 pandemic and the ongoing oil & gas crisis poses the following main risks and challenges to Tenaris:

- Global oil or gas demand may fail to recover or even decrease further in the future, driving down prices even more or keeping them at very low levels, which would exert downward pressure on sales and margins of oil and gas companies, leading to further reductions and even generalized suspension of drilling activities (in the U.S. or elsewhere) and, as a result, materially adversely affecting our sales and financial position.

- Tenaris or its employees, contractors, suppliers, customers and other business partners may be prevented from conducting certain business activities for a prolonged or indefinite period of time. In addition, employees in some or all of our facilities, or those of our contracts, suppliers, customers or other business partners, may refuse to work due to health concerns while the COVID-19 outbreak is ongoing. If that happens, the continuity of our future operations may be severely affected.

- A continuing spread of COVID-19 may affect the availability and price of raw materials, energy and other inputs used by Tenaris in its operations. Any such disruption or increased prices could adversely affect Tenaris's profitability.

Mitigating actions

In order to mitigate the impact of expected lower sales, Tenaris is working on a worldwide rightsizing program and cost containment plan aimed at preserving its financial resources and overall liquidity position and maintaining the continuity of its operations. The actions include:

- Adjusting the level of our operations and workforce around the world, including through the temporary closure of certain U.S. facilities or production lines, as indicated above;

- Introducing efficiency and productivity improvements throughout Tenaris's industrial system;

- Downsizing our fixed cost structure, including through pay reductions for senior management and board members, aggregating estimated total annual savings of approximately $220 million by year-end;

- Reducing capital expenditures and R&D expenses for approximately $150 million when compared to 2019 levels;

- Reducing working capital, especially inventories, in accordance with the expected levels of activity; and

- Increasing our focus on managing customer credit conditions.

As part of these liquidity preservation initiatives, the board of directors resolved to propose, for approval by the Annual Shareholders Meeting to be held on June 2, 2020, that no further dividends be distributed in respect of fiscal year 2019 on top of the interim dividend of approximately $153 million already paid in November 2019.

As of the date of this annual report, our capital and financial resources, and overall liquidity position, have not been materially affected by this new scenario. Tenaris has in place non-committed credit facilities and management believes it has adequate access to the credit markets. In addition, Tenaris has a net cash position of approximately $271 million as of the end of March 2020 and a manageable debt amortization schedule. Considering our financial position and the funds provided by operating activities, management believes that we have sufficient resources to satisfy our current working capital needs, service our debt and address short-term changes in business conditions. For more information on liquidity and capital resources, see “Liquidity and Capital Resources - Principal Sources of Funding”.

Impairment of certain assets and other accounting implications

In accordance with IFRS, management must test for impairment all of Tenaris's assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets subject to testing include goodwill, intangible assets, investments in non-consolidated companies, long-lived assets and right-of-use assets. In addition, management must test goodwill for impairment at least once a year whether or not there are indicators of impairment.

As a result of the severe deterioration of business conditions and in light of the presence of impairment indicators for its U.S. operations, Tenaris recorded impairment charges as of March 31, 2020, in the carrying values of goodwill and other asset values at the cash-generating units OCTG USA (Maverick), IPSCO, Rods USA and Coiled Tubing, for an aggregate amount of approximately $622 million.

Management does not expect to disclose or incur in any material COVID-19-related contingency, and it considers its allowance for doubtful accounts sufficient to cover risks that could arise from credits with customers in accordance with IFRS 9.

Closure of facilities at JFE's Keihin steel complex

Our seamless pipe manufacturing facility in Asia, operated by NKKTubes, is located in Kawasaki, Japan, in the Keihin steel complex owned by JFE. Steel bars and other essential inputs and services for NKKTubes are supplied under a long-term agreement by JFE, which retains a 49% interest in NKKTubes. On March 27, 2020, JFE informed Tenaris of its decision to permanently cease, as from JFE's fiscal year ending March 2024, the operations of certain of its steel manufacturing facilities and other facilities located at the Keihin complex. The closure of JFE's Keihin facilities may result in the unavailability of steel bars and other essential inputs or services used in NKKTubes' manufacturing process, thereby affecting its operations. Tenaris and JFE have agreed to engage in discussions to seek mutually acceptable solutions.

Annual Dividend Proposal

On April 29, 2020, the Company's board of directors resolved to propose, for approval by the annual shareholders meeting to be held on June 2, 2020, that no further dividends be distributed in respect of fiscal year 2019 beyond the interim dividend of approximately $153 million already paid in November 2019. For a discussion of the rationale behind the dividend proposal, see “Recent Developments - The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition.”

Corporate Governance Statement

The Company's corporate governance practices are governed by Luxembourg Law (including among others, the Luxembourg Law of August 10, 1915 on commercial companies (the "Luxembourg Company Law"), the Luxembourg Law of January 11, 2008, on transparency requirements for issuers, as amended (which transposes EU Directive 2004/109 of the European Parliament and of the Council of December 15, 2004), the Luxembourg Law of August 1, 2019 (amending the Luxembourg Law of May 24, 2011) (the "Shareholders' Rights Law") on the exercise of certain rights of shareholders in general meetings of listed companies, which transposes EU Directive 2017/828 of the European Parliament and of the Council of May 17, 2017 (amending Directive 2007/36/EC) regarding the encouragement of long-term shareholder engagement in listed companies within the Member States of the European Union and the Luxembourg law of July 23, 2016, concerning the audit profession (the "Audit Reform Law")) , and by the Company's articles of association. As a Luxembourg company listed on the New York Stock Exchange (the NYSE), the Bolsa Mexicana de Valores, S.A. de C.V. (the Mexican Stock Exchange)and Borsa Italiana S.p.A. (the Italian Stock Exchange), the Company is required to comply with some, but not all, of the corporate governance standards of these exchanges. The Company, however, believes that the Company's corporate governance practices meet, in all material respects, the corporate governance standards that are generally required for controlled companies by all of the exchanges on which the Company's securities trade.

For a summary of the significant ways in which the Company's corporate governance practices differ from the corporate governance standards required for controlled companies by the exchanges on which the Company's shares are traded, please visit our website at: https://ir.tenaris.com/investor-relations.

The Company has adopted a code of conduct incorporating guidelines and standards of integrity and transparency applicable to all of our directors, officers and employees. As far as the nature of each relation permits, principles detailed in the code of conduct also apply to relations with our contractors, subcontractors, suppliers and associated persons. In addition, we have adopted a supplementary code of ethics, which applies specifically to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and is intended to supplement the Company's code of conduct. The text of our code of conduct and code of ethics is posted on our Internet website at: https://www.tenaris.com/en/sustainability/governance-and-ethics/.

Shareholders' Meetings; Voting Rights; Election of Directors

Each share entitles the holder thereof to one vote at the Company's general shareholders' meetings. Shareholder action by written consent is not permitted, but proxy voting is permitted. Notices of general shareholders' meetings are governed by the provisions of Luxembourg law and the Company's articles of association. Pursuant to applicable Luxembourg law, the Company must give notice of the calling of any general shareholders' meeting at least 30 days prior to the date for which the meeting is being called, by publishing the relevant convening notice in the *Recueil Electronique des Sociétés et Associations* (Luxembourg's electronic official gazette) and in a leading newspaper having general circulation in Luxembourg and by issuing a press release informing of the calling of such meeting. In case the Company's shares are listed on a foreign regulated market, notices of general shareholders' meetings shall also comply with the requirements (including as to content and publicity) and follow the customary practices of such regulated market.

Pursuant to the Company's articles of association, for as long as the shares or other securities of the Company are listed on a regulated market within the European Union (as they currently are), and unless otherwise provided by applicable law, only shareholders holding shares as of midnight, central European time, on the day that is fourteen days prior to the day of any given general shareholders' meeting can attend and vote at such meeting. The board of directors may determine other conditions that must be satisfied by shareholders in order to participate in a general shareholders' meeting in person or by proxy, including with respect to deadlines for submitting supporting documentation to or for the Company.

No attendance quorum is required at ordinary general shareholders' meetings, and resolutions may be adopted by a simple majority of the votes validly cast, irrespective of the number of shares present or represented. Unless otherwise provided by applicable law, an extraordinary general shareholders' meeting may not validly deliberate on proposed amendments to the Company's articles of association unless a quorum of at least half of the share capital is represented at the meeting. If a quorum is not reached at the first extraordinary shareholders' meeting, a second extraordinary shareholders' meeting may be convened in accordance with the Company's articles of association and applicable law and such second extraordinary general shareholders' meeting shall validly deliberate regardless of the number of shares represented. In both cases, the Luxembourg Company Law and the Company's articles of association require that any resolution of an extraordinary general shareholders' meeting as to amendments to the Company's articles of association be adopted by a two-thirds majority of the votes validly cast at the meeting. If a proposed resolution consists of changing the Company's nationality or of increasing the shareholders' commitments, the unanimous consent of all shareholders is required.

Cumulative voting is not permitted. The Company's articles of association do not provide for staggered terms and directors are elected for a maximum of one year but may be reappointed or removed at any time, with or without cause, by the general shareholders' meeting, by resolution passed by a simple majority vote of the shares validly cast at the meeting. In the case of a vacancy occurring in the board of directors, the remaining directors shall have the right to temporarily fill such vacancy with a temporary director appointed by resolution adopted with the affirmative vote of a majority of the remaining directors; provided that the next general shareholder's meeting shall be called upon to ratify such appointment. The term of any such temporary director elected to fill a vacancy shall expire at the end of the term of office of the replaced director.

The next Company's annual general shareholders' meeting, that will consider, among other things our Consolidated Financial Statements and Annual Accounts included in this report, will take place in the Company's registered office in Luxembourg, on Tuesday, June 2, 2020, at 3:00 P.M., Central European time. A general extraordinary shareholders' meeting will be held on the same date, immediately after the adjournment of the annual general shareholders' meeting, to decide on the renewal for a five-year period of the authorization granted to its board of directors to issue shares within the limits of the authorized share capital without shareholder approval.

The articles of association provide that the annual general shareholder's meetings shall meet in Luxembourg within six months from the end of the previous financial year at the date, place and hour indicated in the convenience notice. The rights of the shareholders attending the meetings are governed by the Shareholders' Rights Law.

Holders of shares deposited in fungible securities accounts have the same rights and obligations as holders of shares recorded in the Company's share register. However, in order to be able to participate in and vote at shareholders' meetings of the Company, the former must submit, prior to the relevant meeting, reasonably satisfactory evidence to the Company as to the number of shares held on the applicable record date for such meeting. For as long as the shares or the other securities of the Company are listed on a regulated market within the European Union, participation in a shareholders' general meeting shall inter alia be subject to the relevant shareholder holding shares of the Company on the fourteenth day midnight central European time prior to the meeting (unless otherwise provided for by applicable law).

Holders of ADSs only have those rights that are expressly granted to them in the deposit agreement. Holders of record of our ADRs as of the relevant ADR holders' record date set for any given general shareholders' meeting are entitled to instruct the Depositary as to the exercise of the voting rights in respect of the shares underlying such holder's ADRs at such meeting. Holders of ADRs maintaining non-certificated positions must follow voting instructions given by their broker or custodian bank.

The notice to the annual general shareholders meeting to be held on June 2, 2020, and the Shareholder Meeting Brochure and Proxy Statement for the meeting, describing the procedures voting at the meetings applicable to shareholders is available at the Company's website at www.tenaris.com/investors in accordance with applicable laws and regulations, and will be timely filed by the Company with the applicable authorities.

Access to Corporate Records

Luxembourg law and the Company's articles of association do not generally provide for shareholder access to corporate records. Shareholders may inspect the annual accounts and auditors' reports at our registered office during the fifteen-day period prior to a general shareholders' meeting.

Appraisal Rights

In the event the Company's shareholders approve:

- the delisting of the shares from all stock exchanges where the shares are listed at that time,
- a merger in which the Company is not the surviving entity (unless the shares or other equity securities of such entity are listed on the New York or London stock exchanges),
- a sale, lease, exchange or other disposition of all or substantially all of the Company's assets,
- an amendment of our articles of association that has the effect of materially changing the Company's corporate purpose,
- the relocation of the Company's domicile outside of the Grand Duchy of Luxembourg, or
- amendments to the Company's articles of association that restrict the rights of the Company's shareholders;

Dissenting or absent shareholders have the right to have their shares repurchased by the Company at (i) the average market value of the shares over the 90 calendar days preceding the applicable shareholders' meeting or (ii) in the event that the shares are not traded on a regulated market, the amount that results from applying the proportion of the Company's equity that the shares being sold represent over the Company's net worth as of the date of the applicable shareholders' meeting.

Dissenting or absent shareholders must present their claim within one month following the date of the shareholders' meeting and supply the Company with evidence of their shareholding at the time of such meeting. The Company must (to the extent permitted by applicable laws and regulations and in compliance therewith) repurchase its shares within six months following the date of the shareholders' meeting.

If delisting from one or more, but not all, of the stock exchanges where the shares are listed is approved in the shareholders' meeting, only dissenting or absent shareholders with shares held through participants in the local clearing system for that market or markets can exercise this appraisal right if:

- they held the shares as of the date of the announcement by the Company of its intention to delist or as of the date of publication of the first convening notice for the general shareholders' meeting that approved the delisting; *and*
- they present their claim within one month following the date of the general shareholders' meeting and supply evidence of their shareholding as of the date of the Company's announcement or the publication of the first convening notice to the meeting.

In the event a shareholder exercises its appraisal rights, applicable Luxembourg law provisions shall apply.

Distribution of Assets on Winding-Up

In the event of the Company's liquidation, dissolution or winding-up, the net assets remaining after allowing for the payment of all debts and expenses will be paid out to the holders of the shares in proportion to their respective holdings.

Transferability and Form

The Company's articles of association do not contain any redemption or sinking fund provisions, nor do they impose any restrictions on the transfer of shares. The shares are issuable in registered form only.

The ownership of registered shares is evidenced by the inscription of the name of the shareholder, the number of shares held by such shareholder and the amount paid on each share in the Company's share register. In addition, the Company's shares may be held through fungible securities accounts with financial institutions or other professional depositaries.

Shares held through fungible securities accounts may be transferred in accordance with customary procedures for the transfer of securities in book-entry form. Shares that are not held through fungible securities accounts may be transferred by a written statement of transfer signed by both the transferor and the transferee or their respective duly appointed attorney-in-fact and recorded in the Company's share register. The transfer of shares may also be made in accordance with the provisions of Article 1690 of the Luxembourg Civil Code. As evidence of the transfer of registered shares, the Company may also accept any correspondence or other documents evidencing the agreement between transferor and transferee as to the transfer of registered shares.

Repurchase of Company shares

The Company may repurchase its own shares in the cases and subject to the conditions set by the Luxembourg Company Law and, in the case of acquisitions of shares or ADSs made through a stock exchange in which shares or ADSs are traded, with any applicable laws and regulations of such market.

Limitation on Securities Ownership

There are no limitations currently imposed by Luxembourg law or the articles of association on the rights of the Company's non-resident or foreign shareholders to hold or vote the Company's shares.

Board of Directors

Management of the Company is vested in a board of directors with the broadest power to act on behalf of the Company and accomplish or authorize all acts and transactions of management and disposal that are within its corporate purpose and not specifically reserved in the articles of association or by applicable law to the general shareholders' meeting. The Company's articles of association provide for a board of directors consisting of a minimum of three and a maximum of fifteen directors; however, for as long as the Company's shares are listed on at least one regulated market, the minimum number of directors must be five. The Company's current board of directors is composed of eleven directors.

The board of directors is required to meet as often as required by the interests of the Company and at least four times per year. In 2019, the Company's board of directors met ten times. A majority of the members of the board of directors in office present or represented at the board of directors' meeting constitutes a quorum, and resolutions may be adopted by the vote of a majority of the directors present or represented. In the case of a tie, the Chairman is entitled to cast the deciding vote.

Directors are elected at the annual ordinary general shareholders' meeting to serve one-year renewable terms, as determined by the general shareholders' meeting. The general shareholders' meeting also determines the number of directors that will constitute the board and their compensation. The general shareholders' meeting may dismiss all or any one member of the board of directors at any time, with or without cause, by resolution passed by a simple majority vote, irrespective of the number of shares represented at the meeting.

The Company's articles of association provide that the board of directors of the Company may within the limits of applicable law, (a) delegate to one or more persons, whether or not members of the board of directors, the powers necessary to carry out its decisions and to provide day-to-day management (except for approval of material transactions with related parties, which may not be delegated and shall be approved by the board of directors prior opinion of the audit committee), (b) confer to one or more persons, whether or not members of board of directors the powers deemed to be appropriate for the general technical administrative and commercial management of the Company, (c) constitute an audit committee formed by directors, determining its function and authority, and (d) constitute any other committee, whose members may or may not be members of the board of directors and determine their functions and authority. On May 6, 2019, the board of directors appointed the Company's chief executive as *administrateur délégué* and delegated to him the power to manage the Company's affairs within the ordinary course of business, to the full extent permitted by Luxembourg law, to direct and supervise the business activities of the Company's subsidiaries and to represent the Company in relation to such matters.

On May 6, 2019, the Company's annual general shareholders' meeting re-elected Roberto Bonatti, Carlos Condorelli, Germán Curá, Roberto Monti, Gianfelice Mario Rocca, Paolo Rocca, Jaime José Serra Puche, Yves Speeckaert, Mónica Tiuba, Amadeo Vázquez y Vázquez and Guillermo Vogel, as members of its board of directors to serve until the next annual shareholders' meeting. The board of directors subsequently reappointed Paolo Rocca as chairman and chief executive officer and Guillermo Vogel and Germán Curá as vice-chairmen of the Company. The following table sets forth the name of the Company's current directors, their respective positions on the board, their principal occupation, their years of service as board members and their age.

Name	Position	Principal Occupation	Years as Director	Age at December 31, 2019
Mr. Roberto Bonatti (1)	Director	President of San Faustin	17	70
Mr. Carlos Condorelli	Director	Director of Tenaris and Ternium	13	68
Mr. Germán Curá	Director	Director and Vice Chairman of the Board of Tenaris	2	57
Mr. Roberto Monti	Director	Director of Tenaris	15	80
Mr. Gianfelice Mario Rocca (1)	Director	Chairman of the board of directors of San Faustin	17	71
Mr. Paolo Rocca (1)	Director	Chairman and Chief Executive Officer of Tenaris	18	67
Mr. Jaime José Serra Puche	Director	Chairman of SAI Derecho & Economía	17	68
Mr. Yves Speeckaert	Director	Director of Tenaris	3	59
Ms. Mónica Tiuba	Director	Director of Tenaris	2	41
Mr. Amadeo Vázquez y Vázquez	Director	Director of Tenaris	17	77
Mr. Guillermo Vogel	Director	Director and Vice Chairman of the Board of Tenaris	17	69

(1) Paolo Rocca and Gianfelice Mario Rocca are brothers, and Roberto Bonatti is Paolo and Gianfelice Mario Rocca's first cousin.

Roberto Bonatti

Mr. Bonatti is a member of the Company's board of directors. He is a grandson of Agostino Rocca, founder of the Techint Group, a group of companies controlled by San Faustin. Throughout his career in the Techint Group he has been involved specifically in the engineering and construction and corporate sectors. He was first employed by the Techint Group in 1976, as deputy resident engineer in Venezuela. In 1984, he became a director of San Faustin, and since 2001 he has served as its president. He is also a member of the board of directors of Ternium. Mr. Bonatti is an Italian citizen.

Carlos Condorelli

Mr. Condorelli is a member of the Company's board of directors. He served as the Company's Chief Financial Officer from October 2002 until September 2007. He is also a board member of Ternium. He has held several positions within Tenaris, including also the Chief Financial Officer position in some of the principal Tenaris Group companies and member of the Company's audit committee between November 1, 2017 and May 2, 2018. He also served as president of the board of directors of Empresa Distribuidora La Plata S.A. ("Edelap"), an Argentine utilities company. Mr. Condorelli is an Argentine citizen.

Germán Curá

Mr. Curá is a member of the Company's board of directors and also holds the position of Vice Chairman of the Board. He served as president of our operations in North America until May 2, 2018, a position held since 2006. He was first employed by Siderca in 1988. Previously, he served as Siderca's exports director, Tamsa's exports director and commercial director, sales and marketing manager of our Middle East subsidiary, president of Algoma Tubes, president and Chief Executive Officer of Maverick Tubulars and president and Chief Executive Officer of Hydril, director of our Oilfield Services global business unit and Tenaris commercial director. He was also a member of the board of directors of API and currently serves as a member of the board of directors of the American Iron and Steel Institute (AISI) and of Deep Ocean AS. He is a marine engineer from the Instituto Tecnológico de Buenos Aires and an MBA graduated from the Massachusetts Institute of Technology. Mr. Curá is an U.S. citizen.

Roberto Monti

Mr. Monti is a member of the Company's board of directors and of its audit committee. He has served as vice president of exploration and production of Repsol YPF and as chairman and Chief Executive Officer of YPF. He was a member of the board of directors of YPF until December 2019. He was also the president of Dowell, a subsidiary of Schlumberger and the president of Schlumberger wire & testing division for East Hemisphere Latin America. Mr. Monti is an Argentine citizen.

Gianfelice Mario Rocca

Mr. Rocca is a member of the Company's board of directors. He is a grandson of Agostino Rocca. He is Chairman of the board of directors of San Faustin, member of the board of directors of Ternium, president of the Humanitas Group and president of the board of directors of Tenova S.p.A. Moreover, in Italy, he is member of the board of Bocconi University, of the advisory board of Politecnico di Milano. At international level, he is member of the Harvard Business School Advisory Board and member of the European Round Table of Industrialists ("ERT"). Mr. Rocca is an Italian citizen.

Paolo Rocca

Mr. Rocca is the Chairman of the Company's board of directors and our Chief Executive Officer. He is a grandson of Agostino Rocca. He is also the chairman of the board of directors of Ternium and a director and vice president of San Faustin. He is a member of the executive committee of the World Steel Association. Mr. Rocca is an Italian citizen.

Jaime José Serra Puche

Mr. Serra Puche is a member of the Company's board of directors and of its audit committee. He is the chairman of SAI Derecho & Economía, a Mexican consulting firm, and a member of the board of directors of the Mexico Fund, Grupo Vitro, and chairman of the board of BBVA Bancomer. Mr. Serra Puche served as Mexico's Undersecretary of Revenue, Secretary of Trade and Industry, and Secretary of Finance. He led the negotiation and implementation of NAFTA. Mr. Serra Puche is a Mexican citizen.

Yves Speeckaert

Mr. Speeckaert is a member of the Company's board of directors. He served as director of KPMG Consulting in London, United Kingdom and Sao Paulo, Brazil, where he led various high-profile engagements in the telecom, energy and agri-business industries. He was also director of structured finance of Banca Intesa-Sanpaolo (London). Since 2010 he is a Luxembourg-based independent director of regulated investment funds (mostly private equity, RE, and UCITS funds, as well as impact funds) and he is a member of the board of directors of several industrial holdings. He is also active in carbon offsetting and climate change mitigation strategies with funds, governments and corporations particularly as related to Corporate Environmental and Social Responsibility (ESR). He is a member of the Luxembourg Institute of Administrators (ILA). He holds an MBA from the University of California at Berkeley and a B.A in Philosophy from the University of Louvain and is a contributing and active member of the Alumni association of UC Berkeley. Mr. Speeckaert is a Belgian citizen.

Mónica Tiuba

Ms. Tiuba is a member of the Company's board of directors and of the audit committee. She is a Brazilian qualified lawyer and accountant with over 17 years of professional experience in Brazil and Luxembourg. She started her career at Barbosa, Mussnich & Aragão law firm in Rio de Janeiro, Brazil, where she practiced corporate law, M&A and tax litigation. She worked in EY and PwC, in the Brazil and Luxembourg offices, advising multinational clients, private equity houses and family offices. She gained banking experience working as international senior wealth planner at Banque Edmond de Rothschild, in Luxembourg. She holds a specialization in EU tax law from Leiden University and a Master of Laws in international taxation from Vienna University of Economics. Ms. Tiuba is a Brazilian and Luxembourgish citizen.

Amadeo Vázquez y Vázquez

Mr. Vázquez y Vázquez is a member of the Company's board of directors and the chairman of its audit committee. He is a member of the advisory board of the Fundación de Investigaciones Económicas Latinoamericanas and member of the Asociación Empresaria Argentina. He is a business consultant and previously served as Chief Executive Officer of Banco Río de la Plata S.A. until August 1997, independent director and chairman of the audit committee of BBVA Banco Francés S.A. until 2003, Chairman of the board of directors of Telecom Argentina S.A. until April 2007 and independent alternate director of Gas Natural Ban, S.A, of Grupo Gas Natural Fenosa until April 2018. Mr. Vázquez y Vázquez is a Spanish and Argentine citizen.

Guillermo Vogel

Mr. Vogel is a member of the Company's board of directors and also holds the position of Vice Chairman of the Board. He is the chairman of Grupo Collado and Exportaciones IM Promoción, and served as president of Canacero until April 16, 2018. Mr. Vogel is also a member of the board of directors of each of Techint, S.A. de C.V., Alfa, Banco Santander (México) S.A, the Universidad Panamericana – IPADE, Corporación Mexicana de Inversiones de Capital, Innovare, Grupo Assa and the American Iron and Steel Institute. In addition, he is a member of The Trilateral Commission and member of the International Board of The Manhattan School of Music. Mr. Vogel is a Mexican citizen.

At the next annual general shareholders' meeting, it will be proposed that the number of directors be increased to twelve, that all of the current members of the board of directors be reappointed, and that Mr. Simon Ayat be newly appointed to the board of directors, each to hold office until the next annual general shareholders' meeting that will be convened to decide on the Company's 2020 annual accounts. Below you will find Mr. Ayat's biographical information.

Simon Ayat

Mr. Ayat served as Schlumberger's executive vice president and chief financial officer from 2007 until early 2020. He is currently a senior strategic advisor to the chief executive officer of Schlumberger. Mr. Ayat has held several financial and operational positions in Schlumberger, where he commenced his career in 1982. He was based in Paris, Houston and Dallas, as well as in the Middle East and Far East regions, serving as group treasurer, controller, Geomarket manager for Indonesia and drilling regional vice president for Asia Pacific. Mr. Ayat is also a member of the board of directors of Eurasia Drilling Company, the largest provider of drilling services in Russia. He is a French and Lebanese citizen.

Board members Monti, Serra Puche, Speeckaert, Tiuba and Vázquez y Vázquez qualify as independent directors for purposes of the U.S. Securities Exchange Act Rule 10A-3(b)(1), and board members Messrs. Monti, Serra Puche, Speeckaert and Vázquez y Vázquez also qualify as independent directors under the Company's articles of association. If appointed by the next annual general meeting of shareholders, Mr. Ayat would also qualify as independent director for purposes of the U.S. Securities Exchange Act Rule 10A-3(b)(1) and under the Company's articles of association.

Directors' Liability

Each director must act in the interest of the Company, and in accordance with applicable laws, regulations, and the Company's articles of association. Directors are also bound by a general duty of care owed to the Company.

Under the Luxembourg Company Law, directors may be liable to the Company in accordance with the general law for the execution of their mandate and for any misconduct in the management of the Company's affairs. Directors are jointly and severally liable towards either the Company or any third parties from damages resulting from the violation of the Luxembourg Company Law or the Company's articles of association. Directors shall be discharged from such liability in the case of a violation to which they were not a party provided no misconduct is attributable to them and such violation has been reported to the first general meeting of shareholders after they have acquired knowledge thereof.

Causes of action against directors for damages may be initiated by the Company upon a resolution of the general shareholders' meeting passed by a simple majority vote, irrespective of the number of shares represented at the meeting. Causes of action against directors who misappropriate corporate assets or commit a breach of trust may be brought by any shareholder for personal losses different from those of the Company.

An action may also be brought against the directors on behalf of the Company by shareholders who, at the general meeting which decided upon discharge of such directors or members, owned voting securities representing at least ten per cent of the votes attaching to all such securities.

It is customary in Luxembourg that the shareholders expressly discharge the members of the board of directors from any liability arising out of or in connection with the exercise of their mandate when approving the annual accounts of the Company at the annual general shareholders meeting. However, any such discharge will not release the directors from liability for any damage caused by unrevealed acts of mismanagement or unrevealed breaches of the Luxembourg Company Law or the Company's articles of association, nor will it release the directors from liability for any personal loss of the shareholders independent and separate from the losses suffered by the Company due to a breach either revealed and unrevealed of either the Luxembourg Company Law or the Company's articles of association.

Under Luxembourg law, unless the decision of the board of directors relates to ordinary business entered into under normal conditions, any director having a direct or indirect financial interest conflicting with that of the Company in a transaction which has to be considered by the board of directors, must advise the board thereof and cause a record of her/his statement to be included in the minutes of the meeting and may not take part in the deliberations. At the next following general meeting, before any other resolution is put to vote, a special report must be made on any transactions in which any of the directors may have had an interest conflicting with that of the Company.

Audit Committee

Pursuant to the Company's articles of association, as supplemented by the audit committee's charter, for as long as the Company's shares are listed on at least one regulated market, the Company must have an audit committee composed of three members, the majority of whom must qualify as independent directors, provided, however, that the composition and membership of the audit committee shall satisfy such requirements as are applicable to, and mandatory for, audit committees of issuers such as the Company under any law, rule or regulation applicable to the Company (including, without limitation, the applicable laws, rules and regulations of such regulated market or markets).

Under the Company's articles of association, an independent director is a director who:

- is not and has not been employed by us or our subsidiaries in an executive capacity for the preceding five years;
- is not a person that controls us, directly or indirectly, and is not a member of the board of directors of a company controlling us, directly or indirectly;
- does not have (and is not affiliated with a company or a firm that has) a significant business relationship with us, our subsidiaries or our controlling shareholder;
- is not and has not been affiliated with or employed by a present or former auditor of us, our subsidiaries or our controlling shareholder for the preceding five years; *and*
- is not a spouse, parent, sibling or relative up to the third degree of any of the above persons.

The audit committee of the Company's board of directors currently consists of four members: Roberto Monti, Jaime José Serra Puche, Mónica Tiuba and Amadeo Vázquez y Vázquez, who were appointed to the audit committee by the Company´s board of directors on May 6, 2019. All of them qualify as independent directors for purposes of the U.S. Securities Exchange Act Rule 10A-3(b)(1), and Messrs. Monti, Serra Puche and Vázquez y Vázquez also qualify as independent directors under the Company's articles of association. The board of directors of the Company has determined that Ms. Tiuba is competent in accounting and auditing matters. In addition, the membership of the audit committee as a whole has sufficient relevant knowledge of the business and financial experience to properly discharge its functions.

The audit committee operates under a charter which has been amended and restated by the board of directors on October 31, 2018, to implement adequate procedures to discharge the audit committee's duties and responsibilities under applicable law, including the Audit Reform Law. The audit committee assists the board of directors in its oversight responsibilities relating to (i) the integrity of the Company's financial statements; (ii) the effectiveness of the Company's systems of internal control, risk management and internal audit over financial reporting; and (iii) the independence and performance of the Company's external auditors. The audit committee also performs other duties entrusted to it by the Company's board of directors or required to be performed by it under applicable laws and regulations.

In addition, the audit committee is required by the Company's articles of association to review "material transactions", as such term is defined under the Company's articles of association and audit committee's charter, between the Company or its subsidiaries and "related parties", as such term is defined in the Company's articles of association, in order to determine whether their terms are consistent with market conditions or are otherwise fair to the Company and/or its subsidiaries. In the case of material transactions entered into by the Company's subsidiaries with related parties, the Company's audit committee is only required to review transactions entered into by those subsidiaries whose boards of directors do not have independent members.

Under the Company's articles of association, as supplemented by the audit committee's charter, a "material transaction" is:

- any transaction between the Company or its subsidiaries with related parties (i) with an individual value equal to or greater than $10 million, or (ii) with an individual value lower than $10 million, when the aggregate sum –as reflected in the financial statements of the four fiscal quarters of the Company preceding the date of determination– of any series of transactions for such lower value that can be deemed to be parts of a unique or single transaction (but excluding any transactions that were reviewed and approved by Company's audit committee or board of directors, as applicable, or the independent members of the board of directors of any of its subsidiaries) exceeds 1.5% of the Company's consolidated net sales made in the fiscal year preceding the year on which the determination is made;
- any corporate reorganization transaction (including a merger, spin-off or bulk transfer of a business) affecting the Company for the benefit of, or involving, a related party; *and*
- any corporate reorganization transaction (including a merger, spin-off or bulk transfer of a business) not reviewed and approved by the independent members of the board of directors of any of the Company's direct or indirect subsidiaries, affecting any of the Company's direct or indirect subsidiaries for the benefit of, or involving, a related party.

A "related party" is, in relation to the Company or its direct or indirect subsidiaries, any of the following persons: (i) a member of the board of directors of the Company or of the board of directors or other governing body of any of the Company's subsidiaries; (ii) any company or person that controls directly or indirectly the Company or is a member of the board of directors or other governing body of an entity that controls directly or indirectly the Company; (iii) any entity that directly or indirectly controls or is under common control with the Company (other than the Company's subsidiaries); (iv) any entity directly or indirectly controlled by any member of the board of directors of the Company, or of the board of directors or other governing body of any subsidiary of the Company; and (v) any spouses, parents, siblings or relatives up to the third degree of, and any person that shares a home with, any person referred to in (i) or (ii).

The audit committee has the power (to the maximum extent permitted by applicable laws) to request that the Company or relevant subsidiary promptly provide all information necessary for the audit committee to assess the material transactions with related parties that it is required to review. A material related party transaction shall not be entered into without prior review by the Company's audit committee and subsequent approval by the board of directors unless (i) the circumstances underlying the proposed transaction justify that it be entered into before the time it can actually be reviewed by the Company's audit committee or approved by the board of directors and (ii) the related party agrees to unwind the transaction if the Company's board of directors does not approve it.

The audit committee has the authority to conduct any investigation appropriate to the fulfillment of its responsibilities and has direct access to the Company's external auditors as well as anyone in the Company and, subject to applicable laws and regulations, its subsidiaries. In addition, the audit committee may engage, at the Company's expense, independent counsel and other internal or external advisors to review, investigate or otherwise advise on, any matter as the committee may determine to be necessary to carry out its purposes and responsibilities.

In addition, the Company has established at management-level a critical risk committee ("CRC") that assists the Company's board of directors, the audit committee and the Chief Executive Officer with the oversight of risks to which Tenaris is exposed and in the monitoring and review of the risk management framework and processes, with a focus on those risks deemed to be critical. In the performance of its functions, the critical risk committee facilitates the identification and assessment of critical risks (including cybersecurity, environmental, health and safety, product liability, intellectual property, financial reporting and regulatory risks), the development of mitigating actions, and the monitoring of action plans. The critical risk committee periodically reports to the board of directors, the audit committee and the Chief Executive Officer on its activities.

More recently, the CRC has focused its attention on the main actions and mitigation plans to tackle the consequences of the global coronavirus pandemic and ensure business continuity. It is also focusing on the financial impact on the company of a collapse in demand for its products, including the cancellation of existing orders, following the collapse in oil prices in the wake of the coronavirus pandemic.

Senior management

Our current senior management as of the date of this annual report consists of:

Name	Position	Age at December 31, 2019
Mr. Paolo Rocca	Chairman and Chief Executive Officer	67
Ms. Alicia Móndolo	Chief Financial Officer	61
Mr. Antonio Caprera	Chief Industrial Officer	59
Mr. Gabriel Casanova	Chief Supply Chain Officer	61
Mr. Alejandro Lammertyn	Chief Digital and Planning Officer	54
Ms. Paola Mazzoleni	Chief Human Resources Officer	43
Mr. Marcelo Ramos	Chief Technology Officer	56
Mr. Vicente Manjarrez	President, Andean	41
Mr. Luca Zanotti	President, United States	52
Mr. Sergio de la Maza	President, Mexico	63
Mr. Ricardo Prosperi	President, Canada	57
Mr. Renato Catallini	President, Brazil	53
Mr. Javier Martínez Alvarez	President, Southern Cone	53
Mr. Gabriel Podskubka	President, Eastern Hemisphere	46
Mr. Michele Della Briotta	President, Europe	47

Effective as of August 5, 2019, Alicia Móndolo was appointed Chief Financial Officer replacing Edgardo Carlos, who resigned from the Company.

Effective as of September 1, 2019, Guillermo G. Moreno ceased to act as President Canada assuming new responsibilities in the Company and was replaced by Ricardo Prosperi, and Vicente Majarrez was appointed President, Andean replacing Ricardo Prosperi.

Paolo Rocca

Mr. Rocca is the Chairman of the Company's board of directors and our Chief Executive Officer. He is a grandson of Agostino Rocca. He is also the chairman of the board of directors of Ternium and a director and vice president of San Faustin. He is a member of the executive committee of the World Steel Association. Mr. Rocca is an Italian citizen.

Alicia Móndolo

Ms. Móndolo currently serves as our Chief Financial Officer, a position she assumed in August 2019. Ms. Móndolo joined the Techint Group in 1984 and has more than 35 years of experience in accounting and reporting, audit and finance. From 2010 to 2016, she served as Chief Audit Executive of Tenaris. Previously and from 2016 to 2019, she served as financial officer in several companies in the Techint Group. Ms. Móndolo is an Argentine and Italian citizen.

Antonio Caprera

Mr. Caprera currently serves as our Chief Industrial Officer, a position he assumed in April 2017. He joined the company in 1990. From 2000 to 2006 he served as quality director at Dalmine in Italy, where he later assumed responsibilities as production director until 2012. From that year and until 2015 he served as production director at Siderca in Argentina, after which he assumed responsibilities as global industrial coordinator based in Mexico until March 2017. Mr. Caprera is an Italian citizen.

Gabriel Casanova

Mr. Casanova currently serves as our Chief Supply Chain Officer, with responsibility for the execution of all contractual deliveries to customers. After graduating as a marine and mechanical engineer, he joined Siderca's export department in 1987. In 1995 he became Siderca's Chief Representative in China and from 1997 to 2009 he held several positions in the commercial area in Dalmine. In 2009 he became the head of our supply chain network and in October 2012 he assumed his current position. Mr. Casanova is an Argentine citizen.

Alejandro Lammertyn

Mr. Lammertyn currently serves as our Chief Digital and Planning Officer. He has served as our Chief Planning and Commercial Coordination Officer since 2013 and assumed additional responsibility for digital strategy and implementation in January 2019. Mr. Lammertyn began his career with Tenaris in 1990. Previously, he served as assistant to the chief executive officer for marketing, organization and mill allocation, supply chain director, commercial director and Eastern Hemisphere area manager. Mr. Lammertyn is an Argentine citizen.

Paola Mazzoleni

Ms. Mazzoleni currently serves as our Chief Human Resources Officer, a position she assumed on January 1, 2016. After receiving a degree in Philosophy, she started her career in Dalmine in 2001 in the human resources department, working in recruitment and selection. She next coordinated the company's Global Trainee Program and then served as the regional head in Italy of Tenaris University. Ms. Mazzoleni was appointed as human resources director in Romania in 2008, in Italy in 2012 and in the United States in 2014. Ms. Mazzoleni is an Italian citizen.

Marcelo Ramos

Mr. Ramos currently serves as our Chief Technology Officer, with responsibility over technology and quality. Previously he served as corporate quality director and managing director of NKKTubes. He joined the Techint Group in 1987 and has held various positions within Tenaris. He assumed his current position in April 2010, when the quality and technology departments were combined. Mr. Ramos is an Argentine citizen.

Vicente Manjarrez

Mr. Manjarrez is currently president of our operations in the Andean Region, Central America and the Caribbean, based in Colombia. He began his career at our Tamsa mill in Veracruz, Mexico in 2003 as part of the maintenance team and eventually adopted a leading role in the expansion of the plant in 2009 as manager of the new rolling mill. In 2015 he moved to Romania to lead the technical sales team before returning to Colombia to take on the role of senior commercial director in 2017. Mr. Manjarrez is a Mexican citizen.

Luca Zanotti

Mr. Zanotti currently serves as president of our operations in the United States. In 2002, he joined Exiros, the procurement company for the Techint Group, as planning and administration director. He was later promoted to raw materials director and in July 2007 became managing director of Exiros, a position he held until 2010. He served as regional manager Europe, and managing director of Dalmine from 2011 to 2015, when he assumed his current position. Before joining the Techint Group, he was a senior manager at A.T. Kearney in Milan, where he worked from 1998 to 2002, and prior to that he held various business development positions in the Far East for Lovato Electric. Mr. Zanotti is an Italian citizen.

Sergio de la Maza

Mr. de la Maza currently serves as our president, Mexico and also serves as managing director and executive vice-president of Tamsa. He first joined Tamsa in 1980. From 1983 to 1988, Mr. de la Maza worked in several positions in Tamsa. He then became manager of Tamsa's new pipe factory and later served as manufacturing manager and quality director of Tamsa. Subsequently, he was named manufacturing director of Siderca. He assumed his current position in 2003. Mr. de la Maza is a Mexican citizen.

Ricardo Prosperi.

Mr. Prosperi currently serves as president of our operations in Canada. He joined the Techint Group in 1985, working in the Siderar planning department. From 1985 to 1998, Mr. Prosperi held several positions in Siderar before becoming the exports general manager of Sidor. He later went on to be the commercial director in Siderar. After a period as president of Ternium Sidor in Venezuela and then International Area Manager for Ternium, he joined Tenaris in 2010, where he has served as president of our operations in the Andean Region, Central America and the Caribbean, based in Colombia. Mr. Prosperi is an Argentine citizen.

Renato Catallini

Mr. Catallini currently serves as president of our operations in Brazil, a position that he assumed in October 2012, after having served as our supply chain director since August 2007. He joined Tenaris in 2001 in the supply management area, as a general manager of Exiros Argentina. In July 2002, he was appointed operations director and subsequently, in January 2005, became managing director of Exiros. Before joining Tenaris, he worked for ten years in the energy sector, working for Transportadora de Gas del Norte ("TGN"), Nova Gas Internacional, TransCanada Pipelines and TotalFinaElf, among others. Mr. Catallini is an Argentine and Italian citizen.

Javier Martínez Álvarez

Mr. Martínez Álvarez currently serves as president of our operations in the Southern Cone, a position he assumed in June 2010, having previously served as our Andean area manager. He began his career in the Techint Group in 1990, holding several positions including planning manager of Siderar and commercial director of Ternium-Sidor. In 2006, he joined Tenaris as our Venezuela area manager. Mr. Martínez Alvarez is an Argentine citizen.

Gabriel Podskubka

Mr. Podskubka currently serves as president of our operations in the Eastern Hemisphere, based in Dubai. He assumed his current position in April 2013 after serving as the head of our operations in Eastern Europe for four years. After graduating as an industrial engineer Mr. Podskubka joined the Techint Group in 1995 in the marketing department of Siderca. He held various positions in the marketing, commercial, and industrial areas until he was appointed as oil & gas sales director in the United States in 2006. Mr. Podskubka is an Argentine citizen.

Michele Della Briotta

Mr. Della Briotta currently serves as president of our operations in Europe, a position he assumed in July 2016. He first joined Tenaris in 1997 and has worked in areas such as industrial planning, operations, supply chain and commercial in Italy, Mexico, Argentina and the United States. Most recently he served as Tenaris's area manager for Romania. Mr. Della Briotta is an Italian citizen.

Directors' and senior management compensation

The compensation payable to the members of the Company's board of directors for their performance of their services to the Company is determined at the annual ordinary general shareholders' meeting. The general meeting of shareholders held on May 6, 2019 approved the compensation paid to directors for the performance of their duties during the fiscal year 2019, and resolved that (i) each director receive a fixed compensation for an amount of $115,000; (ii) each director who is also a member of the Company's audit committee receives an additional fee of $55,000 and; (iii) the chairman of the Company's audit committee receives, an additional fee of $10,000. No variable compensation has been paid or shall be payable to directors for services rendered during the year 2019 and no long-term incentive or pension plan is available to directors.

The compensation paid to the Company's managing director or chief executive officer is determined by the board of directors. The cash compensation paid or payable to chief executive officer for the performance of his duties during the year 2019 amounts to $7 million, of which $3 million corresponds to fixed compensation and $4 million corresponds to variable compensation. No long-term incentive or pension plan is awarded to the chief executive officer.

The aggregate cash compensation paid to all directors and senior managers of the Company for the year 2019 amounted to $33.7 million. This amount includes cash benefits paid to certain senior managers in connection with pre-existing retirement plans. In addition, senior managers received for the year 2019, 468,558 units for a total amount of $4.8 million in connection with the Employee retention and long-term incentive program described in note O (3) "Employee benefits - Other long term benefits" to our audited consolidated financial statements included in this annual report.

The Luxembourg Parliament enacted the Luxembourg Law of August 1, 2019 (amending the Shareholders' Rights Law), which transposes EU Directive 2017/828 of the European Parliament and of the Council of May 17, 2017 (amending Directive 2007/36/EC) regarding the encouragement of long-term shareholder engagement in listed companies within the Member States of the European Union. In compliance with the Shareholders' Rights Law, the Company's board of directors must approve a Compensation Policy setting forth the principles and guidelines for purposes of determining the compensation payable to the members of the Company's board of directors and the managing director or chief executive officer and a Compensation Report describing the compensation paid to directors and the chief executive officer for the performance of their duties during the year ended December 31, 2019. In accordance with the Shareholders' Rights

Law, once approved by the Company's board of directors, the Compensation Policy and the 2019 Compensation Report, will be made available on the Company's website and, will be submitted to the non-binding vote of the shareholders at the next general meeting of shareholders of the Company to be held on June 2, 2020.

Auditors

The Company's articles of association require the appointment of an independent audit firm in accordance with applicable law. The primary responsibility of the auditor is to audit the Company's annual accounts and consolidated financial statements and to submit a report on the accounts to shareholders at the annual shareholders' meeting. In accordance with applicable law, auditors are chosen from among the members of the Luxembourg Institute of Independent Auditors (*Institut des réviseurs d'entreprises*).

Auditors are appointed by the general shareholders' meeting upon recommendation from the Company's audit committee through a resolution passed by a simple majority vote, irrespective of the number of shares represented at the meeting, to serve one-year renewable terms. Auditors may be dismissed by the general shareholders' meeting at any time, with or without cause. Luxembourg law does not allow directors to serve concurrently as external auditors. As part of their duties, the auditors report directly to the audit committee.

Pursuant to its charter, the Company's audit committee is responsible for, among other things, the oversight of the independence and performance of the Company's external auditors. The audit committee is also responsible to consider and make recommendations to the board of directors, to be put to shareholders for approval at the annual general meeting of shareholders, regarding the appointment, re-appointment or removal of the Company's external auditors. In addition, the audit committee is responsible to review the appropriateness and provision of permitted non-audit fees and to review and approve any fees (whether for audit, audit-related and non-audit services) payable to the Company's external auditors. On a yearly basis, in the performance of its functions, the audit committee considers the appointment of the Company's external auditors and reviews, together with management and the external auditor, the audit plan, audit related services and other non-audit services. The audit committee requests the board of diretors to submit the audit committee's recommendation for the appointment of the Company's external auditor for each fiscal year and the payment of applicable fees, for final approval by the general shareholders' meeting. The general shareholders' meeting regularly approves such audit fees and authorizes the audit committee to approve any increase or reallocation of such audit fees as may be necessary, appropriate or desirable under the circumstances. No services outside the scope of the audit committee's approval can be undertaken by the external auditor.

The shareholders' meeting held on May 6, 2019, re-appointed PwC Luxembourg as the Company's independent approved statutory auditor for the fiscal year ended December 31, 2019, . At the next annual general shareholders' meeting, it will be proposed that PwC Luxembourg be re-appointed as the Company's independent approved statutory auditors for the fiscal year ending December 31, 2020.

Fees Paid to the Company's External Auditor

In 2019 and 2018, PwC Luxembourg served as the principal external auditor for the Company. Fees paid to PwC Luxembourg and other PwC member firms for the years ended December 31, 2019 and December 31, 2018 are detailed below.

Thousands of U.S. dollars

FOR THE YEAR ENDED DECEMBER 31	2019	2018
Audit Fees	3,846	3,841
Audit-Related Fees	50	43
Tax Fees	7	–
All Other Fees	1	7
Total	**3,904**	**3,891**

Audit Fees

Audit fees were paid for professional services rendered by the external auditors for the audit of the consolidated financial statements and internal control over financial reporting of the Company, the statutory financial statements of the Company and its subsidiaries, and any other audit services required in connection with the Company´s filings with the U.S. Securities and Exchange Commission or other regulatory filings.

Audit-Related Fees

Audit-related fees are typically services that are reasonably related to the performance of the audit or review of the consolidated financial statements and are not reported under the audit fee item above. This item includes, among others, fees for attestation services on financial information of the Company and its subsidiaries included in annual reports filed with the applicable regulators.

Tax Fees

Tax fees paid for tax compliance and tax advice professional services.

All Other Fees
Consisted primarily of fees paid for services provided in connection with training courses to Tenaris employees.

Audit Committee's Pre-approval Policies and Procedures
The Company's audit committee is responsible for, among other things, the oversight of the Company's external auditors. The audit committee has adopted in its charter a policy of pre-approval of audit and permissible non-audit services provided by its external auditors.

Under the policy, the audit committee makes its recommendations to the shareholders' meeting concerning the continuing appointment or termination of the Company's external auditors. On a yearly basis, the audit committee reviews together with management and the external auditor, the audit plan, audit related services and other non-audit services and approves, *ad-referendum* of the general shareholders' meeting, the related fees. Any changes to the approved fees must be reviewed and approved by the audit committee. The general shareholders' meeting normally approves such audit fees and authorizes the audit committee to approve any increase or reallocation of such audit fees as may be necessary, appropriate or desirable under the circumstances. The audit committee delegates to its Chairman the authority to consider and approve, on behalf of the audit committee, additional non-audit services that were not recognized at the time of engagement, which must be reported to the other members of the audit committee at its next meeting. No services outside the scope of the audit committee's approval can be undertaken by the external auditor.

Share Ownership

To our knowledge, the total number of shares (in the form of ordinary shares or ADSs) beneficially owned by our directors and senior management as of the date of this annual report was 921,603, which represents 0.08% of our outstanding shares.

The following table provides information regarding share ownership by our directors and senior management:

Director or Officer	Number of Shares Held
Guillermo Vogel	850,446
Carlos Condorelli	67,211
Gabriel Podskubka	3,946
Total	**921,603**

Major shareholders

The following table shows the beneficial ownership of our securities (in the form of shares or ADSs) by (1) the Company's major shareholders (persons or entities that have notified the Company of holdings in excess of 5% of the Company's share capital), non-affiliated public shareholders, and (2) the Company's directors and senior management as a group. The information below is based on the most recent information provided to the Company.

Identity of Person or Group	Number	Percent
San Faustin (1)	713,605,187	60.45%
Directors and senior management as a group	921,603	0.08%
Public	466,010,040	39.47%
Total	**1,180,536,830**	**100.00%**

(1) San Faustin owns all of its shares in the Company through its wholly-owned subsidiary Techint Holdings S.à r.l. The private foundation located in the Netherlands RP STAK holds voting rights in San Faustin sufficient to control San Faustin. No person or group of persons controls RP STAK.

The voting rights of the Company's major shareholders do not differ from the voting rights of other shareholders. None of its outstanding shares have any special control rights. There are no restrictions on voting rights, nor are there, to the Company's knowledge, any agreements among shareholders of the Company that might result in restrictions on the transfer of securities or the exercise of voting rights.

The Company does not know of any significant agreements or other arrangements to which the Company is a party and which take effect, alter or terminate in the event of a change of control of the Company. The Company does not know of any arrangements, the operation of which may at a later date result in a change of control of the Company.

Information required under the Luxembourg Law on takeovers of May 19, 2006

The Company is a public limited liability company (société anonyme) organized under the laws of Luxembourg. Its object and purpose, as set forth in Article 2 of its articles of association, is the taking of interests, in any form, in corporations or other business entities, and the administration, management, control and development thereof. The Company is registered under the number B85 203 in the Luxembourg Registre de Commerce et des Sociétés.

The Company's authorized share capital is fixed by the Company's articles of association as amended from time to time with the approval of shareholders at an extraordinary general shareholder's meeting. The Company has an authorized share capital of a single class of 2,500,000,000 shares with a par value of $1.00 per share. There were 1,180,536,830 shares issued as of the date of this annual report. All issued shares are fully paid.

The Company's articles of association authorize the board of directors, or any delegate(s) duly appointed by the board of directors, to issue shares within the limits of the authorized share capital against contributions in cash, contributions in kind or by way of available reserves, at such time and on such terms and conditions, including the issue price, as the board of directors, or its delegate(s), may in its or in their discretion resolve.

The Company's shareholders have authorized the board of directors to waive, suppress or limit any pre-emptive subscription rights of the shareholders provided for by law to the extent it deems such waiver, suppression or limitation advisable for any issue or issues of shares within the authorized share capital; and have waived any pre-emptive subscription rights provided for by law and related procedures. Although the validity period of such authorization will expire on June 5, 2020, the board of directors has convened an extraordinary meeting of shareholders to be held on June 2, 2020, which will consider the renewal of such authorization for an additional five-year period. However, under the Company's articles of association, the Company's existing shareholders shall have a preferential right to subscribe for any new shares issued pursuant to the authorization granted to its board of directors, except in the following cases (in which cases no pre-emptive subscription rights shall apply):

- any issuance of shares (including, without limitation, the direct issuance of shares or upon the exercise of options, rights convertible into shares, or similar instruments convertible or exchangeable into shares) against a contribution other than in cash; and
- any issuance of shares (including by way of free shares or at discount), up to an amount of 1.5% of the issued share capital of the Company, to directors, officers, agents or employees of the Company, its direct or indirect subsidiaries, or its affiliates, including, without limitation, the direct issuance of shares or upon the exercise of options, rights convertible into shares, or similar instruments convertible or exchangeable into shares, issued for the purpose of compensation or incentive for any such persons or in relation thereto (which the board of directors shall be authorized to issue upon such terms and conditions as it deems fit).

The Company's articles of association do not contain any redemption or sinking fund provisions, nor do they impose any restrictions on the transfer of the Company's shares. The shares are issued in registered form only.

Amendment of the Company's articles of association requires the approval of shareholders at an extraordinary shareholders' meeting with a two-thirds majority vote of the shares represented at the meeting.

The Company is controlled by San Faustin, which owns 60.45% of the Company's outstanding shares, through its wholly owned subsidiary Techint Holdings S.à r.l. The Dutch private foundation (Stichting) RP STAK holds voting rights in San Faustin sufficient to control San Faustin. No person or group of persons controls RP STAK.

Our directors and senior management as a group own 0.08% of the Company's outstanding shares, while the remaining 39.47% are publicly traded. The Company's shares trade on the Italian Stock Exchange and the Mexican Stock Exchange; in addition, the Company's ADSs trade on the New York Stock Exchange. See "Corporate Governance – Major Shareholders".

None of the Company's outstanding securities has any special control rights. The Company's articles of association do not contain any provision that would have the effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or any of its subsidiaries. In addition, the Company does not know of any significant agreements or other arrangements to which the Company is a party and which take effect, alter or terminate in the event of a change of control of the Company. There are no agreements between the Company and members of its board of directors or employees providing for compensation if they resign or are made redundant without reason, or if their employment ceases following a change in control of the Company.

Management is vested in a board of directors. Directors are elected at the annual ordinary shareholders' meeting to serve one-year renewable terms. See "Corporate Governance – Board of Directors".

Related party transactions

Tenaris is a party to several related party transactions as described in Note 30 "Related party transactions" to our Consolidated Financial Statements included in this annual report. Material related party transactions are subject to the review of the audit committee of the Company's board of directors and the requirements of Luxembourg law. For further details on the approval process for related party transactions, see "Corporate Governance – Audit Committee".

Purchases of Steel Products and Raw Materials

In the ordinary course of business, we purchase round steel bars, flat steel products and other raw materials from Ternium or its subsidiaries. These purchases are made on similar terms and conditions as sales made by these companies to unrelated third parties. These transactions include:

- Purchases of round steel bars made under a long-term agreement, for use in our seamless steel pipe operations in Mexico, which amounted to $51 million in 2019, $102 million in 2018 and $120 million in 2017.
- Purchases of flat steel products for use in the production of welded pipes and accessories, which amounted to $20 million in 2019, $38 million in 2018 and $43 million in 2017.
- Purchases of scrap and other raw materials for use in the production of seamless pipes, which amounted to $4 million in 2019 and $2 million in 2018.

In the ordinary course of business, we purchase flat steel products for use in our welded steel pipe operations, from Usiminas. These purchases, which are made on similar terms and conditions as sales made by this company to unrelated third parties, amounted to $59 million in 2019, $68 million in 2018 and $43 million in 2017.

Sales of Raw Materials

In the ordinary course of business, we sell raw materials and other production inputs to Ternium or its subsidiaries. These sales are made on similar terms and conditions as purchases made by these companies from unrelated third parties. These transactions include:

- Sales of ferrous scrap, and other raw materials, which amounted to $17 million in 2019, $11 million in 2018 and $26 million in 2017.
- Sales of steam and operational services from our Argentine electric power generating facility in San Nicolás. These sales amounted to $1 million in 2019, $13 million in 2018 and $11 million in 2017. On January 29, 2019, the electric power generation facility was shut down.

Purchase Agency Services and Sales of Materials

Exiros B.V. ("Exiros"), in which we have 50% share ownership and Ternium has the remaining 50% share ownership, provides purchase agency services and raw materials and other products to Tecpetrol and other companies controlled by San Faustin. Pursuant to the Exiros shareholders' agreement, Tenaris recognizes Exiros' assets, liabilities, revenue and expenses in relation to its interest in the joint operation. Exiros' total sales to companies controlled by San Faustin totaled $16 million in 2019 and $16 million in 2018.

Supply of Electric Energy

Techgen, which is currently owned 48% by Ternium, 30% by Tecpetrol and 22% by Tenaris, operates an electric power plant in Pesquería, Mexico. Techgen became fully operational on December 1, 2016. Ternium and Tenaris currently contract 78% and 22%, respectively, of Techgen's power capacity. Techgen sells to third parties on behalf of Tenaris the unused electricity that Tenaris purchased from Techgen.

Techgen net sales of electricity to Tenaris amounted to $40 million in 2019, $36 million in 2018 and $29 million in 2017.

Supply of Natural Gas

We are party to contracts with Tecpetrol, TGN, Litoral Gas and Energy Consulting Services relating to the supply of natural gas to our operations in Argentina. Tecpetrol a company controlled by San Faustin, is engaged in oil and gas exploration and production and has rights to various oil and gas fields in Argentina and elsewhere in Latin America. TGN, a company in which San Faustin has joint control since October 2019, operates two major pipelines in Argentina connecting the major gas basins of Neuquén and Noroeste-Bolivia to the major consumption centers in Argentina, Litoral Gas is a company that holds the regional license for gas and distribution in the Province of Santa Fe and in the northeastern section of the Province of Buenos Aires. Energy Consulting Services is a company engaged in energy and management consulting, representing one of the major natural gas traders in Argentina. San Faustin holds significant but non-controlling interests in Litoral Gas and Energy Consulting Services and also held significant but non-controlling interests in TGN until October 2019.

Tecpetrol supplies Siderca with natural gas requirements under market conditions and according to local regulations. Tecpetrol's sales to Tenaris amounted to $49 million in 2019, $95 million in 2018 and $7 million in 2017.

TGN charges Siderca a price to transport its natural gas supplies that is equivalent on a comparable basis to prices paid by other industrial users. The Argentine government regulates the general framework under which TGN operates and prices its services. TGN's sales to Tenaris amounted to $4 million in 2019, $8 million in 2018 and $3 million in 2017.

Litoral Gas's sales to Tenaris totaled $1 million in 2019, $3 million in 2018 and $5 million in 2017.

Energy Consulting Services's sales to Tenaris totaled $2 million in 2018 and $7 million in 2017.

Provision of Engineering and Labor Services

Tenaris contracts with certain companies controlled by San Faustin specialized in supplying engineering services and non-specialist manual labor services, such as industrial cleaning, general maintenance, handling of by-products and construction services. Fees accrued for these services in the aggregate amounted to $47 million in 2019, $33 million in 2018 and $40 million in 2017.

Sales of Steel Pipes and Sucker Rods

In the ordinary course of business, we sell steel pipes, sucker rods and related services to other companies controlled or under the significant influence of San Faustin. These sales, which are made principally to companies involved in the construction of gas pipelines and to Tecpetrol and joint ventures in which Tecpetrol participates, for its oil and gas drilling operations, are made on similar terms and conditions as sales to unrelated third parties. Our sales of steel pipes and sucker rods as well as logistical and certain other services to other companies controlled or under significant influence of San Faustin amounted to $66 million in 2019, $129 million in 2018 and $95 million in 2017.

Sales of Other Products and Services

We provide information technology services to companies controlled by San Faustin. Sales of these services amounted to $2 million per year in 2019, 2018 and 2017.

Administrative, Legal and Other Support Services

Finma S.A. ("Finma"), Arhsa S.A. ("Arhsa") and Techinst S.A. ("Techinst") a group of companies controlled by San Faustin in which the Company has a 33% share ownership and other affiliates of San Faustin have the remaining share ownership, provide administrative, and legal support services to San Faustin's affiliates in Argentina, including Tenaris. During 2018, Arhsa merged with Finma, with Finma continuing to render the services previously provided by Arhsa. Fees accrued for these services amounted to $9 million in 2019, $10 million in 2018 and $12 million in 2017.

Loans to Related Parties

Tenaris financed the construction and operation of Techgen's Pesquería project primarily in the form of subordinated loans to Techgen. Outstanding principal amount of loans to Techgen as of December 31, 2019 amounted to $58 million, as of December 31, 2018 amounted to $99 million, and as of December 31, 2017 amounted to $93 million. These loans generated interest gains in favor of Tenaris in an amount of $4 million in 2019, $5 million in 2018 and $4 million in 2017.

Other Transactions

We entered into various contracts with Tenova (and subsidiaries), a company controlled by San Faustin, for the provision of furnaces, spare parts, accessories and related services for our facilities. Supplies received amounted to $2 million in 2019, $9 million in 2018 and $3 million in 2017.

In addition, in the ordinary course of business, from time to time, we carry out other transactions and enter into other arrangements with other related parties, none of which are considered to be material.

Dividends

Subject to applicable law, all shares (including shares underlying ADSs) are entitled to participate equally in dividends when, as and if declared by the shareholders at the annual general shareholders' meeting, out of funds legally available for such purposes.

The Company does not have, and has no current plans to establish, a formal dividend policy governing the amount and payment of dividends or other distributions. Dividends may be lawfully declared and paid if the Company's profits and distributable reserves are sufficient under Luxembourg law. The amount and payment of dividends must be determined by a majority vote at a general shareholders' meeting, generally, but not necessarily, based on the recommendation of the Company's board of directors. Under Article 21 of the Company's articles of association, the board of directors has the power to distribute interim dividends out of profits, share premium or any other available reserves, in accordance with applicable law, but payment of such dividends must be finally approved by the Company's general shareholders' meeting.

As provided by Article 21 of the Company's articles of association, dividends or other distributions declared by the general meeting as well as interim dividends or other distributions declared by the board of directors will be distributed at the times and places determined by the board of directors. The Company will make any and all dividend payments and any other distributions in respect of shares registered in the name of any securities settlement system or operator of such a system or in the name of any financial institution or other professional depositary of securities or any other depositary, whether in cash, shares or other assets, only to such registered holder, or otherwise in accordance with such registered holder's instructions, and, as provided by Article 21 of the Company's articles of association, that payment shall release the Company from any and all obligations for such payment.

The Company conducts and will continue to conduct its operations through subsidiaries and, accordingly, its main source of cash to pay dividends, among other possible sources, will be the dividends received from its subsidiaries. See "Principal Risks and Uncertainties – Risks Relating to the Structure of the Company – As a holding company, the Company's ability to pay cash dividends depends on the results of operations and financial condition of its subsidiaries and could be restricted by legal, contractual or other limitations".

Under Luxembourg law, claims for dividends will lapse in favor of the Company five years after the date such dividends are declared. However, the Company may elect to pay a declared dividend after such period. Declared and unpaid dividends held by the Company for the account of its shareholders do not bear interest.

Pursuant to Luxembourg law, at least 5% of the Company's net profits per year must be allocated to the creation of a legal reserve until such reserve has reached an amount equal to 10% of our share capital. If the legal reserve later falls below the 10% threshold, at least 5% (or such lower amount required to reach the 10% threshold) of net profits again must be allocated toward the reserve. As of December 31, 2019, the Company's legal reserve represented 10% of its share capital. The legal reserve is not available for distribution.

The following table shows the dividends approved by the Company's shareholders in the last five years:

Shareholders' meeting date	Approved dividend			Dividend payment date	
	Amount (USD million)	Per share (USD)	Per ADS (USD)	Interim Dividend	Dividend Balance
May 6, 2015	531	0.45	0.90	November 2014	May 2015
May 4, 2016	531	0.45	0.90	November 2015	May 2016
May 3, 2017	484	0.41	0.82	November 2016	May 2017
May 2, 2018	484	0.41	0.82	November 2017	May 2018
May 6, 2019	484	0.41	0.82	November 2018	May 2019

On April 29, 2020 the board of directors announced the proposals to be submitted to the consideration of the Annual General Shareholders' meeting, including its proposal on dividends. For more information, see "Recent Developments – Annual Dividend Proposal".

Employees

The following table shows the number of persons employed by Tenaris as of December 31:

AT DECEMBER 31	2019	2018	2017
Argentina	5,405	5,427	5,221
Mexico	5,370	5,595	5,139
USA	2,255	2,382	1,953
Italy	2,144	2,155	2,088
Romania	1,815	1,852	1,870
Brazil	1,360	1,287	1,382
Colombia	1,040	1,082	1,003
Canada	772	1,030	919
Indonesia	616	554	506
Japan	400	399	410
Other Countries	2,023	1,204	1,114
	23,200	**22,967**	**21,605**

The number of our employees remained substantially stable in 2019 in comparison with 2018. Our labor costs worldwide related to continuing operations increased 2%.

Approximately 60% of our employees are unionized. In all the countries we have presence, we operate in full respect of the institutional rules and local norms, generating recognized agreements among all the parties involved. We forge our relations with the unions based on the premise of an open dialogue and a rich interchange of proposals.

In 2017, 2018 and 2019, our operations in Mexico experienced several days of union-led stoppages due to an internal dispute within the local union, but the activities in our plant remain normal. Such internal dispute is ongoing and we cannot assure it will not cause further disruptions in our Mexican operations.

With the acquisition of IPSCO Tubulars in 2020, for the first time Tenaris will be managing a unionized environment in the United States in some of the new added facilities.

Diversity

Tenaris embraces diversity in all its forms, on the understanding that diverse points of view and perspectives contribute to the rational solution of problems and the effective accomplishment of goals. Diversity based on ethnicity, gender, creed, race and nationality is part of Tenaris's DNA and constitutes an important differentiation aspect of our uniqueness as a global enterprise. Tenaris, as a global organization that draws its workforce from diverse cultures and backgrounds, values cultural and geographic adaptability among its employees.

The Company's Code of Conduct prohibits unlawful discrimination in employment relationship and grants all persons the right to apply for a position in Tenaris or to be considered for a new position in accordance with opening requirements and merit criteria, without any arbitrary discrimination. All employees, at every level, must cooperate to maintain a respectful environment should there be personal differences.

Similarly, the Company's Human Resources Policy promotes equal opportunity and provides that hiring, promotion, transfer and other employment decisions will be adopted without regard to race, color, religion, gender, age, disability, national origin or sexual orientation. Compensation in Tenaris is strictly based on each employee's duties and personal performance, competencies and behavior. In addition, Tenaris conducts periodic employees' opinion surveys to have updated information on how our employees perceive the equal opportunities culture and management's commitment with diversity and respect for the value of human, cultural and lifestyle differences. Finally, Tenaris has organized local diversity committees in all regions working on specific regional objectives on diversity.

Non-financial Information

Tenaris is committed to building a culture of transparency and integrity, based on ethical behavior and compliance with the law. We believe this is essential for the sustainability of our activities.

As of 2016 we formalized an integrated risk-based methodology to better identify, evaluate and prioritize the sustainability challenges that can impact our ability to achieve our goals and our relationship with our stakeholders.

The non-financial information required by article 1730-1 of the Luxembourg Company Law and articles 68 and 68bis of the Luxembourg law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts and undertakings, as amended, has been published under the name of "Sustainability Report" as of the date of this annual report and is available on www.tenaris.com (https://ir.tenaris.com/financial-and-sustainability-reports/reports).

Management certification

We confirm, to the best of our knowledge, that:

1. the consolidated financial statements prepared in conformity with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and in accordance with IFRS as adopted by the European Union, included in this annual report, give a true and fair view of the assets, liabilities, financial position and profit or loss of Tenaris S.A. and its consolidated subsidiaries, taken as a whole;

2. the annual accounts prepared in accordance with Luxembourg legal and regulatory requirements, included in this annual report, give a true and fair view of the assets, liabilities, financial position and profit or loss of Tenaris S.A.; and

3. the consolidated management report on the consolidated financial statements included in this annual report, which has been combined with the management report on the annual accounts included in this annual report, gives a fair review of the development and performance of the business and the position of Tenaris S.A., or Tenaris S.A. and its consolidated subsidiaries, taken as a whole, as applicable, together with a description of the principal risks and uncertainties they face.

/s/ Paolo Rocca

Chief Executive Officer
Paolo Rocca

April 29, 2020

/s/ Alicia Móndolo

Chief Financial Officer
Alicia Móndolo

April 29, 2020

Tenaris S.A.
Consolidated Financial Statements

For the years ended December 31, 2019, 2018 and 2017

Audit report

To the Shareholders of
Tenaris S.A.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Tenaris S.A. (the "Company") and its subsidiaries (the "Group") as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in accordance with IFRS as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee of the Company's Board of Directors (the "Audit Committee").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Standards Board (IAASB) and as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year ended 31 December 2019, are disclosed in Note 31 to the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter

Recoverability of long-lived assets

The Group's balance sheet includes goodwill (USD 1,320 million) and other long lived assets (USD 6,090 million Property, plant & equipment and USD 241 million of Intangible assets). The Group is required to test the amount of goodwill and other indefinite life intangible assets for impairment at least annually. Other long-lived assets are tested in case of impairment triggers.

During the year, Management has tested for impairment those cash generating units ("CGUs") containing goodwill and indefinite life intangibles and those where impairment indicators were identified.

We focused our audit effort on the U. S. seamless and welded tubes businesses (Bay City and Maverick CGUs) due to their significance, the level of headroom observed between the carrying amount and the recoverable value and the lack of extensive past history over Bay City performance.

The impairment test was important to our audit as it involved significant judgements and assumptions in the assessment of the recoverable amounts of the CGUs and required significant audit effort.

Due to the conditions described above, Management prepared 3 scenarios for both Maverick and Bay City CGUs to determine their recoverable amounts.

The disclosures related to this matter are included in Notes II.G, 9 and 10 to the consolidated financial statements.

We evaluated and tested controls in place over the analysis of impairment indicators on long lived assets, review of assumptions used and discounted cash flow calculations.

In addition, we challenged the impairment indicators analysis memorandum and the cash flow projections included in the impairment test prepared by Management. Our audit procedures included, among others, the involvement of professionals with specialized skill and knowledge to assist us in evaluating certain assumptions and the valuation methodology used by the Group.

We furthermore assessed the reasonableness of other data used by:

- comparing them to external and historical data, when available, such as analyst reports and evolution of rig counts, and by

- analyzing sensitivities in the valuation model, evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.

We also compared actual cash flow results with previous forecasts.

We finally assessed the adequacy of the disclosures in the consolidated financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the consolidated management report and the

Corporate Governance Statement but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as issued by the IASB and in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as issued by the IAASB and as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as issued by the IAASB and as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as “Réviseur d’Entreprises Agréé” of the Group by the General Meeting of the Shareholders on 6 May 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 18 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 29 April 2020

Electronically signed by:
Fabrice Goffin

Fabrice Goffin

Consolidated Income Statement

All amounts in thousands of U.S. dollars, unless otherwise stated

YEAR ENDED DECEMBER 31	Notes	2019	2018	2017
CONTINUING OPERATIONS				
Net sales	1	7,294,055	7,658,588	5,288,504
Cost of sales	2	(5,107,495)	(5,279,300)	(3,685,057)
Gross profit		**2,186,560**	**2,379,288**	**1,603,447**
Selling, general and administrative expenses	3	(1,365,974)	(1,509,976)	(1,270,016)
Other operating income	5	23,004	15,059	10,516
Other operating expenses	5	(11,199)	(12,558)	(9,359)
Operating income		**832,391**	**871,813**	**334,588**
Finance income	6	47,997	39,856	47,605
Finance cost	6	(43,381)	(36,942)	(27,072)
Other financial results	6	14,667	34,386	(43,550)
Income before equity in earnings of non-consolidated companies and income tax		**851,674**	**909,113**	**311,571**
Equity in earnings of non-consolidated companies	12	82,036	193,994	116,140
Income before income tax		**933,710**	**1,103,107**	**427,711**
Income tax	7	(202,452)	(229,207)	17,136
Income for continuing operations		**731,258**	**873,900**	**444,847**
DISCONTINUED OPERATIONS				
Result for discontinued operations	29	–	–	91,542
Income for the year		**731,258**	**873,900**	**536,389**
ATTRIBUTABLE TO				
Owners of the parent		742,686	876,063	544,737
Non-controlling interests		(11,428)	(2,163)	(8,348)
		731,258	**873,900**	**536,389**
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT DURING THE YEAR				
Weighted average number of ordinary shares (thousands)		1,180,537	1,180,537	1,180,537
CONTINUING OPERATIONS				
Basic and diluted earnings per share (U.S. dollars per share)		0.63	0.74	0.38
Basic and diluted earnings per ADS (U.S. dollars per ADS) (*)		1.26	1.48	0.77
CONTINUING AND DISCONTINUED OPERATIONS				
Basic and diluted earnings per share (U.S. dollars per share)		0.63	0.74	0.46
Basic and diluted earnings per ADS (U.S. dollars per ADS) (*)		1.26	1.48	0.92

(*) Each ADS equals two shares.

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

Consolidated Statement of Comprehensive Income

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31	2019	2018	2017
Income for the year	**731,258**	**873,900**	**536,389**
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Currency translation adjustment	(27,294)	(96,916)	151,762
Change in value of cash flow hedges and instruments at fair value	3,039	(6,701)	4,502
Income tax relating to components of other comprehensive income	(707)	34	23
From participation in non consolidated companies:			
Currency translation adjustment (*)	(10,781)	1,848	(9,548)
Changes in the fair value of derivatives held as cash flow hedges and others	812	(132)	512
	(34,931)	**(101,867)**	**147,251**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Remeasurements of post employment benefit obligations	(9,272)	7,963	(8,635)
Income tax on items that will not be reclassified	1,545	(1,932)	1,338
Remeasurements of post employment benefit obligations of non-consolidated companies	(9,878)	(3,855)	(376)
	(17,605)	**2,176**	**(7,673)**
Other comprehensive (loss) income for the year, net of tax	**(52,536)**	**(99,691)**	**139,578**
Total comprehensive income for the year	**678,722**	**774,209**	**675,967**
ATTRIBUTABLE TO			
Owners of the parent	690,095	776,713	683,531
Non-controlling interests	(11,373)	(2,504)	(7,564)
	678,722	**774,209**	**675,967**
Total comprehensive income for the year attributable to Owners of the parent arises from			
Continuing operations	690,095	776,713	591,989
Discontinued operations	–	–	91,542
	690,095	**776,713**	**683,531**

(*) Since 2018 Tenaris recognizes its share over the effects on the adoption of IAS 29, "Financial Reporting in Hyperinflationary Economies" by Ternium in other comprehensive income as a currency translation adjustment.

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

Consolidated Statement of Financial Position

All amounts in thousands of U.S. dollars

AT DECEMBER 31	Notes	2019		2018	
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment, net	9	6,090,017		6,063,908	
Intangible assets, net	10	1,561,559		1,465,965	
Right-of-use assets, net	11	233,126		–	
Investments in non-consolidated companies	12	879,965		805,568	
Other investments	18	24,934		118,155	
Deferred tax assets	20	225,680		181,606	
Receivables, net	13	157,103	**9,172,384**	151,905	**8,787,107**
CURRENT ASSETS					
Inventories, net	14	2,265,880		2,524,341	
Receivables and prepayments, net	15	104,575		155,885	
Current tax assets	16	167,388		121,332	
Trade receivables, net	17	1,348,160		1,737,366	
Derivative financial instruments	24	19,929		9,173	
Other investments	18	210,376		487,734	
Cash and cash equivalents	18	1,554,299	**5,670,607**	428,361	**5,464,192**
Total assets			**14,842,991**		**14,251,299**
EQUITY					
Capital and reserves attributable to owners of the parent			**11,988,958**		**11,782,882**
Non-controlling interests			**197,414**		**92,610**
Total equity			**12,186,372**		**11,875,492**
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	19	40,880		29,187	
Lease liabilities	11	192,318		–	
Deferred tax liabilities	20	336,982		379,039	
Other liabilities	21 (i)	251,383		213,129	
Provisions	22 (ii)	54,599	**876,162**	36,089	**657,444**
CURRENT LIABILITIES					
Borrowings	19	781,272		509,820	
Lease liabilities	11	37,849		–	
Derivative financial instruments	24	1,814		11,978	
Current tax liabilities	16	127,625		250,233	
Other liabilities	21 (ii)	176,264		165,693	
Provisions	23 (ii)	17,017		24,283	
Customer advances		82,729		62,683	
Trade payables		555,887	**1,780,457**	693,673	**1,718,363**
Total liabilities			**2,656,619**		**2,375,807**
Total equity and liabilities			**14,842,991**		**14,251,299**

Contingencies, commitments and restrictions on the distribution of profits are disclosed in Note 25.

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

Consolidated Statement of Changes in Equity

All amounts in thousands of U.S. dollars

	ATTRIBUTABLE TO OWNERS OF THE PARENT								Total
	Share Capital (1)	Legal Reserves	Share Premium	Currency Translation Adjustment	Other Reserves (2)	Retained Earnings (3)	Total	Non-controlling Interests	
Balance at December 31, 2018	1,180,537	118,054	609,733	(919,248)	(322,310)	11,116,116	11,782,882	92,610	11,875,492
Income (loss) for the year	**–**	**–**	**–**	**–**	**–**	**742,686**	**742,686**	**(11,428)**	**731,258**
Currency translation adjustment	–	–	–	(27,217)	–	–	(27,217)	(77)	(27,294)
Remeasurements of post employment benefit obligations, net of taxes	–	–	–	–	(7,132)	–	(7,132)	(595)	(7,727)
Change in value of instruments at fair value through other comprehensive income and cash flow hedges, net of taxes	–	–	–	–	1,605	–	1,605	727	2,332
From other comprehensive income of non-consolidated companies	–	–	–	(10,781)	(9,066)	–	(19,847)	–	(19,847)
Other comprehensive (loss) income for the year	**–**	**–**	**–**	**(37,998)**	**(14,593)**	**–**	**(52,591)**	**55**	**(52,536)**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**(37,998)**	**(14,593)**	**742,686**	**690,095**	**(11,373)**	**678,722**
Acquisition and other changes in non-controlling interests (4)	–	–	–	–	1	–	1	117,984	117,985
Dividends paid in cash	–	–	–	–	–	(484,020)	(484,020)	(1,807)	(485,827)
Balance at December 31, 2019	**1,180,537**	**118,054**	**609,733**	**(957,246)**	**(336,902)**	**11,374,782**	**11,988,958**	**197,414**	**12,186,372**

(1) The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of $1.00 per share. As of December 31, 2019 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 interests that do not result in a loss of control, the remeasurement of post-employment benefit obligations, the changes in value of cash flow hedges and the changes in financial instruments measured at fair value through other comprehensive income.

(3) The restrictions to the distribution of profits and payment of dividends according to Luxembourg Law are disclosed in Note 25.

(4) Related to Saudi Steel Pipe Company ("SSP") acquisition. See note 27.

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

Consolidated Statement of Changes in Equity (cont.)

All amounts in thousands of U.S. dollars

	ATTRIBUTABLE TO OWNERS OF THE PARENT								Total
	Share Capital (1)	Legal Reserves	Share Premium	Currency Translation Adjustment	Other Reserves (2)	Retained Earnings	**Total**	Non-controlling Interests	
Balance at December 31, 2017	1,180,537	118,054	609,733	(824,423)	(320,569)	10,718,853	11,482,185	98,785	11,580,970
Changes in accounting policies (Section II AP)	–	–	–	–	2,786	5,220	8,006	12	8,018
Balance at December 31, 2017 restated	**1,180,537**	**118,054**	**609,733**	**(824,423)**	**(317,783)**	**10,724,073**	**11,490,191**	**98,797**	**11,588,988**
Income (loss) for the year	**–**	**–**	**–**	**–**	**–**	**876,063**	**876,063**	**(2,163)**	**873,900**
Currency translation adjustment	–	–	–	(96,673)	–	–	(96,673)	(243)	(96,916)
Remeasurements of post employment benefit obligations, net of taxes	–	–	–	–	6,135	–	6,135	(104)	6,031
Change in value of instruments at fair value through other comprehensive income and cash flow hedges, net of taxes	–	–	–	–	(6,673)	–	(6,673)	6	(6,667)
From other comprehensive income of non-consolidated companies	–	–	–	1,848	(3,987)	–	(2,139)	–	(2,139)
Other comprehensive (loss) for the year	**–**	**–**	**–**	**(94,825)**	**(4,525)**	**–**	**(99,350)**	**(341)**	**(99,691)**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**(94,825)**	**(4,525)**	**876,063**	**776,713**	**(2,504)**	**774,209**
Acquisition and other changes in non-controlling interests	–	–	–	–	(2)	–	(2)	(22)	(24)
Dividends paid in cash	–	–	–	–	–	(484,020)	(484,020)	(3,661)	(487,681)
Balance at December 31, 2018	**1,180,537**	**118,054**	**609,733**	**(919,248)**	**(322,310)**	**11,116,116**	**11,782,882**	**92,610**	**11,875,492**
Balance at December 31, 2016	**1,180,537**	**118,054**	**609,733**	**(965,955)**	**(313,088)**	**10,658,136**	**11,287,417**	**125,655**	**11,413,072**
Income (loss) for the year	**–**	**–**	**–**	**–**	**–**	**544,737**	**544,737**	**(8,348)**	**536,389**
Currency translation adjustment	–	–	–	151,080	–	–	151,080	682	151,762
Remeasurements of post employment benefit obligations, net of taxes	–	–	–	–	(7,423)	–	(7,423)	126	(7,297)
Change in value of available for sale financial instruments and cash flow hedges net of tax	–	–	–	–	4,549	–	4,549	(24)	4,525
From other comprehensive income of non-consolidated companies	–	–	–	(9,548)	136	–	(9,412)	–	(9,412)
Other comprehensive income (loss) for the year	**–**	**–**	**–**	**141,532**	**(2,738)**	**–**	**138,794**	**784**	**139,578**
Total comprehensive income (loss) for the year	–	–	–	**141,532**	**(2,738)**	**544,737**	**683,531**	**(7,564)**	**675,967**
Acquisition and other changes in non-controlling interests	–	–	–	–	4,743	–	(4,743)	4,694	(49)
Dividends paid in cash	–	–	–	–	–	(484,020)	(484,020)	(24,000)	(508,020)
Balance at December 31, 2017	**1,180,537**	**118,054**	**609,733**	**(824,423)**	**(320,569)**	**10,718,853**	**11,482,185**	**98,785**	**11,580,970**

(1) The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of $1.00 per share. As of December 31, 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 interests 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 available for sale financial instruments.

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

Consolidated Statement of Cash Flows

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income for the year		731,258	873,900	536,389
ADJUSTMENTS FOR:				
Depreciation and amortization	9, 10 & 11	539,521	664,357	608,640
Income tax accruals less payments	28 (ii)	(193,417)	58,494	(193,989)
Equity in earnings of non-consolidated companies	12	(82,036)	(193,994)	(116,140)
Interest accruals less payments, net	28 (iii)	(4,381)	6,151	11,550
Changes in provisions		2,739	(8,396)	(17,245)
Income from the sale of Conduit business	29	–	–	(89,694)
Changes in working capital	28 (i)	523,109	(737,952)	(853,184)
Currency translation adjustment and others		11,146	(51,758)	91,648
Net cash provided by (used in) operating activities		**1,527,939**	**610,802**	**(22,025)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures	9 & 10	(350,174)	(349,473)	(558,236)
Changes in advance to suppliers of property, plant and equipment		3,820	4,851	7,077
Proceeds from disposal of Conduit business	29	–	–	327,631
Acquisition of subsidiaries, net of cash acquired	27	(132,845)	–	(10,418)
Investment in companies under cost method		(2,933)	–	(3,681)
Investment in non-consolidated companies	26	(19,610)	–	–
Loan to non-consolidated companies	12c	–	(14,740)	(10,956)
Repayment of loan by non-consolidated companies	12c	40,470	9,370	3,900
Proceeds from disposal of property, plant and equipment and intangible assets		2,091	6,010	5,443
Dividends received from non-consolidated companies	12	28,974	25,722	22,971
Changes in investments in securities		389,815	717,368	565,387
Net cash (used in) provided by investing activities		**(40,392)**	**399,108**	**349,118**
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	8	(484,020)	(484,020)	(484,020)
Dividends paid to non-controlling interest in subsidiaries		(1,872)	(3,498)	(24,000)
Changes in non-controlling interests		1	(24)	(49)
Payments of lease liabilities	11	(41,530)	–	–
Proceeds from borrowings		1,332,716	1,019,302	1,196,781
Repayments of borrowings		(1,159,053)	(1,432,202)	(1,090,129)
Net cash used in financing activities		**(353,758)**	**(900,442)**	**(401,417)**
Increase (decrease) in cash and cash equivalents		**1,133,789**	**109,468**	**(74,324)**
MOVEMENT IN CASH AND CASH EQUIVALENTS				
At the beginning of the year		426,717	330,090	398,580
Effect of exchange rate changes		(6,231)	(12,841)	5,834
Increase (decrease) in cash and cash equivalents		1,133,789	109,468	(74,324)
At December 31,	28 (iv)	**1,554,275**	**426,717**	**330,090**
CASH AND CASH EQUIVALENTS				
Cash and bank deposits		1,554,299	428,361	330,221
Bank overdrafts	18	(24)	(1,644)	(131)
		1,554,275	**426,717**	**330,090**

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

Index to the notes to the Consolidated Financial Statements

I. General information

Tenaris S.A. (the "Company") was established as a public limited liability company (*societé 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 Financial Statements to "Tenaris" refer to the Company and its consolidated subsidiaries. A list of the principal Company's subsidiaries is included in Note 32 to these Consolidated Financial Statements.

The Company's shares trade on 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 Financial Statements were approved for issuance by the Company's Board of Directors on February 19, 2020.

II. Accounting policies

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

A. Basis of presentation

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

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

Following the sale of the steel electric conduit business in North America, known as Republic Conduit, in January 2017, the results of the mentioned business are presented as discontinued operations in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations". Consequently, all comparative amounts related to discontinued operations within each line item of the Consolidated Income Statement are reclassified into discontinued operations. The Consolidated Statement of Cash Flows includes the cash flows for continuing and discontinued operations. Cash flows from discontinued operations and earnings per share are disclosed separately in Note 29, as well as additional information detailing net assets of disposal group classified as held for sale and discontinued operations.

The preparation of Consolidated Financial Statements in conformity with IFRS requires management to make certain accounting estimates and assumptions that might affect among others, the reported amounts of assets, liabilities, contingent assets and liabilities, revenues and expenses. Actual results may differ from these estimates. The main areas involving significant estimates or judgements are: Impairment of goodwill and long-lived assets (note II.G); Income Taxes (note II.N); Loss contingencies (note II.P); Defined benefit obligations (note II.O), Business Combinations (notes II.B, III.27); Useful lives of property, plant and equipment and other long-lived assets (notes II.E, II.F, II.G).

1. Accounting pronouncements applicable as from January 1, 2019 and relevant for Tenaris

IFRS 16, "Leases"

Tenaris has adopted IFRS 16 "Leases" from January 1, 2019. In accordance with the transition provisions in IFRS 16, Tenaris has adopted the new rules using the modified retrospective approach, meaning that reclassifications of the adoption was recognized in the opening balance sheet as of January 1, 2019 and that comparatives were not restated.

Upon adoption of IFRS 16, Tenaris recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as of December 31, 2018. The difference between the amount of the lease liability recognized in the statement of financial position at the date of initial application and the operating lease commitments under IAS 17 is related to leases with a duration lower than 12 months, low value leases and/or leases with clauses related to variable payments.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Lease liabilities include the net present value of i) fixed payments, less any lease incentives receivable, ii) variable lease payments that are based on an index or a rate, iii) amounts expected to be payable by the lessee under residual value guarantees, iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs incurred by the lessee.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expenses in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value comprise mainly IT equipment and small items of office furniture.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

IFRIC 23, "Uncertainty over Income Tax Treatments"

Tenaris has adopted IFRIC 23 "Uncertainty over Income Tax Treatments" from January 1, 2019. This interpretation clarifies how the recognition and measurement requirements of IAS 12 "Income taxes" are applied where there is uncertainty over income tax treatments.

Other accounting pronouncements that became effective during 2019 have no material effect on the Company's financial condition or results of operations.

B. Group accounting

1. Subsidiaries and transactions with non-controlling interests

Subsidiaries are all entities over which Tenaris has control. Tenaris controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is exercised by the Company and are no longer consolidated from the date control ceases.

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

Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Transactions with non-controlling interests that do not result in a loss of control are accounted as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Material intercompany 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 intercompany transactions are generated. These are included in the Consolidated Income Statement under *Other financial results*.

2. Non-consolidated companies

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

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize Tenaris's share of the post-acquisition profits or losses of the investee in profit or loss, and Tenaris's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

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

The Company's pro-rata share of earnings in non-consolidated companies is recorded in the Consolidated Income Statement under *Equity in earnings (losses) of non-consolidated companies*. The Company's pro-rata share of changes in other comprehensive income is recognized in the Consolidated Statement of Comprehensive Income.

Ternium

At December 31, 2019, Tenaris holds 11.46% of Ternium S.A ("Ternium")'s common stock. The following factors and circumstances evidence that Tenaris has significant influence (as defined by

IAS 28, "Investments in associates companies and Joint Ventures") over Ternium, and as a result the Company's investment in Ternium has been accounted for under the equity method:

- Both the Company and Ternium are under the indirect common control of San Faustin S.A.;
- Four out of eight members of Ternium's Board of Directors (including Ternium's Chairman) are also members of the Company's Board of Directors;
- Under the shareholders' agreement by and between the Company and Techint Holdings S.à r.l, a wholly owned subsidiary of San Faustin S.A. and Ternium's main shareholder, dated January 9, 2006, Techint Holdings S.à.r.l, is required to take actions within its power to cause (a) one of the members of Ternium's Board of Directors to be nominated by the Company and (b) any director nominated by the Company to be only removed from Ternium's Board of Directors pursuant to previous written instructions of the Company.

Usiminas

At December 31, 2019, Tenaris holds through its Brazilian subsidiary Confab Industrial S.A. ("Confab"), 5.2% of the shares with voting rights and 3.07% of Usinas Siderúrgicas de Minas Gerais S.A. ("Usiminas") total share capital.

The acquisition of Usiminas shares was part of a larger transaction performed on January 16, 2012, pursuant to which Ternium, certain of its subsidiaries and Confab joined Usiminas' existing control group through the acquisition of ordinary shares representing 27.7% of Usiminas' total voting capital and 13.8% of Usiminas' total share capital. A shareholders' agreement governed the rights and obligations of the several control group members.

In April and May 2016 Tenaris's subsidiary Confab subscribed, in the aggregate, to 1.3 million preferred shares (BRL1.28 per share) for a total amount of BRL1.6 million (approximately $0.5 million) and 11.5 million ordinary shares (BRL5.00 per share) for a total amount of BRL57.5 million (approximately $16.6 million). The preferred and ordinary shares were issued on June 3, 2016 and July 19, 2016, respectively. Consequently as of December 31, 2019 Tenaris owns 36.5 million ordinary shares and 1.3 million preferred shares of Usiminas.

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.

On February 8, 2018, Ternium Investments resolved the dispute with NSSMC, and on April 10, 2018, the T/T Group entities (including Confab), NSSMC 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); NSSMC 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 NSSMC 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.

In connection with the execution of the New SHA, Confab and the Ternium entities 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. The rights of Confab and Ternium and its subsidiaries within the Ternium - Tenaris Group are governed under such amended and restated separate shareholders agreement. Those circumstances evidence that Tenaris has significant influence over Usiminas, and consequently, accounted it for under the equity method (as defined by IAS 28).

Techgen

Techgen S.A. de C.V. ("Techgen") is a Mexican joint venture company owned 48% by Ternium, 30% by Tecpetrol International S.A. and 22% by Tenaris. Techgen operates a natural gas-fired combined electric power plant in the Pesquería area of the State of Nuevo Leon, México. Tenaris, Ternium and Tecpetrol International S.A. are parties to a shareholders' agreement relating to the governance of Techgen. In addition, the Company, Ternium and Tecpetrol International S.A. are under the indirect common control of San Faustin S.A., consequently Tenaris accounted it's interest under the equity method (as defined by IAS 28).

Tenaris carries its investment in Ternium, Usiminas and Techgen under the equity method, with no additional goodwill or intangible assets recognized. Tenaris reviews investments in non-consolidated companies for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. At December 31, 2019, 2018 and 2017, no impairment provisions were recorded in any of the aforementioned investments. See Note 12.

C. Segment information

The Company is organized in one major business segment, Tubes, which is also the reportable operating segment.

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

Others includes all other business activities and operating segments that are not required to be separately reported, including the production and selling of sucker rods, industrial equipment, coiled tubing, utility conduits for buildings, heat exchangers, energy and raw materials that exceed internal requirements.

Tenaris's Chief Operating Decision Maker (CEO) holds monthly meetings with senior management, in which operating and financial performance information is reviewed, including financial information that differs from IFRS principally as follows:

- The use of direct cost methodology to calculate the inventories, while under IFRS it is at full cost, including absorption of production overheads and depreciations;
- The use of costs based on previously internally defined cost estimates, while, under IFRS, costs are calculated at historical cost;
- Other timing differences, if any.

Tenaris presents its geographical information in five areas: North America, South America, Europe, Middle East and Africa and Asia Pacific. For purposes of reporting geographical information, net sales are allocated to geographical areas based on the customer's location; allocation of assets, capital expenditures and associated depreciations and amortizations are based on the geographical location of the assets.

D. Foreign currency translation

1. Functional and presentation currency

IAS 21 (revised), "The effects of changes in foreign exchange rates" defines the functional currency as the currency of the primary economic environment in which an entity operates.

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

Except for the Brazilian and Italian subsidiaries whose functional currencies are their local currencies, Tenaris determined that the functional currency of its other subsidiaries is the U.S. dollar, based on the following principal considerations:

- Sales are mainly negotiated, denominated and settled in U.S. dollars. If priced in a currency other than the U.S. dollar, the sales price may consider exposure to fluctuation in the exchange rate versus the U.S. dollar;
- Prices of their critical raw materials and inputs are priced and settled in U.S. dollars;
- Transaction and operational environment and the cash flow of these operations have the U.S. dollar as reference currency;
- Significant level of integration of the local operations within Tenaris's international global distribution network;
- Net financial assets and liabilities are mainly received and maintained in U.S. dollars;

- The exchange rate of certain legal currencies has long-been affected by recurring and severe economic crises.

2. Transactions in currencies other than the functional currency

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

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recorded as gains and losses from foreign exchange and included in *Other financial results* in the Consolidated Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

3. Translation of financial information in currencies other than the functional currency

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

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

E. Property, plant and equipment

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

Major overhaul and rebuilding expenditures are capitalized as property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Company and the investment enhances the condition of assets beyond its original condition. The carrying amount of the replaced part is derecognized. Maintenance expenses on manufacturing properties are recorded as cost of products sold in the year in which they are incurred.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

Land	No Depreciation
Buildings and improvements	30-50 years
Plant and production equipment	10-40 years
Vehicles, furniture and fixtures, and other equipment	4-10 years

The assets' residual values and useful lives of significant plant and production equipment are reviewed and adjusted, if appropriate, at each year-end date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Management's re-estimation of assets useful lives, performed in accordance with IAS 16, "Property, Plant and Equipment", did not materially affect depreciation expenses for 2019, 2018 and 2017.

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

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

F. Intangible assets

1. Goodwill

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

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

2. Information systems projects

Costs associated with maintaining computer software programs are generally recognized as an expense as incurred. However, costs directly related to the development, acquisition and implementation of information systems are recognized as intangible assets if it is probable that they have economic benefits exceeding one year and comply with the recognition criteria of IAS 38, "Intangible Assets".

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

Management's re-estimation of assets useful lives, performed in accordance with IAS 38, did not materially affect amortization expenses for 2019, 2018 and 2017.

3. Licenses, patents, trademarks and proprietary technology

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

The balance of acquired trademarks that have indefinite useful lives according to external appraisal amounts to $86.7 million at December 31, 2019, 2018 and 2017, and are included in Hydril CGU. Main factors considered in the determination of the indefinite useful lives include the years that they have been in service and their recognition among customers in the industry.

Management's re-estimation of assets useful lives, performed in accordance with IAS 38, did not materially affect amortization expenses for 2019, 2018 and 2017.

4. Research and development

Research expenditures as well as development costs that do not fulfill the criteria for capitalization are recorded as *Cost of sales* in the Consolidated Income Statement as incurred. Research and development expenditures included in *Cost of sales* for the years 2019, 2018 and 2017 totaled $61.1 million, $63.4 million and $63.7 million, respectively.

Capitalized costs were not material for the years 2019, 2018 and 2017.

5. Customer relationships

In accordance with IFRS 3, "Business Combinations" and IAS 38, Tenaris has recognized the value of customer relationships separately from goodwill attributable to the acquisition of Maverick and Hydril groups, as well as the more recent acquisition of SSP.

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date, have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight line method over the initial expected useful life of approximately 14 years for Maverick, 10 years for Hydril and 9 years for SSP.

In 2018 the Company reviewed the useful life of Maverick's Tubes customer relationships and decided to reduce the remaining useful life from 2 years to zero, consequently a higher amortization charge of approximately $109 million was recorded in the Consolidated Income Statement under *Selling, general and administrative expenses* for the year ended December 31, 2018.

As of December 31, 2019 the net book value of SSP's customer relationship amounts to $72.9 million, with a residual useful life of 8 years. Maverick's coiled tubing customer relationships amounts to $9.9 million with a residual useful life of 1 year, while Hydril's customer relationships is fully amortized.

G. Impairment of non-financial assets

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

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

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

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

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

For purposes of calculating the fair value less costs of disposal, Tenaris uses the estimated value of future cash flows that a market participant could generate from the corresponding CGU.

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

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

Tenaris regularly conducts assessments of the carrying values of its assets. The value-in-use was used to determine the recoverable value. Value-in-use is calculated by discounting the estimated cash flows over a five-year period based on forecasts approved by management. For the subsequent years beyond the five-year period, a terminal value is calculated based on perpetuity.

Tenaris's main source of revenue is the sale of products and services to the oil and gas industry and the level of such sales is sensitive to international oil and gas prices and their impact on drilling activities.

For purposes of assessing key assumptions, Tenaris uses external sources of information and management judgment based on past experience.

The main key assumptions used in estimating the value in use are discount rate, growth rate and competitive and economic factors applied to determine Tenaris's cash flow projections, such as oil and gas prices, average number of active oil and gas drilling rigs (rig count) and raw material costs.

Management has determined the value of each of the key assumptions as follows:

- **Discount rate:** based on the applicable weighted average cost of capital (WACC), which is considered to be a good indicator of capital cost, taking into account the industry, country and size of the business. For each CGU where assets are allocated, a specific WACC was determined taking into account the industry, country and size of the business. In 2019, the main discount rates used were in a range between 8.2% and 15.9%.

- **Growth rate:** considers the long-term average growth rate for the oil and gas industry, the inflation impact on prices and costs, the higher demand to offset depletion of existing fields and the Company's expected market penetration. In 2019, a nominal growth rate of 2% was considered.

- **Oil and gas prices:** based on industry analysts' reports and management's expectations of market development respectively.

- **Rig count:** based on information published by Baker Hughes and management's expectations.

- **Raw material costs:** based on industry analysts' reports and management's expectations.

The main factors that could result in additional impairment charges in future periods would be an increase in the discount rate or a decrease in growth rate used in the Company's cash flow projections, a deterioration of the business, competitive and economic factors, such as a decrease in oil and gas prices, and the evolution of the rig count.

For the CGU with significant amount of goodwill assigned in comparison to the total amount of goodwill, Tenaris has determined that the CGU for which a reasonable possible change in the key assumption would cause the CGUs' carrying amount to exceed its recoverable amount was OCTG USA.

In OCTG USA, the recoverable amount calculated based on value in use exceeded carrying value by $108 million as of December 31, 2019. The following changes in key assumptions, at CGU OCTG – USA, assuming unchanged values for the other assumptions, would cause the recoverable amount to be equal to the respective carrying value as of the impairment tests:

Increase in the discount rate	95 Bps
Decrease of the growth rate	-1.6 %
Decrease of the cash flow projections	-15.3 %

No impairment charge was recorded in 2019, 2018 and 2017.

H. Other investments

Other investments consist primarily of investments in financial instruments and time deposits with a maturity of more than three months at the date of purchase.

Certain non-derivative financial assets that the Company held not for trading have been categorized as financial assets "at fair value through other comprehensive income" ("FVOCI"). They are carried at fair value and 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. FVOCI instruments with maturities greater than 12 months after the balance sheet date are included in non-current assets.

Other investments in financial instruments and time deposits are categorized as financial assets "at fair value through profit or loss" because such investments are held for trading and their performance is evaluated on a fair value basis. The results of these investments are recognized in *Financial Results* in the Consolidated Income Statement.

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

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

I. Inventories

Inventories are stated at the lower between cost and net realizable value. The cost of finished goods and goods in process is comprised of raw materials, direct labor, utilities, freights and other direct costs and related production overhead costs, and it excludes borrowing costs. The allocation of fixed production costs, including depreciation and amortization charges, is based on the normal level of production capacity. Inventories cost is mainly based on the FIFO method. Tenaris estimates net realizable value of inventories by grouping, where applicable, similar or related items. Net realizable value is the estimated selling price in the ordinary course of business, less any estimated costs of completion and selling expenses. Goods in transit as of year-end are valued based on the supplier's invoice cost.

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

J. Trade and other receivables

Trade and other receivables are recognized initially at fair value that corresponds to the amount of consideration that is unconditional unless they contain significant financing components. The Company holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Due to the short-term nature, their carrying amount is considered to be the same as their fair value.

Tenaris applies the IFRS 9 "Financial Instruments" simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of three years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

K. Cash and cash equivalents

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

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

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

L. Equity

1. Equity components

The Consolidated Statement of Changes in Equity includes:

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

2. Share capital

The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of $1.00 per share. Total ordinary shares issued and outstanding as of December 31, 2019, 2018 and 2017 are 1,180,536,830 with a par value of $1.00 per share with one vote each. All issued shares are fully paid.

3. Dividends distribution by the Company to shareholders

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

Dividends may be paid by the Company to the extent that it has distributable retained earnings, calculated in accordance with Luxembourg law. See Note 25 (iii).

M. Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred and subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

N. Current and Deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognized in the Consolidated Income Statement, except for tax items recognized in other comprehensive income or directly in equity.

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

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

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

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax basis of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are re-measured if tax rates change. These amounts are charged or credited to the Consolidated Income Statement or to the item *Other comprehensive income for the year* in the Consolidated Statement of Comprehensive Income, depending on the account to which the original amount was charged or credited.

O. Employee benefits

1. Short-term obligations

Liabilities for wages and salaries are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

2. Post employment benefits

The Company has defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated annually (at year end) by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in *Other comprehensive income* in the period in which they arise. Past-service costs are recognized immediately in the Income Statement.

For defined benefit plans, net interest income/expense is calculated based on the surplus or deficit derived by the difference between the defined benefit obligations less fair value of plan assets. For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Tenaris sponsors funded and unfunded defined benefit pension plans in certain subsidiaries. The most significant are:

- An unfunded defined benefit employee retirement plan for certain senior officers. The plan is designed to provide certain benefits to those officers (additional to those contemplated under applicable labor laws) in case of termination of the employment relationship due to certain specified events, including retirement. This unfunded plan provides defined benefits based on years of service and final average salary. As of December 31, 2019 the outstanding liability for this plan amounts to $45.3 million.

- Employees' service rescission indemnity: the cost of this obligation is charged to the Consolidated Income Statement over the expected service lives of employees. This provision is primarily related to the liability accrued for employees at Tenaris's Italian subsidiary. As from January 1, 2007 as a consequence of a change in an Italian law, employees were entitled to make contributions to external funds, thus, Tenaris's Italian subsidiary pays every year the required contribution to the funds with no further obligation. As a result, the plan changed from a defined benefit plan to a defined contribution plan effective from that date, but only limited to the contributions of 2007 onwards. As of December 31, 2019 the outstanding liability for this plan amounts to $17.3 million.

- Funded retirement benefit plans held in Canada for salary and hourly employees hired prior to a certain date based on years of service and, in the case of salaried employees, final average salary.

Plan assets consist primarily of investments in equities and money market funds. Both plans were replaced for defined contribution plans. Effective June 2016 the salary plan was frozen for the purposes of credited service as well as determination of final average pay. As of December 31, 2019 the outstanding liability for this plan amounts to $9.8 million.

- Funded retirement benefit plan held in the US for the benefit of some employees hired prior a certain date, frozen for the purposes of credited service as well as determination of final average pay for the retirement benefit calculation. Plan assets consist primarily of investments in equities and money market funds. Additionally, an unfunded postretirement health and life plan is present that offers limited medical and life insurance benefits to the retirees, hired before a certain date. As of December 31, 2019 the outstanding liability for these plans amounts to $13.4 million.

3. Other long term benefits

During 2007, Tenaris launched an employee retention and long term incentive program (the "Program") applicable to certain senior officers and employees of the Company, who will be granted a number of Units throughout the duration of the Program. The value of each of these Units is based on Tenaris's shareholders' equity (excluding non-controlling interest). Also, the beneficiaries of the Program are entitled to receive cash amounts based on (i) the amount of dividend payments made by Tenaris to its shareholders, and (ii) the number of Units held by each beneficiary to the Program. Until 2017 units were vested ratably over a period of four years and were mandatorily redeemed by the Company ten years after grant date, with the option of an early redemption at seven years after the grant date. Since 2018 units are vested ratably over the same period and are mandatorily redeemed by the Company seven years after grant date. The payment of the benefit is tied to the book value of the shares, and not to their market value. Tenaris valued this long-term incentive program as a long term benefit plan as classified in IAS 19, "Employee Benefits".

As of December 31, 2019 and 2018, the outstanding liability corresponding to the Program amounts to $99.0 million and $91.2 million, respectively. The total value of the units granted (vested and unvested) to date under the program, considering the number of units and the book value per share as of December 31, 2019 and 2018, is $119.9 million and $106 million, respectively.

4. Termination benefits

Termination benefits are payable when employment is terminated by Tenaris before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Tenaris recognizes termination benefits at the earlier of the following dates: (a) when it can no longer withdraw the offer of those benefits; and (b) when the costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

5. Other compensation obligations

Employee entitlements to annual leave, long-service leave, sick leave and other bonuses and compensations obligations are accrued as earned.

Compensation to employees in the event of dismissal is charged to income in the year in which it becomes payable.

P. Provisions

Tenaris is subject to various claims, lawsuits and other legal proceedings, including customer claims, in which a third party is seeking payment for alleged damages, reimbursement for losses or indemnity. Tenaris's potential liability with respect to such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Management periodically reviews the status of each significant matter and assesses potential financial exposure. If, as a result of past events, a potential loss from a claim or proceeding is considered probable and the amount can be reliably estimated, a provision is recorded. Accruals for loss contingencies reflect a reasonable estimate of the losses to be incurred based on information available to management as of the date of preparation of the financial statements, and take into consideration Tenaris's litigation and settlement strategies. These estimates are primarily constructed with the assistance of legal counsel. As the scope of liabilities become better defined, there may be changes in the estimates of future costs which could have a material adverse effect on its results of operations, financial condition and cash flows.

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

This note should be read in conjunction with Note 25.

Q. Trade and other payables

Trade and other payables are recognized initially at fair value, generally the nominal invoice amount and subsequently measured at amortized cost. They are presented as current liabilities unless payment is not due within twelve months after the reporting period. Due to the short-term nature their carrying amounts are considered to be the same as their fair value.

R. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of Tenaris's activities. The revenue recognized by the Company is measured at the transaction price of the consideration received or receivable to which the Company is entitled to, reduced by estimated returns and other customer credits, such as discounts and volume rebates, based on the expected value to be realized and after eliminating sales within the group.

Revenue is recognized at a point in time or over time from sales when control has been transferred and there is no unfulfilled performance obligation that could affect the acceptance of the product by the customer. The control is transferred upon delivery. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred and either the customer has accepted the product in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied, including all performance obligations. These conditions are determined and analyzed on a contract by contract basis to ensure that all performance obligations are fulfilled; in particular, Tenaris verifies customer acceptance of the goods, the satisfaction of delivery terms and any other applicable condition.

For bill and hold transactions revenue is recognized only to the extent that (a) the reason for the bill and hold arrangement must be substantive (for example, the customer has requested the arrangement); (b) the products have been specifically identified and are ready for delivery; (c) the Company does not have the ability to use the product or to direct it to another customer; (d) the usual payment terms apply.

The Company's contracts with customers do not provide any material variable consideration, other than discounts, rebates and right of return. Discounts and rebates are recognized based on the most likely value and rights of return are based on expected value considering past experience and contract conditions.

Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on the expected cost plus margin.

There are no judgements applied by management that significantly affect the determination of timing of satisfaction of performance obligations, nor the transaction price and amounts allocated to different performance obligations.

Tenaris provides services related to goods sold, which represent a non-material portion of sales revenue and include:

Pipe Management Services. This comprises mainly preparation of the pipes ready to be run, delivery to the customer, storage services and rig return.

Field Services. Comprises field technical support and running assistance.

These services are rendered in connection to the sales of goods and are attached to contracts with customers for the sale of goods. A significant portion of service revenue is recognized in the same period as the goods sold. There are no distinct uncertainties in the revenues and cash flows of the goods sold and services rendered as they are included in the same contract, have the same counterparty and are subject to the same conditions.

Revenue from providing services is recognized over time in the accounting period in which the services are rendered. The following inputs and outputs methods are applied to recognize revenue considering the nature of service:

Storage services, the Company provides storage services in owned or third-party warehouses, subject to a variable fee to be invoiced. This fee is determined based on the time that the customer maintains the material in the warehouse and the amount of the material stored. In the majority of cases, to quantify the amount to be invoiced in any given month, the monthly average fee of storage per ton is multiplied by the monthly average stock stored (in tons).

Freights, the Company recognized the revenue on a pro rata bases considering the units delivered and time elapsed.

Field services, the revenue is recognized considering outputs method, in particular surveys of service completion provided by the customer.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, considering that the contracts do not include any significant financing component, the Company does not adjust any of the transaction prices for the time value of money. For this reason, the Company is also applying the practical expedient not to disclose details on transaction prices allocated to the remaining performance obligations as of the end of the reporting period.

Tenaris only provides standard quality warranties assuring that the goods sold will function as expected or are fit for their intended purpose, with no incremental service to the customer. Accordingly, warranties do not constitute a separate performance obligation.

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

- Interest income: on the effective yield basis.
- Dividend income from investments in other companies: when Tenaris's right to receive payment is established.
- Construction contracts revenues is recognized in accordance with the stage of the project completion.

S. Cost of sales and other selling expenses

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

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

T. Earnings per share

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

There are no dilutive potential ordinary shares.

U. Financial instruments

Non derivative financial instruments comprise investments in financial debt instruments and equity, time deposits, trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

The Company classifies its financial instruments according to the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost

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

Financial assets are recognized on their settlement date. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expenses in profit or loss.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

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.

Exchange gains and losses and impairments related to the financial assets are immediately recognized in the Consolidated Income Statement.

Fair value through other comprehensive income: 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.

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.

For equity instruments, these are subsequently measured at fair value.

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

V. Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Consolidated Income Statement. See Note 29.

III. Financial risk management

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

A. Financial risk factors

I. Capital Risk Management

Tenaris seeks to maintain a low debt to total equity ratio considering the industry and the markets where it operates. The year-end ratio of debt to total equity (where "debt" comprises financial borrowings and "total equity" is the sum of financial borrowings and equity) is 0.06 as of December 31, 2019 and 0.04 as of December 31, 2018. The Company does not have to comply with regulatory capital adequacy requirements.

II. Foreign exchange risk

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

Tenaris's exposure to currency fluctuations is reviewed on a periodic consolidated basis. A number of derivative transactions are performed in order to achieve an efficient coverage in the absence of operative or natural hedges. Almost all of these transactions are forward exchange rates contracts. See Note 24.

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

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

The value of Tenaris's financial assets and liabilities is subject to changes arising from the variation of foreign currency exchange rates. The following table provides a breakdown of Tenaris's main financial assets and liabilities (including foreign exchange derivative contracts) which impact the Company's profit and loss as of December 31, 2019 and 2018:

All amounts Long / (Short) in thousands of U.S.dollars AS OF DECEMBER 31	2019	2018
CURRENCY EXPOSURE / FUNCTIONAL CURRENCY		
Argentine Peso / U.S. dollar	(95,811)	(186,867)
Euro / U.S. dollar	(103,518)	(175,419)
Saudi Arabian Riyal / U.S. dollar	(107,582)	–

The main relevant exposures correspond to:

- **Argentine Peso / U.S. dollar**
  As of December 31, 2019 and 2018 consisting primarily of Argentine Peso-denominated financial, trade, social and fiscal payables at certain Argentine subsidiaries whose functional currency is the U.S. dollar. A change of 1% in the ARS/USD exchange rate would have generated a pre-tax gain / loss of $1.0 million and $1.9 million as of December 31, 2019 and 2018 respectively.

- **Euro / U.S. dollar**
  As of December 31, 2019 and 2018, consisting primarily of Euro-denominated intercompany liabilities at certain subsidiaries whose functional currency is the U.S. dollar. A change of 1% in the EUR/USD exchange rate would have generated a pre-tax gain / loss of $1.0 million and $1.3 million as of December 31, 2019 and 2018, respectively, which would have been to a large extent offset by changes in currency translation adjustment included in Tenaris's net equity position.

- **Saudi Arabian Riyal / U. S. Dollar**
  As of December 31, 2019 consisting primarily of Saudi Arabian Riyal-denominated financial and trade payables. The Saudi Arabian Riyal is tied to the dollar.

Considering the balances held as of December 31, 2019 on financial assets and liabilities exposed to foreign exchange rate fluctuations, Tenaris estimates that the impact of a simultaneous 1% appreciation / depreciation movement in the levels of foreign currencies exchange rates relative to the U.S. dollar, would be a pre-tax gain / loss of $4.6 million (including a loss / gain of $4.9 million due to foreign exchange derivative contracts), which would be partially offset by changes to Tenaris's net equity position of $0.6 million. For balances held as of December 31, 2018, a simultaneous 1% favorable / unfavorable movement in the foreign currencies exchange rates relative to the U.S. dollar, would have generated a pre-tax gain / loss of $3.6 million (including a loss / gain of $2.3 million due to foreign exchange derivative contracts), which would have been partially offset by changes to Tenaris's net equity position of $1.9 million.

The Company entered into foreign exchange derivative contracts to mitigate the exposure to fluctuations in exchange rates.

III. Interest rate risk

Tenaris is subject to interest rate risk on its investment portfolio and its debt. The Company uses a mix of variable and fixed rate debt in combination with its investment portfolio strategy. The Company may choose to enter into foreign exchange derivative contracts and / or interest rate swaps to mitigate the exposure to changes in the interest rates.

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

AS OF DECEMBER 31	2019		2018	
	Amount in thousands of U.S. dollars	Percentage	Amount in thousands of U.S. dollars	Percentage
Fixed rate (*)	768,002	93%	520,471	97%
Variable rate	54,150	7%	18,536	3%
Total	**822,152**		**539,007**	

(*) Out of the $768 million fixed rate borrowings, $728 million are short-term.

The Company estimates that, if market interest rates applicable to Tenaris's borrowings had been 100 basis points higher, then the additional pre-tax loss would have been $7.7 million in 2019 and $8.2 million in 2018.

IV. Credit risk

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

There is no significant concentration of credit risk from customers. No single customer comprised more than 10% of Tenaris's net sales in 2019, 2018 and 2017.

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

As of December 31, 2019 and 2018 trade receivables amount to $1,348.2 million and $1,737.4 million respectively. Trade receivables have guarantees under credit insurance of $178.7 million and $181.7 million, letter of credit and other bank guarantees of $55.2 million and $62.3 million, and other guarantees of $0.6 million and $42.2 million as of December 31, 2019 and 2018 respectively.

As of December 31, 2019 and 2018, overdue trade receivables amounted to $242.7 million and $368.4 million, respectively. As of December 31, 2019 and 2018, overdue guaranteed trade receivables amounted to $28.7 million and $31.5 million; and the allowance for doubtful accounts amounted to $48.8 million and $66.5 million respectively. Both the allowance for doubtful accounts and the existing guarantees are sufficient to cover doubtful trade receivables.

V. Counterparty risk

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

Approximately 96% of Tenaris's liquid financial assets correspond to Investment Grade-rated instruments as of December 31, 2019, in comparison with approximately 83% as of December 31, 2018.

VI. Liquidity risk

Tenaris financing strategy aims to maintain adequate financial resources and access to additional liquidity. During 2019, Tenaris has counted on cash flows from operations as well as additional bank financing to fund its transactions.

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

Liquid financial assets as a whole (comprising cash and cash equivalents and other investments) were 12% of total assets at the end of 2019 compared to 7% at the end of 2018.

Tenaris has a conservative approach to the management of its liquidity, which consists of i) cash and cash equivalents (cash in banks, liquidity funds and investments with a maturity of less than three months at the date of purchase), and ii) Other Investments (fixed income securities, time deposits, and fund investments).

Tenaris holds primarily investments in money market funds and variable or fixed-rate securities from investment grade issuers. As of December 31, 2019 and 2018, Tenaris does not have direct exposure to financial instruments issued by European sovereign counterparties.

Tenaris holds its investments primarily in U.S. dollars. As of December 31, 2019 and 2018, U.S. dollar denominated liquid assets represented approximately 95% of total liquid financial assets.

VII. Commodity price risk

In the ordinary course of its operations, Tenaris purchases commodities and raw materials that are subject to price volatility caused by supply conditions, political and economic variables and other factors. As a consequence, Tenaris is exposed to risk resulting from fluctuations in the prices of these commodities and raw materials. Tenaris fixes the prices of such raw materials and commodities for short-term periods, typically not in excess of one year, in general Tenaris does not hedge this risk.

B. Category of financial instruments and classification within the fair value hierarchy

As mentioned in note II.A, the Company classifies its financial instruments in the following measurement categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss. For financial instruments that are measured in the statement of financial position at fair value, IFRS 13, "Fair value measurement" requires a disclosure of fair value measurements by level according to the following fair value measurement hierarchy:

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

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

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

The following tables present the financial instruments by category and levels as of December 31, 2019 and 2018.

DECEMBER 31, 2019		MEASUREMENT CATEGORIES			AT FAIR VALUE		
	Carrying Amount	Amortized Cost	FVOCI	FVPL	Level 1	Level 2	Level 3
ASSETS							
CASH AND CASH EQUIVALENTS	**1,554,299**	**387,602**	–	**1,166,697**	**1,166,697**	–	–
OTHER INVESTMENTS	**210,376**	**65,874**	**144,502**	–	**134,990**	**9,512**	–
Fixed Income (time-deposit, zero coupon bonds, commercial papers)	65,874	65,874	–	–	–	–	–
Certificates of Deposits	20,637	20,637	–	–	–	–	–
Commercial Papers	4,993	4,993	–	–	–	–	–
Other notes	40,244	40,244	–	–	–	–	–
Bonds and other fixed income	144,502	–	144,502	–	134,990	9,512	–
U.S. government securities	10,211	–	10,211	–	10,211	–	–
Non - U.S. government securities	28,637	–	28,637	–	19,125	9,512	–
Corporates securities	105,654	–	105,654	–	105,654	–	–
DERIVATIVE FINANCIAL INSTRUMENTS	**19,929**	–	–	**19,929**	–	**19,929**	–
OTHER INVESTMENTS NON-CURRENT	**24,934**	–	**18,012**	**6,922**	**18,012**	–	**6,922**
Bonds and other fixed income	18,012	–	18,012	–	18,012	–	–
Other Investments	6,922	–	–	6,922	–	–	6,922
TRADE RECEIVABLES	**1,348,160**	**1,348,160**	–	–	–	–	–
RECEIVABLES C AND NC (*)	**261,678**	**93,239**	**48,659**	–	–	–	**48,659**
Other receivables	141,898	93,239	48,659	–	–	–	48,659
Other receivables (non-financial)	119,780	–	–	–	–	–	–
Total		**1,894,875**	**211,173**	**1,193,548**	**1,319,699**	**29,441**	**55,581**
LIABILITIES							
BORROWINGS C AND NC	**822,152**	**822,152**	–	–	–	–	–
TRADE PAYABLES	**555,887**	**555,887**	–	–	–	–	–
FINANCE LEASE LIABILITIES C AND NC	**230,167**	**230,167**	–	–	–	–	–
DERIVATIVE FINANCIAL INSTRUMENTS	**1,814**	–	–	**1,814**	–	**1,814**	–
Total		**1,608,206**	–	**1,814**	–	**1,814**	–

(*) Includes balances related to interest in our Venezuelan companies. See Note 33.

DECEMBER 31, 2018		MEASUREMENT CATEGORIES			AT FAIR VALUE		
	Carrying Amount	Amortized Cost	FVOCI	FVPL	Level 1	Level 2	Level 3
ASSETS							
CASH AND CASH EQUIVALENTS	**428,361**	**268,163**	**–**	**160,198**	**160,198**	**–**	**–**
OTHER INVESTMENTS	**487,734**	**300,410**	**166,094**	**21,230**	**168,165**	**19,159**	**–**
Fixed Income (time-deposit, zero coupon bonds, commercial papers)	300,410	300,410	–	–	–	–	–
Certificates of Deposits	198,912	198,912	–	–	–	–	–
Commercial Papers	9,932	9,932	–	–	–	–	–
Other notes	91,566	91,566	–	–	–	–	–
Bonds and other fixed income	187,324	–	166,094	21,230	168,165	19,159	–
U.S. government securities	1,077	–	1,077	–	1,077	–	–
Non - U.S. government securities	24,912	–	24,912	–	24,912	–	–
Corporates securities	142,176	–	140,105	2,071	142,176	–	–
Structured notes	19,159	–	–	19,159	–	19,159	–
DERIVATIVE FINANCIAL INSTRUMENTS	**9,173**	**–**	**–**	**9,173**	**–**	**9,173**	**–**
OTHER INVESTMENTS NON-CURRENT	**118,155**	**–**	**113,830**	**4,326**	**113,830**	**–**	**4,326**
Bonds and other fixed income	113,830	–	113,830	–	113,830	–	–
Other Investments	4,326	–	–	4,326	–	–	4,326
TRADE RECEIVABLES	**1,737,366**	**1,737,366**	**–**	**–**	**–**	**–**	**–**
RECEIVABLES C AND NC (*)	**307,790**	**139,474**	**48,711**	**–**	**–**	**52**	**48,659**
Other receivables	188,185	139,474	48,711	–	–	52	48,659
Other receivables (non-financial)	119,605	–	–	–	–	–	–
Total		**2,445,413**	**328,635**	**194,927**	**442,193**	**28,384**	**52,985**
LIABILITIES							
BORROWINGS C AND NC	**539,007**	**539,007**	**–**	**–**	**–**	**–**	**–**
TRADE PAYABLES	**693,673**	**693,673**	**–**	**–**	**–**	**–**	**–**
DERIVATIVE FINANCIAL INSTRUMENTS	**11,978**	**–**	**–**	**11,978**	**–**	**11,978**	**–**
Total		**1,232,680**	**–**	**11,978**	**–**	**11,978**	**–**

(*) Includes balances related to interest in our Venezuelan companies. See Note 33.

There were no transfers between Levels during the year.

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.

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 the Company interest in Venezuelan companies. See Note 33.

The following table presents the changes in Level 3 assets and liabilities:

	Assets / Liabilities	
YEAR ENDED DECEMBER 31	2019	2018
At the beginning of the year	52,985	26,409
Addition / (Decrease)	2,933	26,768
Currency translation adjustment and others	(337)	(192)
At the end of the year	**55,581**	**52,985**

C. Fair value estimation

Financial assets or liabilities classified 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.

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.

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.

The carrying amount of investments valuated at amortized cost approximates its fair value.

D. Accounting for derivative financial instruments and hedging activities

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

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

Tenaris designates certain derivatives and non derivative financial liabilities (leasing liabilities denominated in Japanese Yen) as hedges of particular risks associated with recognized assets or liabilities or highly probable forecast transactions. These transactions are classified as cash flow hedges. The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. Similarly the effective portion of the foreign exchange result on the designated leasing liability is recognized in equity Amounts accumulated in equity are then recognized in the income statement in the same period as the offsetting losses and gains on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of Tenaris's derivative financial instruments (assets or liabilities) continues to be reflected in the statement of financial position. The lease liability will be recognized on the balance sheet at each period end at the exchange rate as of the end of each month. The full fair value of a hedging derivative and the leasing liability is classified as a current or non-current asset or liability according to its expiry date.

For transactions designated and qualifying for hedge accounting, Tenaris documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. Tenaris also documents its assessment on an ongoing basis, of whether the hedging instrument are highly effective in offsetting changes in the fair value or cash flow of hedged items. At December 31, 2019 and 2018, the effective portion of designated cash flow hedges which is included in *Other Reserves* in equity amounts to $2.6 million credit and $0.9 million debit respectively. See Note 24.

The fair values of various derivative instruments used for hedging purposes and the movements of the hedging reserve included within *Other Reserves* in equity are disclosed in Note 24.

IV. Other notes to the Consolidated financial statements

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

1. Segment information

As mentioned in section II. AP – C, the Segment Information is disclosed as follows:

Reportable operating segments

All amounts in million U.S. dollar

YEAR ENDED DECEMBER 31, 2019	Tubes	Other	Continuing operations	Discontinued operations
IFRS - Net Sales	**6,870**	**424**	**7,294**	**–**
MANAGEMENT VIEW - Operating income	857	73	929	–
Difference in cost of sales	(105)	3	(102)	–
Differences in depreciation and amortization	(1)	(0)	(1)	–
Differences in selling, general and administrative expenses	(1)	1	(0)	–
Differences in other operating income (expenses), net	6	–	6	–
IFRS - Operating income	**755**	**77**	**832**	**–**
Financial income (expense), net			19	–
Income before equity in earnings of non-consolidated companies and income tax			**852**	**–**
Equity in earnings of non-consolidated companies			82	–
Income before income tax			**934**	**–**
Capital expenditures	338	12	350	–
Depreciation and amortization	523	17	540	–

All amounts in million U.S. dollar

YEAR ENDED DECEMBER 31, 2018	Tubes	Other	Continuing operations	Discontinued operations
IFRS - Net Sales	**7,233**	**426**	**7,659**	**–**
MANAGEMENT VIEW - Operating income	702	81	783	–
Difference in cost of sales	112	7	119	–
Differences in depreciation and amortization	(34)	–	(34)	–
Differences in selling, general and administrative expenses	(2)	6	4	–
IFRS - operating income	**777**	**95**	**872**	**–**
Financial income (expense), net			37	–
Income before equity in earnings of non-consolidated companies and income tax			**909**	**–**
Equity in earnings of non-consolidated companies			194	–
Income before income tax			**1,103**	**–**
Capital expenditures	346	3	349	–
Depreciation and amortization	645	19	664	–

YEAR ENDED DECEMBER 31, 2017	Tubes	Other	Continuing operations	Discontinued operations
IFRS - Net Sales	**4,966**	**323**	**5,289**	**12**
MANAGEMENT VIEW - Operating income	115	48	163	3
Difference in cost of sales	164	1	165	(1)
Differences in depreciation and amortization	(3)	–	(3)	–
Differences in selling, general and administrative expenses	14	(6)	8	–
Differences in other operating income (expenses), net	2	–	2	–
IFRS - operating income	**292**	**43**	**335**	**2**
Financial income (expense), net			(23)	–
Income before equity in earnings of non-consolidated companies and income tax			**312**	**2**
Equity in earnings of non-consolidated companies			116	–
Income before income tax			**428**	**2**
Capital expenditures	550	8	558	–
Depreciation and amortization	594	15	609	–

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 $36, $52 and $53 million in 2019, 2018 and 2017, respectively.

There are no material differences between total reportable segments' revenues and the entity's revenue under IFRS.

The main differences between operating income under IFRS view and the management view are mainly related to the cost of goods sold and other timing differences. See Section II. A. C. Segment Information.

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.

Geographical information

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31, 2019	North America	South America	Europe	Middle East & Africa	Asia Pacific	Unallocated (*)	Total continuing operations	Total discontinued operations
Net sales	3,429,911	1,391,288	738,880	1,382,172	351,804	–	7,294,055	–
Total assets	7,885,120	2,227,044	2,282,775	958,424	609,663	879,965	14,842,991	–
Trade receivables	612,809	176,173	149,321	319,406	90,451	–	1,348,160	–
Property, plant and equipment, net	3,771,570	1,129,260	816,721	254,858	117,608	–	6,090,017	–
Capital expenditures	169,390	113,999	55,169	4,578	7,038	–	350,174	–
Depreciation and amortization	276,046	105,308	82,400	42,520	33,247	–	539,521	–
YEAR ENDED DECEMBER 31, 2018								
Net sales	3,611,509	1,462,044	724,733	1,559,988	300,314	–	7,658,588	–
Total assets	7,971,311	2,489,522	1,913,589	588,746	482,563	805,568	14,251,299	–
Trade receivables	791,190	280,801	215,202	383,358	66,815	–	1,737,366	–
Property, plant and equipment, net	3,859,060	1,133,113	848,178	94,040	129,517	–	6,063,908	–
Capital expenditures	196,220	68,603	77,467	2,047	5,136	–	349,473	–
Depreciation and amortization	441,705	108,558	82,769	10,389	20,936	–	664,357	–
YEAR ENDED DECEMBER 31, 2017								
Net sales	2,451,357	1,142,142	545,777	937,439	211,789	–	5,288,504	11,899
Total assets	7,925,520	2,975,599	2,002,658	391,029	441,546	661,866	14,398,218	–
Trade receivables	582,204	234,877	214,944	135,524	46,511	–	1,214,060	–
Property, plant and equipment, net	3,914,229	1,190,145	878,788	102,481	143,500	–	6,229,143	–
Capital expenditures	430,142	58,949	57,285	7,562	4,153	–	558,091	145
Depreciation and amortization	354,091	126,273	93,900	12,094	22,282	–	608,640	–

(*) For 2019 and 2018 includes Investments in non-consolidated companies, for 2017 includes Investments in non-consolidated companies and Other equity investments for $21.6 million. See Note 12 and 33.

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 (31%); "South America" comprises principally Argentina (12%), Brazil and Colombia; "Europe" comprises principally Italy, Romania and United Kingdom; "Middle East and Africa" comprises principally Egypt, Kazakhstan, Nigeria, India and Saudi Arabia and; "Asia Pacific" comprises principally China, Japan, Indonesia and Thailand.

Revenue is mainly recognized at a point in time to direct customers, when control has been transferred and there is no unfulfilled performance obligation that could affect the acceptance of the product by the customer. Tenaris's revenues related to governmental institutions represents approximately 21%, 15% and 17% in 2019, 2018 and 2017 respectively.

Tubes segment revenues by market:

In million US dollar

REVENUES TUBES	2019	2018	2017
Oil and Gas	5,757	6,042	4,034
Hydrocarbon Processing and Power Generation	534	602	484
Industrial and Other	579	589	448
Total	**6,870**	**7,233**	**4,966**

At December 2019, 2018 and 2017, the Company recognized contract liabilities related to customer advances in the amount of $82.7, $62.7 and $56.7 million, respectively. These amounts related to years 2018 and 2017 were reclassified to revenues during the subsequent year. In these periods, no significant adjustment in revenues were performed related to performance obligations previously satisfied.

2. Cost of sales

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31	2019	2018	2017
INVENTORIES AT THE BEGINNING OF THE YEAR	**2,524,341**	**2,368,304**	**1,563,889**
Increase in inventory due to business combinations	52,966	–	–
PLUS: CHARGES OF THE YEAR			
Raw materials, energy, consumables and other	2,709,629	3,400,396	2,794,503
Services and fees	222,415	275,130	244,035
Labor cost	870,261	855,040	778,408
Depreciation of property, plant and equipment	428,791	432,497	383,490
Amortization of intangible assets	5,948	8,220	18,621
Depreciation of right-of-use assets	28,727	–	–
Maintenance expenses	284,758	185,782	183,370
Allowance for obsolescence	29,138	25,457	(12,917)
Taxes	100,738	133,308	18,542
Other	115,663	119,507	88,823
	4,849,034	**5,435,337**	**4,496,875**
LESS: INVENTORIES AT THE END OF THE YEAR	**(2,265,880)**	**(2,524,341)**	**(2,368,304)**
From discontinued operations	–	–	(7,403)
	5,107,495	**5,279,300**	**3,685,057**

3. Selling, general and administrative expenses

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31	2019	2018	2017
Services and fees	153,773	128,090	132,301
Labor cost	481,854	470,928	443,338
Depreciation of property, plant and equipment	18,524	16,968	17,979
Amortization of intangible assets	41,967	206,672	188,550
Depreciation of right-of-use assets	15,564	–	–
Commissions, freight and other selling expenses	441,442	491,555	339,759
Provisions for contingencies	28,565	23,498	17,664
Allowances for doubtful accounts	(16,256)	1,751	(5,421)
Taxes	110,876	71,110	56,826
Other	89,665	99,404	81,061
	1,365,974	**1,509,976**	**1,272,057**
From discontinued operations	–	–	(2,041)
	1,365,974	**1,509,976**	**1,270,016**

4. Labor costs (included in Cost of sales and in Selling, general and administrative expenses)

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31	2019	2018	2017
Wages, salaries and social security costs	1,274,474	1,250,783	1,144,341
Severance indemnities	24,637	25,225	34,497
Defined contribution plans	12,663	13,217	12,401
Pension benefits - defined benefit plans	18,207	15,390	15,066
Employee retention and long term incentive program	22,134	21,353	15,441
	1,352,115	**1,325,968**	**1,221,746**
From discontinued operations	–	–	(853)
	1,352,115	**1,325,968**	**1,220,893**

The following table shows the geographical distribution of the employees:

COUNTRY	2019	2018	2017
Argentina	5,405	5,427	5,221
Mexico	5,370	5,595	5,139
USA	2,255	2,382	1,953
Italy	2,144	2,155	2,088
Romania	1,815	1,852	1,870
Brazil	1,360	1,287	1,382
Colombia	1,040	1,082	1,003
Canada	772	1,030	919
Indonesia	616	554	506
Japan	400	399	410
Other	2,023	1,204	1,114
	23,200	**22,967**	**21,605**

5. Other operating income and expenses

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31	2019	2018	2017
OTHER OPERATING INCOME			
Net income from other sales	8,651	3,604	4,395
Net rents	5,089	4,909	4,325
Other	8,025	6,546	1,796
Recovery on allowance for doubtful receivables	1,239	–	–
	23,004	**15,059**	**10,516**
OTHER OPERATING EXPENSES			
Contributions to welfare projects and non-profits organizations	11,199	11,379	9,158
Loss on fixed assets and material supplies disposed / scrapped	–	–	118
Allowance for doubtful receivables	–	1,179	84
	11,199	**12,558**	**9,360**
From discontinued operations	–	–	(1)
	11,199	**12,558**	**9,359**

6. Financial results

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31	2019	2018	2017
Interest Income	48,061	42,244	51,525
Net result on changes in FV of financial assets at FVTPL	(64)	(2,388)	(3,920)
Finance Income (*)	**47,997**	**39,856**	**47,605**
Finance Cost	**(43,381)**	**(36,942)**	**(27,072)**
Net foreign exchange transactions results (**)	27,868	28,845	(48,955)
Foreign exchange derivatives contracts results (***)	(11,616)	6,576	(8,996)
Other	(1,585)	(1,035)	14,392
Other financial results	**14,667**	**34,386**	**(43,559)**
Net financial results	**19,283**	**37,300**	**(23,026)**
From discontinued operations	–	–	9
	19,283	**37,300**	**(23,017)**

(*) Finance Income: In 2019 and 2018 includes $7.6 and $3.6 million of interest related to instruments carried at FVPL, respectively.

(**) Net foreign exchange transactions results: IIn 2019 mainly includes the result from the Argentine peso depreciation against the U.S. dollar on Peso denominated financial, trade, social and fiscal payables and receivables at Argentine subsidiaries with functional currency U.S. dollar.

In 2018 mainly includes the result from the Argentine peso depreciation against the U.S. dollar on Peso denominated financial, trade, social and fiscal payables and receivables at Argentine subsidiaries with functional currency U.S. dollar, together with 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 an increase in currency translation adjustment reserve from our Italian subsidiary.

In 2017 mainly 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 our Italian subsidiary.

(***) Foreign exchange derivatives contracts results: In 2019 includes mainly losses on derivatives covering net payables in Argentine peso and in Euros and net receivables in Canadian dollar.

In 2018 includes mainly gain on derivatives covering net receivables in Canadian dollar.

In 2017 includes mainly losses on derivatives covering net receivables in Brazilian real and Canadian dollar and net payables in Argentine peso, partially offset by gains on derivatives covering net payables in Euro.

7. Income tax

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31	2019	2018	2017
Current tax	299,692	343,104	184,016
Deferred tax	(97,240)	(113,897)	(100,432)
	202,452	**229,207**	**83,584**
From discontinued operations	–	–	(100,720)
	202,452	**229,207**	**(17,136)**

The tax on Tenaris's income before tax differs from the theoretical amount that would arise using the tax rate in each country as follows:

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31	2019	2018	2017
Income before income tax	**933,710**	**1,103,107**	**427,711**
Tax calculated at the tax rate in each country	186,752	207,422	6,456
Effect of currency translation on tax base	53,296	77,552	(922)
Changes in the tax rates	(13)	1,824	(62,968)
Utilization of previously unrecognized tax losses	(547)	–	–
Tax revaluation, withholding tax and others	(37,036)	(57,591)	40,298
Tax charge	**202,452**	**229,207**	**(17,136)**

Effect of currency translation on tax base, Tenaris applies the liability method to recognize deferred income tax on temporary differences between the tax bases of assets/liabilities and their carrying amounts in the financial statements. By application of this method, Tenaris recognizes gains and losses on deferred income tax due to the effect of the change in the value on the tax basis in subsidiaries (mainly Argentina and Mexico), which have a functional currency different than their local currency. These gains and losses are required by IFRS even though the revalued / devalued tax bases of the relevant assets will not result in any deduction / obligation for tax purposes in future periods.

Tax revaluation, withholding tax and others, mainly includes a net tax income of $66 and $65 million for 2019 and 2018 respectively related to the tax revaluation regime in Argentina and Mexico; it also includes a charge of $34 and $26 million for 2019 and 2018 respectively related to withholding taxes for intra group international operations.

Changes in the tax rates, in 2017 it includes mainly the effect of the changes in tax rate in Argentine and US subsidiaries for approximately $46 million and $15 million respectively.

8. Dividends distribution

On October 30, 2019, the Company's Board of Directors approved the payment of an interim dividend of $0.13 per share ($0.26 per ADS), or approximately $153 million, paid on November 20, 2019, with an ex-dividend date of November 18, 2019.

On May 6, 2019, 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 on November 21, 2018 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 22, 2019. In the aggregate, the interim dividend paid in November 2018 and the balance paid in May 2019 amounted to approximately $484 million.

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 on 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 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 on 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 million.

9. Property, plant and equipment, net

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31, 2019	Land and civil buildings	Industrial buildings, plant and production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts and equipment	**Total**
COST						
Values at the beginning of the year	732,578	12,121,569	377,260	127,378	63,197	13,421,982
Translation differences	(1,611)	(38,961)	(1,615)	(864)	(256)	(43,307)
Increase due to business combinations (*)	59,468	115,908	1,733	1,630	–	178,739
Additions	16	1,178	1,107	299,412	12,202	313,915
Disposals / Consumptions	(35)	(27,153)	(7,110)	(2,120)	(2,557)	(38,975)
Transfers / Reclassifications	8,723	296,272	28,349	(317,128)	(11,984)	4,232
Values at the end of the year	**799,139**	**12,468,813**	**399,724**	**108,308**	**60,602**	**13,836,586**
DEPRECIATION						
Accumulated at the beginning of the year	110,914	6,936,900	310,260	–	–	7,358,074
Translation differences	(420)	(24,973)	(1,485)	–	–	(26,878)
Depreciation charge	11,409	415,826	20,080	–	–	447,315
Transfers / Reclassifications	(362)	(38)	–	–	–	(400)
Disposals / Consumptions	(73)	(25,580)	(5,889)	–	–	(31,542)
Accumulated at the end of the year	**121,468**	**7,302,135**	**322,966**	**–**	**–**	**7,746,569**
At December 31, 2019	**677,671**	**5,166,678**	**76,758**	**108,308**	**60,602**	**6,090,017**

(*) Related to SSP acquisition. See Note 27.

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31, 2018	Land and civil buildings	Industrial buildings, plant and production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts and equipment	**Total**
COST						
Values at the beginning of the year	712,061	11,954,585	370,542	167,079	42,413	13,246,680
Translation differences	(5,628)	(117,977)	(5,458)	(2,269)	(424)	(131,756)
Additions	723	681	1,245	294,163	20,756	317,568
Disposals / Consumptions	(221)	(21,836)	(10,269)	(42)	(3,541)	(35,909)
Transfers / Reclassifications	25,643	306,116	21,200	(331,553)	3,993	25,399
Values at the end of the year	**732,578**	**12,121,569**	**377,260**	**127,378**	**63,197**	**13,421,982**
DEPRECIATION						
Accumulated at the beginning of the year	101,197	6,612,871	303,469	–	–	7,017,537
Translation differences	(1,383)	(72,141)	(4,939)	–	–	(78,463)
Depreciation charge	11,153	417,229	21,083	–	–	449,465
Transfers / Reclassifications	–	173	(671)	–	–	(498)
Disposals / Consumptions	(53)	(21,232)	(8,682)	–	–	(29,967)
Accumulated at the end of the year	**110,914**	**6,936,900**	**310,260**	**–**	**–**	**7,358,074**
At December 31, 2018	**621,664**	**5,184,669**	**67,000**	**127,378**	63,197	**6,063,908**

Property, plant and equipment include capitalized interests for net amounts at December 31, 2019 and 2018 of $35.4 million and $37.4 million, respectively. There were no interest capitalized during 2019 and 2018.

10. Intangible assets, net

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31, 2019	Information system projects	Licenses, patents and trademarks (*)	Goodwill	Customer relationships	Total
COST					
Values at the beginning of the year	580,622	464,571	2,085,936	2,058,859	5,189,988
Translation differences	(1,917)	(70)	(968)	–	(2,955)
Increase due to business combinations (**)	405	–	32,869	81,192	114,466
Additions	35,487	772	–	–	36,259
Transfers / Reclassifications	(4,665)	–	–	–	(4,665)
Disposals	(5,062)	(1,531)	–	–	(6,593)
Values at the end of the year	**604,870**	**463,742**	**2,117,837**	**2,140,051**	**5,326,500**
AMORTIZATION					
Accumulated at the beginning of the year	513,984	373,466	797,592	2,038,981	3,724,023
Translation differences	(1,734)	–	–	–	(1,734)
Amortization charge	28,937	719	–	18,259	47,915
Disposals	(4,850)	(413)	–	–	(5,263)
Accumulated at the end of the year	**536,337**	**373,772**	**797,592**	**2,057,240**	**3,764,941**
At December 31, 2019	**68,533**	**89,970**	**1,320,245**	**82,811**	**1,561,559**

(*) Includes Proprietary Technology.

(**) Related to SSP acquisition.

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31, 2018	Information system projects	Licenses, patents and trademarks (*)	Goodwill	Customer relationships	Total
COST					
Values at the beginning of the year	560,692	465,963	2,090,073	2,058,859	5,175,587
Translation differences	(6,153)	(183)	(4,137)	–	(10,473)
Additions	31,632	273	–	–	31,905
Transfers / Reclassifications	(5,493)	–	–	–	(5,493)
Disposals	(56)	(1,482)	–	–	(1,538)
Values at the end of the year	**580,622**	**464,571**	**2,085,936**	**2,058,859**	**5,189,988**
AMORTIZATION					
Accumulated at the beginning of the year	478,946	372,746	797,592	1,865,444	3,514,728
Translation differences	(5,551)	–	–	–	(5,551)
Amortization charge	40,635	720	–	173,537	214,892
Disposals	(46)	–	–	–	(46)
Accumulated at the end of the year	**513,984**	**373,466**	**797,592**	**2,038,981**	**3,724,023**
At December 31, 2018	**66,638**	**91,105**	**1,288,344**	**19,878**	**1,465,965**

(*) Includes Proprietary Technology.

The geographical allocation of goodwill for the year ended December 31, 2019 was $1,168.4 million for North America, $116.2 million for South America, $1.9 million for Europe and $33.7 million for Middle East & Africa.

The carrying amount of goodwill allocated by CGU, as of December 31, 2019, was as follows:

All amounts in million U.S.dollars

As of December 31, 2019	Tubes Segment			Other Segment	Total
CGU	Maverick Acquisition	Hydril Acquisition	Other	Maverick Acquisition	
OCTG (USA)	225	–	–	–	225
Tamsa (Hydril and other)	–	346	19	–	365
Siderca (Hydril and other)	–	265	93	–	358
Hydril	–	309	–	–	309
Confab	–	–	–	–	–
Coiled Tubing	–	–	–	4	4
Other	–	–	59	–	59
Total	**225**	**920**	**171**	**4**	**1,320**

11. Right-of-use assets, net and lease liabilities

Right of use assets evolution

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31, 2019	Land and civil buildings	Industrial buildings, plant and production equipment	Vehicles, furniture and fixtures	**Total**
COST				
Opening net book amount	27,713	202,352	8,335	238,400
Increase due to business combinations	229	2,038	–	2,267
Currency translation adjustment	(88)	6	8	(74)
Additions	9,292	24,985	7,165	41,442
Disposals	(1,009)	(4,488)	(818)	(6,315)
Transfers	–	496	(496)	–
At December 31, 2019	**36,137**	**225,389**	**14,194**	**275,720**
DEPRECIATION				
Accumulated at the beginning of the year	–	–	–	–
Translation differences	(3)	3	8	8
Depreciation charge	8,514	31,869	3,908	44,291
Transfers / Reclassifications	–	(62)	62	–
Disposals / Consumptions	(181)	(1,229)	(295)	(1,705)
Accumulated at the end of the year	**8,330**	**30,581**	**3,683**	**42,594**
At December 31, 2019	**27,807**	**194,808**	**10,511**	**233,126**

Depreciation of right-of-use assets was mainly included in Tubes segment.

The initial cost of right-of-use assets consists of the initial lease liability plus lease payments made in 2018 of approximately $4 million.

Lease liability evolution

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31, 2019	2019
Opening net book amount	234,149
Increase due to business combinations	2,267
Translation differences	2,690
Additions	36,957
Cancellations	(4,688)
Repayments	(43,974)
Interest accrued	2,766
At December 31, 2019	**230,167**

(*) The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 2.4%.

The amount of remaining payments with maturity less than 1 year, between 2 and 5 years and more than 5 years is approximately 16%, 44% and 40% of the total remaining payments, respectively.

Expense relating to short-term leases and low value leases (included in *cost of sales and selling, general and administrative expenses*) in the period amounted to $15.1 million and $1.3 million respectively.

12. Investments in non-consolidated companies

YEAR ENDED DECEMBER 31	2019	2018
At the beginning of the year	805,568	640,294
Translation differences	(10,781)	1,848
Equity in earnings of non-consolidated companies	82,036	193,994
Increase due to business combinations	20,635	–
Dividends and distributions received (*)	(28,037)	(26,581)
Additions	19,610	–
Decrease / increase in equity reserves and others	(9,066)	(3,987)
At the end of the year	**879,965**	**805,568**

(*) Related to Ternium and Usiminas. During 2019, $29.0 million were collected.

The principal non-consolidated companies are:

Company	Country of incorporation	% ownership at December 31,		Value at December 31,	
		2019	2018	2019	2018
a) Ternium (*)	Luxembourg	11.46%	11.46%	751,105	725,548
b) Usiminas (**)	Brazil	3.07%	3.07%	74,593	72,988
Others	–	–	–	54,267	7,032
				879,965	**805,568**

(*) Including treasury shares

(**) At December 31, 2019 and 2018 the voting rights were 5.2%.

a) Ternium

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 December 31, 2019, the closing price of Ternium's ADSs as quoted on the New York Stock Exchange was $22 per ADS, giving Tenaris's ownership stake a market value of approximately $505.4 million. At December 31, 2019, the carrying value of Tenaris's ownership stake in Ternium, based on Ternium's IFRS Financial Statements, was approximately $751.1 million.

As of December 31, 2019 the Company concluded that the carrying amount does not exceed the recoverable value of the investment.

Summarized selected financial information of Ternium, including the aggregated amounts of assets, liabilities, revenues and profit or loss is as follows:

TERNIUM	2019	2018
Non-current assets	8,757,320	8,121,824
Current assets	4,178,213	4,426,038
Total assets	**12,935,533**	**12,547,862**
Non-current liabilities	3,452,535	3,236,756
Current liabilities	1,768,125	1,826,530
Total liabilities	**5,220,660**	**5,063,286**
Non-controlling interests	**1,103,208**	**1,091,321**
Revenues	10,192,818	11,454,807
Gross profit	1,740,378	2,971,479
Net income for the year attributable to owners of the parent	**564,269**	**1,506,647**
Total comprehensive income for the year, net of tax, attributable to owners of the parent	445,473	1,176,964

b) Usiminas

Usiminas is a Brazilian producer of high quality flat steel products used in the energy, automotive and other industries.

As of December 31, 2019, the closing price of the Usiminas' ordinary and preferred shares, as quoted on the B3 - Brasil Bolsa Balcão S.A, was BRL9.83 ($2.44) and BRL9.51 ($2.36), respectively, giving Tenaris's ownership stake a market value of approximately $92 million. As of that date, the carrying value of Tenaris's ownership stake in Usiminas was approximately $74.6 million.

Summarized selected financial information of Usiminas, including the aggregated amounts of assets, liabilities, revenues and profit or loss is as follows:

USIMINAS	2019	2018
Non-current assets	4,335,662	4,696,896
Current assets	2,198,449	2,148,322
Total assets	**6,534,111**	**6,845,218**
Non-current liabilities	1,955,395	1,933,207
Current liabilities	716,930	860,862
Total liabilities	**2,672,325**	**2,794,069**
Non-controlling interests	**377,667**	**369,333**
Revenues	3,790,206	3,766,241
Gross profit	478,141	612,156
Net income for the year attributable to owners of the parent	**52,779**	**194,381**

c) Techgen

Techgen is a Mexican company that operates a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico. The company started producing energy on December 1, 2016, with a power capacity of 900 megawatts. As of December 31, 2019, 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 December 31, 2019, Tenaris's exposure under these agreements amounted to $51.9 million and $0.9 million respectively. Furthermore, during 2018, Techgen entered a contract for the purchase of clean energy certificates. As of December 31, 2019 Tenaris's exposure under this agreement amounted to $18.2 million.

During 2019, Techgen repaid certain subordinated loans to Techgen's sponsors; the part corresponding to Tenaris amounted to $40.5 million. As of December 31, 2019, the aggregate outstanding principal amount under these subordinated loans was $58.1 million.

On February 13, 2019, Techgen entered into a $640 million syndicated loan agreement with several banks to refinance an existing loan, resulting in the release of certain corporate guarantee issued by Techgen's shareholders to secure the replaced facility.

Techgen's obligations under the current facility, which is "non-recourse" on the sponsors, are guaranteed by a Mexican security trust covering Techgen's shares, assets and accounts as well as Techgen's affiliates rights under certain contracts. In addition, Techgen's collection and payment accounts not subject to the trust have been pledged in favor of the lenders under the new loan agreement, and certain direct agreements –customary for these type of transactions– have been entered into with third parties and affiliates, including in connection with the agreements for the sale of energy produced by the project and the agreements for the provision of gas and long-term maintenance services to Techgen. The commercial terms and conditions governing the purchase, by the Company's Mexican subsidiary Tamsa, of 22% of the energy generated by the project remain unchanged.

Under the loan agreement, Techgen is committed to maintain a debt service reserve account covering debt service becoming due during two consecutive quarters; such account is funded by stand-by letters of credit issued for the account of Techgen's sponsors in proportion to their respective participations in Techgen. Accordingly, the Company and its Swiss subsidiary, Tenaris Investments Switzerland AG, applied for stand-by letters of credit covering 22% of the debt service coverage ratio, which as of the date hereof amounts to $9.8 million.

13. Receivables – non current

YEAR ENDED DECEMBER 31	2019	2018
Employee advances and loans	6,008	3,740
Tax credits	20,065	16,025
Receivables from related parties	59,999	58,128
Legal deposits	12,378	12,446
Advances to suppliers and other advances	3,772	7,592
Derivative financial instruments	–	52
Receivable Venezuelan subsidiaries	48,659	48,659
Others	6,222	5,263
	157,103	**151,905**

14. Inventories, net

YEAR ENDED DECEMBER 31	2019	2018
Finished goods	968,329	1,025,999
Goods in process	612,888	709,497
Raw materials	221,954	256,816
Supplies	486,411	504,286
Goods in transit	194,015	237,539
	2,483,597	**2,734,137**
Allowance for obsolescence (see Note 23 (i))	(217,717)	(209,796)
	2,265,880	**2,524,341**

15. Receivables and prepayments, net

YEAR ENDED DECEMBER 31	2019	2018
Prepaid expenses and other receivables	30,579	31,599
Government entities	1,867	2,182
Employee advances and loans	8,189	6,521
Advances to suppliers and other advances	17,180	23,467
Government tax refunds on exports	670	4,896
Receivables from related parties	19,837	63,322
Miscellaneous	31,145	30,682
	109,467	**162,669**
Allowance for other doubtful accounts (see Note 23 (i))	(4,892)	(6,784)
	104,575	**155,885**

16. Current tax assets and liabilities

YEAR ENDED DECEMBER 31	2019	2018
CURRENT TAX ASSETS		
V.A.T. credits	112,161	67,322
Prepaid taxes	55,227	54,010
	167,388	**121,332**
CURRENT TAX LIABILITIES		
Income tax liabilities	64,994	182,711
V.A.T. liabilities	9,953	18,091
Other taxes	52,678	49,431
	127,625	**250,233**

17. Trade receivables, net

YEAR ENDED DECEMBER 31	2019	2018
Current accounts	1,387,494	1,778,796
Receivables from related parties	9,448	25,105
	1,396,942	**1,803,901**
Allowance for doubtful accounts (see Note 23 (i))	(48,782)	(66,535)
	1,348,160	**1,737,366**

The following table sets forth details of the aging of trade receivables:

AT DECEMBER 31, 2019	Trade Receivables	Not Due	Past due	
			1 - 180 days	> 180 days
Guaranteed	234,427	205,764	26,899	1,764
Not guaranteed	1,162,515	948,449	157,960	56,106
Guaranteed and not guaranteed	**1,396,942**	**1,154,213**	**184,859**	**57,870**
Expected loss rate	0.09%	0.04%	0.24%	0.57%
Allowance for doubtful accounts	(1,294)	(529)	(455)	(310)
Nominative allowances for doubtful accounts	(47,488)	---	(1,922)	(45,566)
Net Value	**1,348,160**	**1,153,684**	**182,482**	**11,994**

AT JANUARY 1, 2018				
Guaranteed	286,250	254,743	30,884	623
Not guaranteed	1,517,651	1,180,788	260,675	76,188
Guaranteed and not guaranteed	**1,803,901**	**1,435,531**	**291,559**	**76,811**
Expected loss rate	0.07%	0.04%	0.17%	0.43%
Allowance for doubtful accounts	(1,396)	(564)	(510)	(322)
Nominative allowances for doubtful accounts	(65,139)	–	(1,436)	(63,703)
Net Value	**1,737,366**	**1,434,967**	**289,613**	**12,786**

Trade receivables are mainly denominated in U.S. dollars.

18. Cash and cash equivalents and other investments

YEAR ENDED DECEMBER 31	2019	2018
CASH AND CASH EQUIVALENTS		
Cash at banks	118,314	81,211
Liquidity funds	1,166,697	160,198
Short – term investments	269,288	186,952
	1,554,299	**428,361**
OTHER INVESTMENTS - CURRENT		
Fixed Income (time-deposit, zero coupon bonds, commercial papers)	65,874	300,410
Bonds and other fixed Income	144,502	187,324
	210,376	**487,734**
OTHER INVESTMENTS - NON-CURRENT		
Bonds and other fixed Income	18,012	113,829
Others	6,922	4,326
	24,934	**118,155**

19. Borrowings

YEAR ENDED DECEMBER 31	2019	2018
NON-CURRENT		
Bank borrowings	40,896	29,214
Costs of issue of debt	(16)	(27)
	40,880	**29,187**
CURRENT		
Bank borrowings	781,258	508,143
Bank overdrafts	24	1,644
Finance lease liabilities	–	44
Costs of issue of debt	(10)	(11)
	781,272	**509,820**
Total Borrowings	**822,152**	**539,007**

The maturity of borrowings is as follows:

AT DECEMBER 31, 2019	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Other borrowings	781,272	17,307	23,573	–	–	–	822,152
Total borrowings	**781,272**	**17,307**	**23,573**	**–**	**–**	**–**	**822,152**
Interest to be accrued (*)	11,370	1,045	117	–	–	–	12,532
Total	**792,642**	**18,352**	**23,690**	**–**	**–**	**–**	**834,684**
AT DECEMBER 31, 2018							
Financial lease	44	–	–	–	–	–	44
Other borrowings	509,776	4,271	4,771	20,145	–	–	538,963
Total borrowings	**509,820**	**4,271**	**4,771**	**20,145**	**–**	**–**	**539,007**
Interest to be accrued (*)	8,182	1,175	1,166	169	–	–	10,692
Total	**518,002**	**5,446**	**5,937**	**20,314**	**–**	**–**	**549,699**

(*) Includes the effect of hedge accounting.

Significant borrowings include:

In million of USD

Disbursement date	Borrower	Type	Original & Outstanding	Final maturity
2019	Tamsa	Bank loans	621	2020
2019	Siderca	Bank loans	60	2020

As of December 31, 2019, Tenaris was in compliance with all of its covenants.

The weighted average interest rates before tax shown below were calculated using the rates set for each instrument in its corresponding currency as of December 31, 2019 and 2018, considering hedge accounting where applicable.

	2019	2018
Total borrowings	3.18%	3.98%

Breakdown of long-term borrowings by currency and rate is as follows:

Non-current borrowings

Currency	Interest rates	Year ended December 31	
		2019	2018
USD	Fixed	18,370	18,762
SAR	Fixed	16,106	–
EUR	Fixed	5,108	9,023
EUR	Variable	1,296	1,402
Total non-current borrowings		**40,880**	**29,187**

Breakdown of short-term borrowings by currency and rate is as follows:

Current borrowings

Currency	Interest rates	Year ended December 31	
		2019	2018
USD	Variable	17,092	16,847
USD	Fixed	274,799	138,303
EUR	Variable	80	198
EUR	Fixed	3,772	4,178
MXN	Fixed	424,964	301,047
ARS	Fixed	86	49,125
SAR	Variable	35,666	–
SAR	Fixed	24,797	–
Others	Variable	16	89
Others	Fixed	–	33
Total current borrowings		**781,272**	**509,820**

Borrowings evolution

Year ended December 31, 2019	Non current	Current
At the beginning of the year	29,187	509,820
Translation differences	(229)	669
Proceeds and repayments, net	(4,582)	203,931
Interests accrued less payments	304	2,950
Reclassifications	(11,733)	11,733
Increase due to Business Combinations	27,933	53,789
Overdrafts variation	–	(1,620)
At the end of the year	**40,880**	**781,272**

The carrying amounts of assets pledged as security for current and non-current borrowings are immaterial for the years 2019 and 2018.

20. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rate of each country.

The evolution of deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Fixed assets (*)	Inventories	Intangible and Other	Total
At the beginning of the year	710,995	25,048	46,532	782,575
Translation differences	(347)	–	(4)	(351)
Increase due to business combinations	5,621	–	11,209	16,830
Charged directly to other comprehensive income	–	–	423	423
Income statement charge / (credit)	(64,930)	(5,652)	59,902	(10,680)
At December 31, 2019	**651,339**	**19,396**	**118,062**	**788,797**
At the beginning of the year	744,926	34,934	55,585	835,445
Effect of adoption of new standards	–	–	35	35
Translation differences	(876)	–	92	(784)
Charged directly to other comprehensive income	–	–	288	288
Income statement charge	(33,055)	(9,886)	(9,468)	(52,409)
At December 31, 2018	**710,995**	**25,048**	**46,532**	**782,575**

(*) Includes the effect of currency translation on tax base. See Note 7.

Deferred tax assets

	Provisions and allowances	Inventories	Tax losses	Other	Total
At the beginning of the year	(16,116)	(86,585)	(396,257)	(86,184)	(585,142)
Translation differences	362	306	497	286	1,451
Increase due to business combinations	(1,160)	(1,413)	(1,172)	(2,238)	(5,983)
Charged directly to other comprehensive income	–	–	–	(1,261)	(1,261)
Income statement charge / (credit)	(2,739)	(5,712)	14,100	(92,209)	(86,560)
At December 31, 2019	**(19,653)**	**(93,404)**	**(382,832)**	**(181,606)**	**(677,495)**

At the beginning of the year	(26,475)	(89,555)	(354,944)	(60,033)	(531,007)
Effect of adoption of new standards	952	–	–	(164)	788
Translation differences	2,532	1,447	1,014	(38)	4,955
Charged directly to other comprehensive income	23	–	–	1,587	1,610
Income statement charge / (credit)	6,852	1,523	(42,327)	(27,536)	(61,488)
At December 31, 2018	**(16,116)**	**(86,585)**	**(396,257)**	**(86,184)**	**(585,142)**

In 2019 the effect of the adoption of IFRS 16 has been recognized as “Other” both for deferred tax assets and liabilities.

Deferred tax assets related to taxable losses of Tenaris subsidiaries are recognized to the extent it is considered probable that future taxable profits will be available against which such losses can be utilized in the foreseeable future. This amount includes $338 million related to US subsidiaries mainly due to the recognition of accelerated fiscal depreciations. The remaining balance mainly corresponds to Japanese and Brazilian subsidiaries. These subsidiaries have incurred in fiscal losses in the past. Tenaris has concluded that these deferred tax assets will be recoverable based on the business plans and budgets.

The expiration dates of the recognized tax losses in less than 1 year, between 2 and 5 years and in more than 5 years is 0.2%, 2.5% and 97.3% respectively.

As of December 31, 2019, the net unrecognized deferred tax assets amount to $121.2 million. The expiration dates of the unrecognized tax losses less than 1 year, between 2 and 5 years and more than 5 years is approximately 2.8%, 20.2% and 77%.

The estimated recovery analysis of deferred tax assets and deferred tax liabilities is as follows:

YEAR ENDED DECEMBER 31	2019	2018
Deferred tax assets to be recovered after 12 months	(538,274)	(452,330)
Deferred tax liabilities to be settled after 12 months	766,852	739,670

Deferred income tax assets and liabilities are offset when (1) there is a legally enforceable right to set-off current tax assets against current tax liabilities and (2) when the deferred income taxes relate to the same fiscal authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The following amounts, determined after appropriate set-off, are shown in the Consolidated Statement of Financial Position:

YEAR ENDED DECEMBER 31	2019	2018
Deferred tax assets	(225,680)	(181,606)
Deferred tax liabilities	336,982	379,039
	111,302	**197,433**

The movement in the net deferred income tax liability account is as follows:

YEAR ENDED DECEMBER 31	2019	2018
At the beginning of the year	197,433	304,438
Effect of adoption of new standards	–	823
Translation differences	1,100	4,171
Increase due to business combinations	10,847	–
Charged directly to Other Comprehensive Income	(838)	1,898
Income statement credit	(97,240)	(113,897)
At the end of the year	**111,302**	**197,433**

21. Other liabilities

I. Other liabilities – Non current

YEAR ENDED DECEMBER 31	2019	2018
Post-employment benefits	144,993	115,087
Other-long term benefits	85,473	78,492
Miscellaneous	20,917	19,550
	251,383	**213,129**

Post-employment benefits

YEAR ENDED DECEMBER 31	2019	2018
Unfunded	125,573	97,318
Funded	19,420	17,769
	144,993	**115,087**

Unfunded

YEAR ENDED DECEMBER 31	2019	2018
Values at the beginning of the year	97,318	101,889
Translation differences	(1,567)	(3,849)
Current service cost	7,978	7,400
Interest cost	5,526	5,070
Remeasurements (*)	7,010	(3,946)
Increase due to business combinations	15,660	–
Benefits paid from the plan	(9,328)	(9,719)
Other	2,976	473
At the end of the year	**125,573**	**97,318**

(*) For 2019 a loss of $1.3 million is attributable to demographic assumptions and a loss of $5.7 million to financial assumptions. For 2018 a gain of $0.2 million is attributable to demographic assumptions and a gain of $3.7 million to financial assumptions.

The actuarial assumptions for the most relevant plans were as follows:

YEAR ENDED DECEMBER 31	2019	2018
Discount rate	1% - 7%	2% - 7%
Rate of compensation increase	0% - 3%	0% - 3%

As of December 31, 2019, an increase / (decrease) of 1% in the discount rate assumption of the main plans would have generated a (decrease) / increase on the defined benefit obligation of $7.4 million and $7 million respectively, and an increase / (decrease) of 1% in the rate of compensation assumption of the main plans would have generated an increase / (decrease) impact on the defined benefit obligation of $4.5 million and $4.5 million respectively. The above sensitivity analyses are based on a change in discount rate and rate of compensation while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Funded

The amounts recognized in the statement of financial position for the current annual period and the previous annual period are as follows:

YEAR ENDED DECEMBER 31	2019	2018
Present value of funded obligations	160,412	146,885
Fair value of plan assets	(145,160)	(132,438)
Liability (*)	**15,252**	**14,447**

(*) In 2019 and 2018, $4.2 million and $3.3 million corresponding to a plan with a surplus balance were reclassified within other non-current assets, respectively.

The movement in the present value of funded obligations is as follows:

YEAR ENDED DECEMBER 31	2019	2018
At the beginning of the year	146,885	165,485
Translation differences	4,542	(8,182)
Current service cost	721	1,328
Interest cost	5,754	5,691
Remeasurements (*)	12,769	(7,984)
Benefits paid	(10,259)	(9,453)
At the end of the year	**160,412**	**146,885**

(*) For 2019 a loss of $0.4 million is attributable to demographic assumptions and a loss of $12.4 million to financial assumptions. For 2018 a loss of $0.4 million is attributable to demographic assumptions and a gain of $8.4 million to financial assumptions respectively.

The movement in the fair value of plan assets is as follows:

YEAR ENDED DECEMBER 31	2019	2018
At the beginning of the year	(132,438)	(145,692)
Translation differences	(4,137)	7,514
Return on plan assets	(5,018)	(4,936)
Remeasurements	(10,507)	3,967
Contributions paid to the plan	(3,589)	(3,108)
Benefits paid from the plan	10,259	9,453
Other	270	364
At the end of the year	**(145,160)**	**(132,438)**

The major categories of plan assets as a percentage of total plan assets are as follows:

YEAR ENDED DECEMBER 31	2019	2018
Equity instruments	49.0%	53.5%
Debt instruments	47.0%	42.8%
Others	4.0%	3.7%

The actuarial assumptions for the most relevant plans were as follows:

YEAR ENDED DECEMBER 31	2019	2018
Discount rate	3 % - 4 %	4 % - 5 %
Rate of compensation increase	0 % - 3 %	0 % - 3 %

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected return on plan assets is determined based on long-term, prospective rates of return as of the end of the reporting period.

As of December 31, 2019, an increase / (decrease) of 1% in the discount rate assumption of the main plans would have generated a (decrease) / increase on the defined benefit obligation of $16.1 million and $19.8 million respectively, and an increase / (decrease) of 1% in the compensation rate assumption of the main plans would have generated an increase / (decrease) on the defined benefit obligation of $1.8 million and $1.6 million respectively. The above sensitivity analyses are based on a change in discount rate and rate of compensation while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The employer contributions expected to be paid for the year 2020 amount approximately to $5.1 million.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

II. Other liabilities – current

YEAR ENDED DECEMBER 31	2019	2018
Payroll and social security payable	153,009	148,069
Miscellaneous	23,255	17,624
	176,264	**165,693**

22. Non-current allowances and provisions

I. Deducted from non-current receivables

YEAR ENDED DECEMBER 31	2019	2018
Values at the beginning of the year	–	(641)
Translation differences	–	110
Used	–	531
Values at the end of the year	–	–

II. Liabilities

YEAR ENDED DECEMBER 31	2019	2018
Values at the beginning of the year	36,089	36,438
Translation differences	(1,571)	(5,261)
Additional provisions	19,904	14,397
Reclassifications	5,641	(2,406)
Used	(5,464)	(7,079)
Values at the end of the year	**54,599**	**36,089**

23. Current allowances and provisions

I. Deducted from assets

	Allowance for doubtful accounts - Trade receivables	Allowance for other doubtful accounts - Other receivables	Allowance for inventory obsolescence
YEAR ENDED DECEMBER 31, 2019			
Values at the beginning of the year	(66,535)	(6,784)	(209,796)
Translation differences	9	88	794
Increase due to business combinations	(1,788)	–	(10,761)
Additional / reversals allowances	16,256	1,239	(29,138)
Used	3,276	565	31,184
At December 31, 2019	**(48,782)**	**(4,892)**	**(217,717)**
YEAR ENDED DECEMBER 31, 2018			
Values at the beginning of the year	(78,385)	(6,255)	(216,068)
Effect of adoption of new standards	6,423	–	–
Translation differences	329	359	3,575
Additional allowances	(1,751)	(1,179)	(25,457)
Used	6,849	291	28,154
At December 31, 2018	**(66,535)**	**(6,784)**	**(209,796)**

II. Liabilities

	Sales risks	Other claims and contingencies	Total
YEAR ENDED DECEMBER 31, 2019			
Values at the beginning of the year	6,814	17,469	24,283
Translation differences	(28)	(570)	(598)
Increase due to business combinations	505	8,000	8,505
Additional / reversals provisions	11,880	(3,219)	8,661
Reclassifications	–	(5,641)	(5,641)
Used	(13,304)	(4,889)	(18,193)
At December 31, 2019	**5,867**	**11,150**	**17,017**
YEAR ENDED DECEMBER 31, 2018			
Values at the beginning of the year	11,396	20,934	32,330
Translation differences	(103)	(2,205)	(2,308)
Additional provisions	2,638	6,463	9,101
Reclassifications	–	2,406	2,406
Used	(7,117)	(10,129)	(17,246)
At December 31, 2018	**6,814**	**17,469**	**24,283**

24. Derivative financial instruments

Net fair values of derivative financial instruments

The net fair values of derivative financial instruments, in accordance with IFRS 13, are:

YEAR ENDED DECEMBER 31	2019	2018
Derivatives hedging borrowings and investments	19,000	5,604
Other Derivatives	929	3,621
Contracts with positive fair values (*)	**19,929**	**9,225**
Derivatives hedging borrowings and investments	–	(11,667)
Other Derivatives	(1,814)	(311)
Contracts with negative fair values	**(1,814)**	**(11,978)**
Total	**18,115**	**(2,753)**

(*) In 2018 includes $52 thousand of non-current derivatives.

Foreign exchange derivative contracts and hedge accounting

Tenaris applies hedge accounting to certain cash flow hedges of highly probable forecast transactions. The net fair values of exchange rate derivatives and those derivatives that were designated for hedge accounting as of December 2019 and 2018, were as follows:

			Fair Value		Hedge Accounting Reserve	
Purchase currency	Sell currency	Term	2019	2018	2019	2018
MXN	**USD**	**2020**	18,999	888	404	(411)
USD	**MXN**	**2020**	(576)	–	–	–
ARS	**USD**	**2020**	–	(6,542)	–	(895)
EUR	**USD**	**2020**	588	203	–	–
USD	**JPY**	**2030**	–	–	2,149	–
USD	**BRL**	**2020**	(234)	(131)	–	–
JPY	**USD**	**2020**	(190)	271	–	–
USD	**KWD**	**2020**	103	522	38	390
USD	**CAD**	**2020**	(200)	2,089	–	–
USD	**COP**	**2020**	(345)	(23)	–	–
Others		**2020**	(30)	(30)	–	–
Total			**18,115**	**(2,753)**	**2,591**	**(916)**

Following is a summary of the hedge reserve evolution:

	Equity Reserve Dec-17	Movements 2018	Equity Reserve Dec-18	Movements 2019	Equity Reserve Dec-19
Foreign Exchange	(240)	(676)	(916)	3,507	2,591
Total Cash flow Hedge	**(240)**	**(676)**	**(916)**	**3,507**	**2,591**

Tenaris estimates that the cash flow hedge reserve corresponding to derivatives instruments at December 31, 2019 will be recycled to the Consolidated Income Statement during 2020.

For information on lease liabilities, see Note 11.

25. Contingencies, commitments and restrictions on the distribution of profits

I. Contingencies

Tenaris is from time to time subject to various claims, lawsuits and other legal proceedings, including customer, employee, tax and environmental-related 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 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 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

Confab Industrial S.A. ("Confab"), a Brazilian subsidiary of the Company, is one of the defendants in a lawsuit filed in Brazil by Companhia Siderúrgica Nacional ("CSN") and various entities affiliated with CSN against Confab and several Ternium subsidiaries 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 and on January 22, 2019, the court of appeals rejected it and ordered that the case be submitted to the Superior Court of Justice. On September 10, 2019, the Superior Court of Justice declared CSN's appeal admissible. The Superior Court of Justice will review the case and 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.

Veracel Celulose 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 and then replaced by Chubb Seguros Brasil S/A ("Chubb"), 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 claimed 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 were consolidated and are considered by the 6th Civil Court of São Caetano do Sul; however, each lawsuit will be adjudicated separately.

On September 28, 2018 Confab and Chubb, entered into a settlement agreement pursuant to which on October 9, 2018, Confab paid an amount of approximately $3.5 million to Chubb, without assuming any liability for the accident or the claim.

On October 10, 2018, Confab was notified that the court had issued rulings for both lawsuits. Both decisions were unfavorable to Confab:

- With respect to Chubb's claim, Confab was ordered to pay an amount of approximately BRL89.8 million (approximately $21.6 million) (including interest, fees and expenses). On October 15, 2018, Confab filed a request for homologation of the settlement agreement mentioned above, as such settlement agreement remains valid and binding between the parties. On November 8, 2018, the settlement agreement was homologated by the court.

- With respect to Veracel's claim, Confab was ordered to pay the insurance deductible and other concepts not covered by insurance, currently estimated to amount to BRL62.9 million (approximately $15.6 million) (including interest, fees and expenses). Both parties filed motions for clarification against the court's decision, which were partially granted. Although the contract between Confab and Veracel expressly provided that Confab would not be liable for damages arising from lost profits, the court award would appear to include BRL54.0 million (approximately $13.4 million) of damages arising therefrom; Confab has additional defense arguments in respect of a claim for lost profits. On December 18, 2018, Confab filed an appeal against the first instance court decision, and on April 30, 2019, Veracel filed its response to the appeal. 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.

Ongoing investigation

The Company is aware that Brazilian, Italian and Swiss authorities have been investigating whether certain payments were made from accounts of entities presumably associated with affiliates of the Company to accounts allegedly linked to individuals related to Petróleo Brasileiro S.A. ("Petrobras") and whether any such payments were intended to benefit the Company's Brazilian subsidiary 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", a new phase of which is presently ongoing, and did not uncover any information that corroborated allegations of involvement in these alleged payments by the Company or its subsidiaries. Furthermore, the Company became aware that a Petrobras internal investigation commission reviewed certain contracts with Confab and concluded that they had not found evidence that Petrobras had benefitted Confab or had misused applicable local content rules.

The Audit Committee of the Company's Board of Directors engaged external counsel in connection with the Company's review. In addition, the Company voluntarily notified the U.S. Securities and Exchange Commission and the U.S. Department of Justice in October 2016.

In July 2019, the Company learned that the public prosecutor office of Milan, Italy, had completed a preliminary investigation into the alleged payments and had included in the investigation, among other persons, the Company's Chairman and Chief Executive Officer, two other board members, Gianfelice Mario Rocca and Roberto Bonatti, and the Company's controlling shareholder, San Faustin. In February 2020, the Company learned that the magistrate overseeing the investigation decided to move the case to trial. The Company's outside counsel had previously reviewed the Italian prosecutors' investigative file and has informed the Board that neither that file nor this magistrate's decision sets forth evidence of involvement by any of the three directors in the alleged wrongdoing. Accordingly, the Board has concluded that no particular action is warranted at the present time, other than inviting the referred board members to continue discharging their respective responsibilities with the full support of the Board.

The Company continues to review these matters and to respond to requests from and otherwise cooperate with the appropriate 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.

Putative class actions

Following the Company's November 27, 2018 announcement that its Chairman and CEO Paolo Rocca had been included in an Argentine court investigation known as the Notebooks Case (a decision subsequently reversed by a higher court), two putative class action complaints were filed in the U.S. District Court for the Eastern District of New York. On April 29, 2019, the court consolidated the complaints into a single case, captioned "In re Tenaris S.A. Securities Litigation", and appointed lead plaintiffs and lead counsel. On July 19, 2019, the lead plaintiffs filed an amended complaint purportedly on behalf of purchasers of Tenaris securities during the putative class period of May 1, 2014 through December 5, 2018. The individual defendants named in the complaint are Tenaris's Chairman and CEO and Tenaris's former CFO. The complaint alleges that during the class period, the Company and the individual defendants inflated the Tenaris share price by failing to disclose that sale proceeds received by Ternium (in which Tenaris held an 11.46% stake) when Sidor was expropriated by Venezuela were received or expedited as a result of allegedly improper payments made to Argentine officials. The complaint does not specify the damages that plaintiff is seeking. Defendants' motions to dismiss are expected to be decided during 2020. Management believes the Company has meritorious defenses to these claims; however, 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 alleged price overcharges in Brazil

In 2018, two Brazilian subsidiaries of the Company were notified of formal charges arising from a review by the Tribunal de Contas da Uniao ("TCU") for alleged price overcharges on goods supplied to Petróleo Brasileiro S.A- Petrobras under a supply contract. Both companies have already filed their defenses. The estimated amount of this claim is BRL29.8 million (approximately $7.4 million). Tenaris believes, based on the advice of counsel and external consultants, that the prices charged under the Petrobras contract do not result in overprices and that it is unlikely that the ultimate resolution of this matter will result in a material obligation.

Administrative proceeding concerning Brazilian tax credits

Confab is a party to an administrative proceeding concerning the recognition and transfer of tax credits for an amount allegedly exceeding the amount that Confab would have been entitled to recognize and/or transfer. The proceeding resulted in the imposition of a fine against Confab representing approximately 75% of the allegedly undue credits, which was appealed by Confab. On January 21, 2019, Confab was notified of an administrative decision denying Confab's appeal, thereby upholding the tax determination and the fine against Confab. On January 28, 2019, Confab challenged such administrative decision and is currently awaiting a resolution. In case of an unfavorable resolution, Confab may still appeal before the courts. The estimated amount of this claim is BRL56.8 million (approximately $14.1 million). At this stage, the Company cannot predict the outcome of this claim.

U.S. Patent infringement litigation

Tenaris Coiled Tubes, LLC ("TCT"), a U.S. subsidiary of the Company, was sued on 2017 by its competitor Global Tubing, alleging violations to certain intellectual property regulations and seeking a declaration that certain Global Tubing products do not infringe patents held by TCT. TCT filed a counterclaim seeking declaration that certain Global Tubing products infringe patents held by TCT, and Global Tubing responded alleging that such patents should be invalidated. On December 13, 2019, Global Tubing filed an amended complaint (including the Company as defendant) and alleging that TCT and the Company misled the patent office in order to monopolize the coiled tubing market for quench and tempered products. Trial is set for August of 2021. At this time, the Company cannot predict the outcome of this matter or estimate the range of potential losses that may result from resolution of this claim.

Tax assessment from Italian tax authorities
Tenaris's Italian subsidiary Dalmine received on December 27, 2019, a tax assessment from the Italian tax authorities related to fiscal year 2014. As of December 31, 2019, the claim amounted to approximately EUR25 million (approximately $28 million), comprising EUR20.7 million (approximately $23.2 million) in principal and EUR4.3 million (approximately $4.8 million) in interest and penalties. In the report for a tax audit conducted in 2019, the Italian tax inspectors indicated that they also intend to bring claims for fiscal year 2015 with respect to the same matters; as of December 31, 2019, these additional claims would amount to approximately EUR10.3 million (approximately $11.6 million), comprising EUR8.1 million (approximately $9.1 million) in principal and EUR2.2 million (approximately $2.5 million) in interest and penalties. The claims mainly refer to the compensation for certain intercompany transactions involving Dalmine in connection with sales of products and R&D activities. Based on the counsel's advice, Tenaris believes that it is unlikely that the ultimate resolution of these matters will result in a material obligation.

II. Commitments and guarantees
Set forth is a description of Tenaris's main outstanding commitments:

1) 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, an Argentine subsidiary of Tenaris. As of December 31, 2019, the aggregate commitment to take or pay the committed volumes for a 9-year term totaled approximately $27.4 million.

2) Several Tenaris companies entered into a contract with Praxair S.A. for the service of oxygen and nitrogen supply. As of December 31, 2019, the aggregate commitment to take or pay the committed volumes for a 14-year term totalled approximately $53.7 million.

- Several Tenaris companies entered into a contract with Graftech for the supply of graphite electrodes. As of December 31, 2019, the aggregate commitment to take or pay the committed volumes totalled approximately $26.8 million.

3) 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 $33.6 million.

- A Tenaris company entered into a contract with Canadian National Railway for the service of rail transportation from its raw material supplier to its Canadian production center. The total commitment ending June 30, 2020 is $18.9 million.

- A Tenaris company entered into a contract with Air Liquide Mexico, S. de R.L de C.V. for the supply of argon gas. As of December 31, 2019, the aggregate commitment totaled approximately $21.2 million.

- A Tenaris company is a party to a contract with Nucor Steel Memphis Inc. under which it is committed to purchase on a monthly basis a minimum volume of steel bars at prices that will be adjusted quarterly by the parties. The contract will become effective in January 2020 and will be in force until December 2022. As of December 31, 2019, the estimated aggregate contract amount through December 31, 2022, calculated at current prices, is approximately $107.1 million.

Additionally Tenaris has issued performance guarantees mainly related to long term commercial contracts with several customers and parent companies guarantees for approximately $2.5 billion.

III. Restrictions to the distribution of profits and payment of dividends

In accordance with Luxembourg Law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve until such reserve equals 10% of the issued share capital.

As of December 31, 2019, 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.

26. Agreement to build a welded pipe plant in West Siberia

On February 5, 2019 Tenaris entered into an agreement with PAO Severstal to build a welded pipe plant to produce OCTG products in the Surgut area, West Siberia, Russian Federation. Tenaris holds a 49% interest in the company, while PAO Severstal owns the remaining 51%. The regulatory approvals and other customary conditions have been already obtained. The plant, which is estimated to require an investment of $280 million, is planned to have an annual production capacity of 300,000 tons. During the period, Tenaris contributed approximately $19.6 million in the project.

27. Business combinations

Acquisition of Saudi Steel Pipe Company

Acquisition

On January 21, 2019, Tenaris acquired 47.79% of the shares of SSP, a welded steel pipes producer listed on the Saudi stock market, for a total amount of SAR530 million (approximately $141 million). The amount was paid with Tenaris cash in hand. SSP's facilities are located in the Eastern Province of the Kingdom of Saudi Arabia and have a manufacturing capacity of 360,000 tons per year. SSP started its operations in 1980 and serves energy industrial and commercial segments, is qualified to supply products with major national oil companies in the region.

Upon closing of the acquisition, four Tenaris's nominees were appointed as new members of the SSP's board of directors and a Tenaris senior executive was appointed as managing director and chief executive officer of SSP. Such appointment was ratified at the shareholders meeting of SSP held on May 7, 2019, where the shareholders also approved the reappointment of the Tenaris's nominees until June 6, 2022.

The Company has begun consolidating SSP's balances and results of operations as from January 21, 2019.

a) Fair value of net assets acquired

The application of the purchase method requires certain estimates and assumptions specially concerning the determination of the fair values of the acquired intangible assets and property, plant and equipment as well as the liabilities assumed at the date of the acquisition. The fair values determined at the acquisition date are based mainly on discounted cash flows and other valuation techniques.

The allocation of the fair values determined for the assets and liabilities arising from the acquisition is as follows:

FAIR VALUE OF ACQUIRED ASSETS AND LIABILITIES:	SAR million	USD million
Property, Plant and Equipment	671	179
Customer relationship	305	81
Investment in associated	77	21
Working capital	167	45
Cash and Cash Equivalents	32	9
Other Receivables	11	3
Borrowings	(304)	(81)
Employees end of service benefits	(59)	(16)
Deferred Tax Liabilities	(47)	(13)
Net assets acquired	**853**	**228**

Tenaris acquired 47.79% of total assets and liabilities shown above, approximately $109 million. As of the result of the acquisition, the Company recognized a Goodwill of approximately $32.9 million. Tenaris has chosen to recognize the non-controlling interest at the proportionate share of the acquiree's net identifiable assets.

The acquired business contributed revenues for $170.6 million with a minor contribution to Tenaris's margin for the period starting January 21, 2019 and ending December 31, 2019.

If the acquisition had occurred on January 1, 2019, consolidated revenue and profit after tax would have not changed significantly.

The purchase price allocation has been done with the assistance of a third party expert.

Acquisition of Garrett

In September 2017, Tenaris acquired 100% of Garrett (a pipe services and trucking business) through the payment of a price of $10.4 million.

If the acquisition had occurred on January 1, 2017, Tenaris's unaudited pro forma net sales and net income from continuing operations would not have changed materially.

28. Cash flow disclosures

YEAR ENDED DECEMBER 31	2019	2018	2017
(I) CHANGES IN WORKING CAPITAL			
Inventories	311,459	(176,443)	(804,415)
Receivables and prepayments and Current tax assets	(34,368)	30,144	(4,564)
Trade receivables	428,326	(517,579)	(259,375)
Other liabilities	(18,295)	(22,984)	4,226
Customer advances	16,844	5,976	17,039
Trade payables	(180,857)	(57,066)	193,905
	523,109	**(737,952)**	**(853,184)**
(II) INCOME TAX ACCRUALS LESS PAYMENTS			
Tax accrued	202,452	229,207	(17,136)
Taxes paid	(395,869)	(170,713)	(176,853)
	(193,417)	**58,494**	**(193,989)**
(III) INTEREST ACCRUALS LESS PAYMENTS, NET			
Interest accrued	(4,616)	(2,914)	(20,534)
Interest received	30,890	40,613	50,001
Interest paid	(30,655)	(31,548)	(17,917)
	(4,381)	**6,151**	**11,550**
(IV) CASH AND CASH EQUIVALENTS			
Cash at banks, liquidity funds and short - term investments	1,554,299	428,361	330,221
Bank overdrafts	(24)	(1,644)	(131)
	1,554,275	**426,717**	**330,090**

29. 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 January 19, 2017, with effect from January 20, 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.

YEAR ENDED DECEMBER 31	2017
Income from discontinued operations	1,848
After tax gain on the sale of Conduit	89,694
Net Income for discontinued operations	**91,542**

YEAR ENDED DECEMBER 31	2017
Details of Conduit sale	
Cash received	331,295
Transaction and other costs	(3,663)
Carrying amount of net assets sold	(137,814)
Gain on sale before income tax	**189,817**
Income tax expense on gain	(100,123)
Gain on sale after income tax	**89,694**

The financial performances presented are relative to the 19 days of January 2017.

Analysis of the result of discontinued operations

All amounts in thousands of U.S. dollars, unless otherwise stated

YEAR ENDED DECEMBER 31	2017
Revenues	11,899
Gross profit	4,496
Net income	**1,848**

Summarized cash flow information is as follows:

	2017
Cash at the beginning	18,820
Cash at the end	206
(Decrease) Increase in cash	**(18,614)**
(Used in) provided by operating activities	(3,046)
Provided by (used in) investing activities	32
Used in financing activities	(15,600)

These amounts were estimated only for disclosure purposes, as cash flows from discontinued operations were not managed separately from other cash flows.

The following table shows carrying amounts of assets and liabilities as at the date of sale.

Current and non-current assets and liabilities of disposal group

AT JANUARY 19, 2017	2017
NON-CURRENT ASSETS	87,332
CURRENT ASSETS	69,332
Total assets of disposal group classified as held for sale	**156,664**
NON-CURRENT LIABILITIES	5,294
CURRENT LIABILITIES	13,556
Total liabilities of disposal group classified as held for sale	**18,850**

30. Related party transactions

As of December 31, 2019:

- 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 private foundation located in the Netherlands (Stichting) ("RP STAK") held voting 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'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

YEAR ENDED DECEMBER 31	2019	2018	2017
I. TRANSACTIONS			
A. SALES OF GOODS AND SERVICES			
Sales of goods to non-consolidated parties	20,577	23,709	32,362
Sales of goods to other related parties	69,972	131,548	94,624
Sales of services to non-consolidated parties	5,620	7,641	11,637
Sales of services to other related parties	4,386	5,647	3,751
	100,555	**168,545**	**142,374**
B. PURCHASES OF GOODS AND SERVICES			
Purchases of goods to non-consolidated parties	174,588	245,186	234,361
Purchases of goods to other related parties	51,765	106,624	17,711
Purchases of services to non-consolidated parties	9,404	9,556	12,077
Purchases of services to other related parties	54,514	46,179	50,794
	290,271	**407,545**	**314,943**

All amounts in thousands of U.S. dollars

AT DECEMBER 31	2019	2018
II. PERIOD-END BALANCES		
A. ARISING FROM SALES / PURCHASES OF GOODS / SERVICES		
Receivables from non-consolidated parties	78,884	122,136
Receivables from other related parties	10,400	24,419
Payables to non-consolidated parties	(19,100)	(33,197)
Payables to other related parties	(7,048)	(17,595)
	63,136	**95,763**
B. FINANCIAL DEBT		
Finance lease liabilities from non-consolidated parties	(2,064)	–
	(2,064)	**–**

In addition to the tables above, Tenaris issued various guarantees and is party to a commitment in favor of Techgen: for further details, please see note 12(c) and 25(ii). No other material guarantees were issued in favor of other related parties.

Directors' and senior management compensation

During the years ended December 31, 2019, 2018 and 2017, the cash compensation of Directors and Senior managers amounted to $33.7 million, $33.7 million and $45.8 million respectively. These amounts include cash benefits paid to certain senior managers in connection with the pre-existing retirement plans.

In addition, Directors and Senior managers received 468, 558 and 484 thousand units for a total amount of $4.8 million, $5.6 million and $4.7 million respectively in connection with the Employee retention and long term incentive program mentioned in Note O Employee benefits – Other long term benefits.

31. Fees paid to the Company's principal accountant

Total fees accrued for professional services rendered by PwC Network firms to Tenaris S.A. and its subsidiaries are detailed as follows:

All amounts in thousands of U.S. dollars

YEAR ENDED DECEMBER 31	2019	2018	2017
Audit Fees	3,846	3,841	3,995
Audit-Related Fees	50	43	88
Tax Fees	7	–	23
All Other Fees	1	7	30
Total	**3,904**	**3,891**	**4,136**

32. Principal subsidiaries

The following is a list of Tenaris's principal subsidiaries and its direct and indirect percentage of ownership of each controlled company at December 31, 2019.

Company	Country of Incorporation	Main activity	Percentage of ownership at December 31 (*)		
			2019	2018	2017
Algoma Tubes Inc.	Canada	Manufacturing of seamless steel pipes	100%	100%	100%
Confab Industrial S.A. and subsidiaries	Brazil	Manufacturing of welded steel pipes and capital goods	100%	100%	100%
Dalmine S.p.A.	Italy	Manufacturing of seamless steel pipes	100%	100%	100%
Hydril Company and subsidiaries (except detailed) (a)	USA	Manufacture and marketing of premium connections	100%	100%	100%
Kazakhstan Pipe Threaders Limited Liability Partnership	Kazakhstan	Threading of premium products	100%	100%	100%
Maverick Tube Corporation and subsidiaries	USA	Manufacturing of welded steel pipes	100%	100%	100%
NKKTubes	Japan	Manufacturing of seamless steel pipes	51%	51%	51%
P.T. Seamless Pipe Indonesia Jaya	Indonesia	Manufacturing of seamless steel products	89%	89%	89%
Prudential Steel Ltd.	Canada	Manufacturing of welded steel pipes	100%	100%	100%
S.C. Silcotub S.A.	Romania	Manufacturing of seamless steel pipes	100%	100%	100%
Saudi Steel Pipe Co.	Saudi Arabia	Manufacturing of welded steel pipes	48%	NA	NA
Siat Sociedad Anónima	Argentina	Manufacturing of welded and seamless steel pipes	100%	100%	100%
Siderca Sociedad Anónima Industrial y Comercial and subsidiaries	Argentina	Manufacturing of seamless steel pipes	100%	100%	100%

(*) All percentages rounded.

(a) Tenaris Investments S.à.r.l holds 100% of Hydril's subsidiaries shares except for Technical Drilling & Production Services Nigeria. Ltd where it holds 80%.

Company	Country of Incorporation	Main activity	Percentage of ownership at December 31 (*)		
			2019	2018	2017
Talta - Trading e Marketing Sociedade Unipessoal Lda.	Portugal	Holding Company	100%	100%	100%
Tenaris Bay City, Inc.	USA	Manufacturing of seamless steel pipes	100%	100%	100%
Tenaris Connections BV	Netherlands	Development, management and licensing of intellectual property	100%	100%	100%
Tenaris Financial Services S.A.	Uruguay	Financial company	100%	100%	100%
Tenaris Global Services (Canada) Inc.	Canada	Marketing of steel products	100%	100%	100%
Tenaris Global Services (U.S.A.) Corporation	USA	Marketing of steel products	100%	100%	100%
Tenaris Global Services (UK) Ltd	United Kingdom	Holding company and marketing of steel products	100%	100%	100%
Tenaris Global Services S.A. and subsidiaries (except detailed) (b)	Uruguay	Holding company and marketing of steel products	100%	100%	100%
Tenaris Investments (NL) B.V.	Netherlands	Holding company	100%	NA	NA
Tenaris Investments S.à r.l.	Luxembourg	Holding company	100%	100%	100%
Tenaris Investments Switzerland AG and subsidiaries	Switzerland	Holding company	100%	100%	100%
Tenaris Tubocaribe Ltda.	Colombia	Manufacturing of welded and seamless steel pipes	100%	100%	100%
Tubos de Acero de Mexico S.A.	Mexico	Manufacturing of seamless steel pipes	100%	100%	100%

(*) All percentages rounded.

(b) Tenaris Investments S.à r.l. holds 97,5% of Tenaris Supply Chain S.A. and 40% of Tubular Technical Services Ltd. and Pipe Coaters Nigeria Ltd., 49% of Amaja Tubular Services Limited, 49% Tubular Services Angola Lda.

33. 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"). Tenaris and its wholly-owned subsidiary, Talta - Trading e Marketing Sociedad Unipessoal Lda ("Talta"), initiated arbitration proceedings against Venezuela before the ICSID in Washington D.C. in connection with these nationalizations.

Matesi

On January 29, 2016, the tribunal released its award on the arbitration proceeding concerning the nationalization of Matesi. The award upheld 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 compounded at six-monthly rests from the date of the award until payment in full. As of December 31, 2019, post-award interest amounted to approximately $71 million.

On March 14, 2016, Venezuela requested the rectification of the award pursuant to article 49(2) of the ICSID Convention and ICSID Arbitration Rule 49. The tribunal denied Venezuela's request on June 24, 2016, ordering Venezuela to reimburse Tenaris and Talta for their costs incurred in connection with the rectification proceedings. On September 21, 2016, Venezuela submitted a request for annulment of the award as well as the stay of enforcement of the award in accordance with the ICSID Convention and Arbitration Rules. On March 24, 2017, an ad hoc committee constituted to decide on Venezuela´s requests rendered its decision to lift the stay of enforcement of the award. On August 8, 2018, the ad hoc committee rejected Venezuela's application to annul the award.

On June 8, 2018, Tenaris and Talta filed an action in federal court in the District of Columbia to recognize and enforce the award. Tenaris and Talta have effected service on Venezuela in accordance with US law, and Venezuela has failed to file an answer in the proceeding. Tenaris and Talta have moved for default judgment. Venezuela did not oppose the entry of default judgment. Accordingly, it is expected that the award will be converted into a judgment. The judgment, however, may not be enforced in the U.S. to the extent prohibited by the Venezuelan sanctions regulations issued by the U.S. Treasury Department's Office of Foreign Assets Control.

Tavsa and Comsigua

On December 12, 2016, the tribunal 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 December 31, 2019 amounted to approximately $118 million.

On April 11, 2017, Venezuela submitted a request for annulment of the award as well as the stay of enforcement of the award in accordance with the ICSID Convention and Arbitration Rules. On February 23, 2018, an ad hoc committee constituted to decide on Venezuela's requests rendered its decision to lift the stay of enforcement of the award. On December 28, 2018, the ad hoc committee rejected Venezuela's application to annul the award.

On June 8, 2018, Tenaris and Talta filed an action in federal court in the District of Columbia to recognize and enforce the award. Tenaris and Talta have effected service on Venezuela in accordance with US law, and Venezuela has failed to file an answer in the proceeding. Tenaris and Talta have moved for default judgment. Venezuela did not oppose the entry of default judgment. Accordingly, it is expected that the award will be converted into a judgment. The judgment, however, may not be enforced in the U.S. to the extent prohibited by the Venezuelan sanctions regulations issued by the U.S. Treasury Department's Office of Foreign Assets Control.

As of December 31, 2019, Tenaris or its subsidiaries have net receivables related to its interest in the Venezuelan Companies for a total amount of approximately $49 million. See Note III.B.

34. Delisting of Tenaris's shares from the Buenos Aires stock exchange

On July 29, 2019, the General Shareholders Meeting approved the delisting of the Company's shares from the Buenos Aires stock exchange, Bolsas y Mercados Argentinos S.A. ("BYMA"), through a voluntarily withdrawal from listing of the Argentine National Securities Commission (Comisión Nacional de Valores, or "CNV") pursuant to Article 32, clause c), Section VIII, Chapter II of Title III of the rules (Normas) of the CNV, which permits the Company to delist from BYMA without making a delisting public tender offer. On September 19, 2019, the CNV authorized the delisting of the Company's shares in Argentina, and such delisting became effective as of the close of business on October 10, 2019.

Although shareholders holding shares through Caja de Valores S.A. ("CVSA") on June 11, 2019 who were absent from the General Shareholders Meeting were entitled to appraisal rights provided pursuant to article 22 of the Company's articles of association, no shareholder eligible to do so exercised such right.

35. Subsequent events

Acquisition of IPSCO Tubulars, Inc.

Acquisition

On January 2, 2020, Tenaris acquired 100% of the shares of IPSCO Tubulars, Inc. ("IPSCO"), a U.S. manufacturer of steel pipes, from PAO TMK ("TMK"). The acquisition price was determined on a cash-free, debt-free basis, and the amount paid in cash at the closing, following contractual adjustments for cash, indebtedness, working capital and certain other items as estimated by the seller as of the closing date, was $1,067 million. The final acquisition price is subject to a contractual true-up adjustment based on actual amounts of cash, indebtedness, working capital and certain other items as of the closing date.

IPSCO's facilities are located mainly in the midwestern and northeastern regions of the country. IPSCO's steel shop in Koppel, Pennsylvania, is Tenaris's first in the United States, providing vertical integration through domestic production of a relevant part of its steel bar needs. Its Ambridge, Pennsylvania, mill adds a second seamless manufacturing facility and complements Tenaris's seamless plant in Bay City, Texas.

In connection with the closing of the transaction, the parties entered into a 6-year master distribution agreement (the "MDA") whereby, beginning on January 2, 2020, Tenaris will be the exclusive distributor of TMK's OCTG and line pipe products in United States and Canada. At the end of the MDA's 6-years term, TMK will have the option to extend the duration of its term for an additional 12 months. Under the MDA, Tenaris is required to purchase specified minimum volumes of TMK-manufactured OCTG and line pipe products.

The Company will begin consolidating IPSCO's balances and results of operations as from January 2, 2020. The Company has retained a third party expert to estimate the purchase price allocation. As of the date of publication of these Consolidated Financial Statements, the purchase price allocation is still in progress.

The short period of time between the acquisition date and the date of approval of these Consolidated Financial Statements, as well as the considerable size and complexity of the acquired business, makes it impracticable for the Company to provide all disclosures required by IFRS 3 applicable to a business combination that occurred subsequent to year end.

Following the preparation of the initial purchase price allocation, the Company will continue its review and will make any necessary adjustments during the following 12 months, in accordance with IFRS 3.

36. Update as of April 29, 2020 (1)

The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition

A novel strain of coronavirus (SARS-CoV-2) surfaced in China in December 2019 and subsequently spread to the rest of the world in early 2020. In March 2020, the World Health Organization declared COVID-19, the disease caused by the SARS-CoV-2 virus, a global pandemic. In response to the COVID-19 outbreak, countries have taken different measures in relation to prevention and containment. For example, several countries introduced bans on business activities or locked down cities or countries, including countries where Tenaris has operations (such as Argentina, China, Colombia, Italy, Mexico and the United States). The rapid expansion of the virus and the measures taken to contain it have triggered a severe fall in global economic activity and a serious crisis in the energy sector.

While the extent of the effects of COVID-19 on the global economy and oil demand were still unclear, in March 2020, the members of OPEC+ (OPEC plus other major oil producers including Russia) did not agree to extend their agreement to cut oil production and Saudi Arabia precipitated a wave of additional supply on the market triggering a collapse in oil prices below $30 per barrel. This exacerbated what soon became clear was an unprecedented situation of oversupply, caused primarily by the sudden and dramatic fall in oil consumption consequent to the measures taken to contain the spread of the virus around the world. Although OPEC+ subsequently reached an equally unprecedented agreement to cut production by as much as 9.7 million barrels per day, a situation of acute oversupply remains, causing oil prices to hit record lows. By the end of trading on April 20, 2020, the West Texas Intermediate (WTI) forward price for delivery in May, which had to be closed out the following day, fell to a negative value for the first time in history, as oil storage facilities were completely committed, and producers were forced to pay buyers to take their barrels. It is not known how long it will take for oil and gas demand to recover or achieve a more balanced position between supply and demand. As a result, prices are expected to remain at low levels for an extended period. In these circumstances, most of our customers have announced, or are making, significant cuts to their investment plans and are likely to announce further cuts. Similarly, several of our suppliers are closing, either temporarily or permanently, some of their facilities, which may result in unavailability or increased prices for our raw materials and other inputs.

Status of our operations

We are adjusting our operations on a country-by-country basis to comply with applicable rules and requirements and adapt to this new, rapidly evolving scenario. As of the date of these Consolidated Financial Statements, this is the status of our facilities:

- In China, we are again fully operational, after several weeks of interruption and an extraordinary combined effort of our people and of our community.

- In Italy, production was greatly reduced; although our Dalmine facility was used exclusively for the manufacturing of oxygen tanks to aid local hospitals and health centers for a limited period of time, currently the facility is gradually resuming normal operations. In Argentina, Colombia, Mexico

(1) This note was added subsequent to the approval of these Consolidated Financial Statements by the Company's Board of Directors on February 19, 2020.

and Saudi Arabia, Tenaris decreased its activity following the imposition of mandatory lockdowns, and our plants in these countries are currently operating at reduced levels. Although the lockdowns or restrictions to operate in these countries are expected to end or be relaxed in the next few weeks, these could be extended and/or made more stringent if so decided by the appropriate authorities as the circumstances could require.

- In the United States, our facilities in Koppel and Ambridge (PA), Brookfield (OH), Blytheville (AR), Wilder (KY), and Odessa and Baytown (TX), have been or will be temporarily closed until market conditions improve. In addition, Tenaris is in the process of performing employee reductions and adjusting production levels at its other facilities in line with market demand.

In order to safeguard the health and safety of its employees, customers and suppliers, Tenaris has taken preventive measures, including remote working for the majority of white collar employees, restricting onsite access to essential operational personnel, keeping personnel levels at a minimum, implementing a special operations protocol to ensure social distancing and providing medical assistance and supplies to onsite employees. As of the date of these Consolidated Financial Statements, remote work and other work arrangements have not materially adversely affected Tenaris's ability to conduct operations. In addition, these alternative working arrangements have not adversely affected our financial reporting systems, internal control over financial reporting or disclosure controls and procedures.

Risks associated with the COVID-19 pandemic and the oil & gas crisis

Given the uncertainty around the extent and timing of the future spread of the SARS-CoV-2 virus and the unprecedented extent of the oversupply on the oil market and the uncertainty about the timing and extent of any recovery in demand, it is not possible at this time to predict the full magnitude of the adverse effects that these two circumstances will have on our industry generally, nor to reasonably estimate the impact on Tenaris's results of operations, cash flows or financial condition.

The COVID-19 pandemic and the ongoing oil & gas crisis poses the following main risks and challenges to Tenaris:

- Global oil or gas demand may fail to recover or even decrease further in the future, driving down prices even more or keeping them at very low levels, which would exert downward pressure on sales and margins of oil and gas companies, leading to further reductions and even generalized suspension of drilling activities (in the U.S. or elsewhere) and, as a result, materially adversely affecting our sales and financial position.

- Tenaris or its employees, contractors, suppliers, customers and other business partners may be prevented from conducting certain business activities for a prolonged or indefinite period of time. In addition, employees in some or all of our facilities, or those of our contracts, suppliers, customers or other business partners, may refuse to work due to health concerns while the COVID-19 outbreak is ongoing, If that happens, the continuity of our future operations may be severely affected.

- A continuing spread of COVID-19 may affect the availability and price of raw materials, energy and other inputs used by Tenaris in its operations. Any such disruption or increased prices could adversely affect Tenaris's profitability.

Mitigating actions

In order to mitigate the impact of expected lower sales, Tenaris is working on a worldwide rightsizing program and cost containment plan aimed at preserving its financial resources and overall liquidity position and maintaining the continuity of its operations. The actions include:

- Adjusting the level of our operations and workforce around the world, including through the temporary closure of certain U.S. facilities or production lines, as indicated above;
- Introducing efficiency and productivity improvements throughout Tenaris's industrial system;
- Downsizing our fixed cost structure, including through pay reductions for senior management and board members, aggregating estimated total annual savings of approximately $220 million by year-end;
- Reducing capital expenditures and R&D expenses for approximately $150 million when compared to 2019 levels;
- Reducing working capital, especially inventories, in accordance with the expected levels of activity; and
- Increasing our focus on managing customer credit conditions.

As part of these liquidity preservation initiatives, the board of directors resolved to propose, for approval by the Annual Shareholders Meeting to be held on June 2, 2020, that no further dividends be distributed in respect of fiscal year 2019 on top of the interim dividend of approximately $153 million already paid in November 2019.

As of the date of these Consolidated Financial Statements, our capital and financial resources, and overall liquidity position, have not been materially affected by this new scenario. Tenaris has in place non-committed credit facilities and management believes it has adequate access to the credit markets. In addition, Tenaris has a net cash position of approximately $271 million as of the end of March 2020 and a manageable debt amortization schedule. Considering our financial position and the funds provided by operating activities, management believes that we have sufficient resources to satisfy our current working capital needs, service our debt and address short-term changes in business conditions.

Acquisition of IPSCO Tubulars, Inc.

(i) Closing Statement

On March 16, 2020, Tenaris delivered, for TMK's review, a closing statement prepared in accordance with the acquisition agreement, including Tenaris's calculation of the closing price based on actual amounts of cash, indebtedness, working capital and certain other items as of the closing date. In case of disagreement, the parties are expected to engage in good-faith negotiations to solve any discrepancies. If the parties cannot resolve the disputed amounts, the discrepancies must be submitted to and resolved by an independent accounting firm.

(ii) Purchase Price Allocation

As at March 31, 2020, the preliminary purchase price allocation was carried out with the assistance of a third-party expert.

The application of the purchase method requires certain estimates and assumptions, including estimates and assumptions concerning the determination of the fair values of the acquired intangible assets and property, plant and equipment as well as the liabilities assumed at the date of the acquisition. The fair values determined at the acquisition date are based mainly on discounted cash flows and other valuation techniques.

The preliminary allocation of the fair values determined for the assets and liabilities arising from the acquisition is as follows:

FAIR VALUE OF ACQUIRED ASSETS AND LIABILITIES:	$ million
Property, Plant and Equipment	506
Intangible assets	170
Working capital	144
Cash and Cash Equivalents	4
Other assets	46
Borrowings	(53)
Provisions	(27)
Other liabilities	(77)
Deferred tax liabilities	(3)
Net assets acquired	**710**

Tenaris acquired total assets and liabilities shown above, for approximately $1,067 million. As a result of the acquisition, the Company recognized goodwill for approximately $357 million. The goodwill is not expected to be deductible for tax purposes.

The goodwill generated by the acquisition is mainly attributable to the synergy created following the integration between Tenaris and IPSCO, which is expected to enhance Tenaris's position as well as its local manufacturing presence in the U.S. market, and also expand its product range and services capabilities. The goodwill has been allocated to the Tubes segment. After the conclusion of the preliminary purchase price allocation determination and as a consequence of the unprecedented decline in oil prices and other changes in circumstances, the management has decided to impair the goodwill mentioned above.

Following IFRS 3, the Company will continue reviewing the allocation and make any necessary adjustments (mainly over property, plant and equipment and intangible assets) during the twelve months following the acquisition date.

Acquisition-related costs of $9.7 million were included in general and administrative expenses ($9.4 million and $ 0.3 million in 2019 and 2020 respectively).

(iii) Temporary suspension of operations at certain facilities

Given the abrupt and steep decline in market demand, the facilities in Koppel and Ambridge (PA), Brookfield (OH), Blytheville (AR), Wilder (KY), and Odessa and Baytown (TX), were temporarily closed until market conditions improve.

Impairment of Assets

As a result of the severe deterioration of business conditions and in light of the presence of impairment indicators for its U.S. operations, Tenaris recorded impairment charges as at March 31, 2020, in the carrying values of goodwill and other asset values at the cash-generating units OCTG USA (Maverick), IPSCO, Rods USA and Coiled Tubing, for an aggregate amount of approximately $622 million.

These Consolidated Financial Statements do not reflect these impairment charges.

Closure of facilities at JFE's Keihin steel complex

Our seamless pipe manufacturing facility in Asia, operated by NKKTubes, is located in Kawasaki, Japan, in the Keihin steel complex owned by JFE. Steel bars and other essential inputs and services for NKKTubes are supplied under a long-term agreement by JFE, which retains a 49% interest in NKKTubes. On March 27, 2020, JFE informed Tenaris of its decision to permanently cease, as from JFE's fiscal year ending March 2024, the operations of certain of its steel manufacturing facilities and other facilities located at the Keihin complex. The closure of JFE's Keihin facilities may result in the unavailability of steel bars and other essential inputs or services used in NKKTubes' manufacturing process, thereby affecting its operations. Tenaris and JFE have agreed to engage in discussions to seek mutually acceptable solutions.

Annual Dividend Proposal

On April 29, 2020, the Company's board of directors resolved to propose, for approval by the annual shareholders meeting to be held on June 2, 2020, that no further dividends be distributed in respect of fiscal year 2019 beyond the interim dividend of approximately $153 million already paid in November 2019. For a discussion of the rationale behind the dividend proposal, see "*The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition*" included in this note.

/s/ Alicia Móndolo

Chief Financial Officer
Alicia Móndolo

Tenaris S.A.
Société Anonyme
Annual accounts

Audited Annual Accounts as at December 31, 2019

Audit report

To the Shareholders of
Tenaris S.A.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Tenaris S.A. (the "Company") as at 31 December 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Our opinion is consistent with our additional report to the Audit Committee of the Company's Board of Directors (the "Audit Committee").

What we have audited

The Company's annual accounts comprise:

- the balance sheet as at 31 December 2019;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T : +352 494848 1, F : +352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Standards Board (IAASB) and as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Company for the year ended 31 December 2019, are disclosed in Note 9 to the annual accounts.

The non-audit services rendered by PwC Networks firms to the Company and its controlled undertakings, for the year ended 31 December 2019, are disclosed in Note 31 to the Company's consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter

Recoverability of investment in subsidiary - Tenaris Investments S.à r.l.

Note 3 to the annual accounts indicates that as of 31 December 2019, Tenaris S.A. holds a 100% interest in the unlisted company Tenaris Investments S.à r.l. This investment represents 99.99% of the total assets of the Company. The carrying value of the investment amounts to USD 17,857 million.

We focused our audit on the recoverability of this investment given its financial significance over the total assets.

Our audit approach included assessing the recoverability of Tenaris Investments S.à r.l. by comparing its carrying value with its net assets as obtained from Tenaris Investments S.à r.l. audited annual accounts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the consolidated management report and the Corporate Governance Statement but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as issued by the IAASB and as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as issued by the IAASB and as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" of the Company by the General Meeting of the Shareholders on 6 May 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 18 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 29 April 2020

Electronically signed by:
Fabrice Goffin

Fabrice Goffin

Tenaris S.A. Balance Sheet
as at December 31, 2019

Expressed in United States Dollars

	Note(s)	2019	2018
ASSETS			
C. FIXED ASSETS			
III. Financial assets			
1. Shares in affiliated undertakings	3	17,857,330,583	18,377,497,729
		17,857,330,583	**18,377,497,729**
D. CURRENT ASSETS			
II. Debtors			
4. Other debtors			
a) becoming due and payable within one year		30,369	29,424
IV. Cash at bank and in hand		886,448	1,179,762
		916,817	**1,209,186**
Total assets		**17,858,247,400**	**18,378,706,915**
CAPITAL, RESERVES AND LIABILITIES			
A. CAPITAL AND RESERVES			
I. Subscribed capital		1,180,536,830	1,180,536,830
II. Share premium account	4	609,732,757	609,732,757
IV. Reserves	4		
1. Legal reserve		118,053,683	118,053,683
V. Profit brought forward	4&5	16,108,887,311	16,626,210,710
VI. Loss for the financial year		(47,362,232)	(33,303,298)
VII.Interim dividend		(153,469,788)	(153,469,788)
	4&7	**17,816,378,561**	**18,347,760,894**
C. CREDITORS			
6. Amounts owed to affiliated undertakings			
a) becoming due and payable within one year		27,098,255	9,307,610
b) becoming due and payable after more than one year	8	7,821,200	13,625,275
8. Other creditors	8		
a) Tax authorities		5,409	5,513
c) Other creditors			
i) becoming due and payable within one year		6,943,975	8,007,623
		41,868,839	**30,946,021**
Total capital, reserves and liabilities		**17,858,247,400**	**18,378,706,915**

The accompanying notes are an integral part of these annual accounts.

Tenaris S.A. Profit and loss account
for the year ended December 31, 2019

Expressed in United States Dollars

	Note	2019	2018
8. Other operating expenses	9	(46,220,419)	(32,014,300)
11. Other interest receivable and similar income			
b) other interest and similar income		238,095	342,463
14. Interest payable and similar expenses			
a) concerning affiliated undertakings	10	(1,372,708)	(1,594,693)
b) other interest and similar expenses		(1,957)	(31,194)
16. Loss after taxation		(47,356,989)	(33,297,724)
17. Other taxes not shown under items 1 to 16	11	(5,243)	(5,574)
18. Loss for the financial year		**(47,362,232)**	**(33,303,298)**

The accompanying notes are an integral part of these annual accounts.

Tenaris S.A. Notes to the audited annual accounts as at December 31, 2019

1. General information

Tenaris S.A. (the "Company" or "Tenaris") was established on December 17, 2001 under the name of Tenaris Holding S.A. as a public limited liability company under Luxembourg's 1929 holding company regime (*société anonyme holding*). On June 26, 2002, the Company changed its name to Tenaris S.A. On January 1, 2011, the Company became an ordinary public limited liability company (*société anonyme*).

Tenaris's object is to invest mainly in companies that manufacture and market steel tubes and other related businesses.

The financial year starts on January 1 and ends on December 31 of each year.

Tenaris prepares and publishes consolidated financial statements which include further information on Tenaris and its subsidiaries. The consolidated financial statements are available at the registered office of the Company, 26, Boulevard Royal – 4th floor, L-2449, Luxembourg, Grand-Duchy of Luxembourg.

2. Summary of significant accounting policies

2.1. Basis of presentation

These annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention.

Accounting policies and valuation rules are, besides the ones laid down by the law of 19 December 2002, determined and applied by the Board of Directors.

The preparation of these annual accounts requires management to make certain accounting estimates and assumptions that might affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting dates, and the reported amounts of income and charges during the reporting years. Actual results may differ from these estimates.

2.2. Foreign currency translation

Current and non-current assets and liabilities denominated in currencies other than the United States Dollar ("USD") are translated into USD at the rate of exchange at the balance sheet date. Non-current assets remain at the exchange rate on the day of incorporation. The resulting gains or losses are reflected in the Profit and loss account for the financial year. Income and expenses in currencies other than the USD are translated into USD at the exchange rate prevailing at the date of each transaction.

2.3. Financial assets

Shares in affiliated undertakings are valued at purchase or contribution price including the expenses incidental thereto. Loans to affiliated undertakings are stated at nominal value.

Whenever necessary, the Company conducts impairment tests on its financial assets in accordance with Luxembourg regulations.

In case of other than a temporary decline in respect of the financial assets value, its carrying value will be reduced to recognize this decline. If there is a change in the reasons for which the value adjustments were made, these adjustments could be reversed, if appropriate.

2.4. Debtors

Debtors are valued at their nominal value.
They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.5. Cash at bank and in hand

Cash at bank and in hand mainly comprise cash at bank and liquidity funds. Assets recorded in cash at bank and in hand are carried at fair market value or at historical cost which approximates fair market value.

2.6. Creditors

Creditors are stated at nominal value.

3. Financial assets

Shares in affiliated undertakings

Tenaris holds 100% of the shares of Tenaris Investments S.à r.l. ("Tenaris Investments") with registered office in Luxembourg and holds, indirectly through this wholly-owned subsidiary, 100% of the shares of Confab Industrial S.A., Inversiones Lucerna Limitada, Maverick Tube Corporation, Siderca S.A.I.C., Talta - Trading e Marketing, Sociedade Unipessoal Lda., Tenaris Investments Switzerland AG, Algoma Tubes Inc., Siderca International ApS, S.C. Silcotub S.A., Management Solutions Services Inc., Tenaris Investments (NL) B.V. and Tenaris Connections B.V., 50% of the shares of Exiros B.V. and 11.5% of the shares of Ternium S.A.

Movements during the financial year are as follows:

Expressed in United States Dollars

Gross book value - opening balance	21,316,789,073
Decreases for the financial year	(520,167,146)
Gross book value - closing balance	**20,796,621,927**
Accumulated value adjustments - opening balance	(2,939,291,344)
Allocations for the financial year	–
Accumulated value adjustments - closing balance	**(2,939,291,344)**
Net book value - opening balance	**18,377,497,729**
Net book value - closing balance	**17,857,330,583**

On December 7, 2010, Tenaris entered into a master credit agreement with Tenaris Investments pursuant to which, upon request from Tenaris, Tenaris Investments may, but shall not be required to, from time to time make loans to Tenaris. Any loan under the master credit agreement may be repaid or prepaid from time to time through a reduction of the capital of Tenaris Investments by an amount equivalent to the amount of the loan then outstanding (including accrued interest).

As a result of reductions in the capital of Tenaris Investments made during the financial year ended December 31, 2019, in connection with cancellations of loans to Tenaris, the value of the participation of Tenaris in Tenaris Investments decreased by USD520.2 million.

As of December 31, 2019 Tenaris Investments reported an equity of USD18.5 billion and a loss for the financial year of USD1.5 billion.

4. Capital and reserves

The authorized capital of the Company amounts to USD2.5 billion. The total authorized share capital of the Company is represented by 2,500,000,000 shares with a par value of USD1 per share. The total capital issued and fully paid-up at December 31, 2019 was 1,180,536,830 shares with a par value of USD1 per share.

The board of directors is authorized until June 5, 2020, to increase the issued share capital, through issues of shares within the limits of the authorized capital.

Following the completion of the corporate reorganization, and upon its conversion into an ordinary Luxembourg holding company, the Company recorded a special reserve for tax purposes in a significant amount. The Company expects that, as a result of its corporate reorganization, its current overall tax burden will not increase, as all or substantially all of its dividend income will come from high income tax jurisdictions.

During 2019 the Company paid dividends for an amount of USD484 million; this amount includes the interim dividend paid on November 20, 2019 of USD153.5 million.

5. Legal reserve

In accordance with Luxembourg law, the Company is required to set aside a minimum of 5% of its annual net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve has reached 10% of the issued share capital. The Company's reserve has already reached this 10%. If the legal reserve later falls below the 10% threshold, at least 5% of net profits must be allocated again toward the reserve. The legal reserve is not available for distribution to the shareholders.

6. Distributable amounts

Dividends may be paid by Tenaris upon the ordinary shareholders' meeting approval to the extent distributable retained earnings exist.

At December 31, 2019, profit brought forward after deduction of the loss and the interim dividend for the financial year of Tenaris under Luxembourg law totaled approximately USD15.9 billion.

The share premium amounting to USD0.6 billion can also be reimbursed.

7. Interim dividend paid

In November 2019, the Company paid an interim dividend of USD153.5 million based on the board of directors' decision of October 30, 2019 and in compliance with the conditions set out in the "Amended law of August 10, 1915 on commercial companies" regarding the payment of interim dividends.

8. Balances with affiliated undertakings

Expressed in United States Dollars

	Within a year	After more than one year and within five years	After more than five years	Total at December 31, 2019	Total at December 31, 2018
CREDITORS BECOMING DUE AND PAYABLE					
Siderca Sociedad Anónima Industrial y Comercial	5,317,577	1,040,119	2,266,781	8,624,477	1,471,710
Tenaris Investments S.à r.l.	5,508,510	–	–	5,508,510	2,302,948
Tenaris Solutions Uruguay S.A.	5,503,575	872,537	2,321,218	8,697,330	4,552,988
Maverick Tube Corporation	1,876,865	–	147,577	2,024,442	2,892,922
Tubos de Acero de México, S.A.	6,008,256	–	–	6,008,256	703,531
Dalmine S.p.A.	2,159,175	–	–	2,159,175	1,004,677
Management Solutions Services, Inc.	714,732	765,977	406,991	1,887,700	–
Others	9,565	–	–	9,565	4,109
Total	**27,098,255**	**2,678,633**	**5,142,567**	**34,919,455**	**22,932,885**

9. Other operating charges

Expressed in United States Dollars

	2019	2018
Services and fees (*)	17,468,228	9,141,581
Senior management and board of director's accrued fees	27,239,915	22,034,609
Others	1,512,276	838,110
Total	**46,220,419**	**32,014,300**

(*) In addition to the audit services which amounted USD1.2 million, during the financial year the Company received from the statutory auditor audit-related services for a total amount of USD22 thousand. No tax-related fees or other fees for services rendered by the statutory auditor were accrued during the financial year.

Total fees accrued for professional services rendered by PwC Network firms to Tenaris S.A. and its subsidiaries are disclosed in note 31 to the Company's consolidated financial statements.

10. Interest payable concerning affiliated undertakings

Interests payable concerning affiliated undertaking are referred to intercompany loans from Tenaris Investments (See Note 3).

11. Taxes

The Company is liable to all taxes applicable to a Luxembourg "Société Anonyme". For the financial year ended December 31, 2019 the Company did not realize any profits subject to tax in Luxembourg.

12. Parent Company

Tenaris's controlling shareholders as of December 31, 2019 were as follows:

- 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 private foundation located in the Netherlands (Stichting) ("RP STAK") held voting 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's directors and senior management as a group owned 0.08% of the Company's outstanding shares.

13. Putative class actions

Putative class actions

Following the Company's November 27, 2018 announcement that its Chairman and CEO Paolo Rocca had been included in an Argentine court investigation known as the Notebooks Case (a decision subsequently reversed by a higher court), two putative class action complaints were filed in the U.S. District Court for the Eastern District of New York. On April 29, 2019, the court consolidated the complaints into a single case, captioned "In re Tenaris S.A. Securities Litigation", and appointed lead plaintiffs and lead counsel. On July 19, 2019, the lead plaintiffs filed an amended complaint purportedly on behalf of purchasers of Tenaris securities during the putative class period of May 1, 2014 through December 5, 2018. The individual defendants named in the complaint are Tenaris's Chairman and CEO and Tenaris's former CFO. The complaint alleges that during the class period, the Company and the individual defendants inflated the Tenaris share price by failing to disclose that sale proceeds received by Ternium (in which Tenaris held an 11.46% stake) when Sidor was expropriated by Venezuela were received or expedited as a result of allegedly improper payments made to Argentine officials. The complaint does not specify the damages that plaintiff is seeking. Defendants' motions to dismiss are expected to be decided during 2020. Management believes the Company has meritorious defenses to these claims; however, 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.

14. Off balance sheet commitments

The Company issued a guarantee covering the funding obligations of Techgen S.A. de C.V. (“Techgen”), a Mexican natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo Leon, Mexico, under a loan agreement between Techgen and Natixis, New York Branch, as the administrative agent and collateral agent of various lenders. As of December 31, 2019 the amount guaranteed was approximately USD4.9 million.

The Company issued a guarantee to cover obligations under a loan agreement entered into a Tenaris’s company and Citibank. As of December 31, 2019 the amount guaranteed was approximately USD17 million.

15. Subsequent event

Information on Affiliated Undertakings

- On January 2, 2020, Maverick Tube Corporation, a wholly- owned subsidiary of Tenaris Investments S.à r.l., acquired 100% of the shares of IPSCO Tubulars, Inc. (“IPSCO”), a U.S. manufacturer of steel pipes, from PAO TMK (“TMK”). The acquisition price was determined on a cash-free, debt-free basis, and the amount paid in cash at the closing, following contractual adjustments for cash, indebtedness, working capital and certain other items as estimated by the seller as of the closing date, was USD1,067 million. The final acquisition price is subject to a contractual true-up adjustment based on actual amounts of cash, indebtedness, working capital and certain other items as of the closing date.

- Tenaris recorded impairment charges for an aggregate amount of approximately USD622 million, as a result of the severe deterioration of business conditions and in light of the presence of impairment indicators for its U.S. operations.

The above mentioned events were included in the Consolidated Condensed Interim Financial Statements as of March 31, 2020. These annual accounts do not reflect these circumstances.

The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris’s operations and financial condition

A novel strain of coronavirus (SARS-CoV-2) surfaced in China in December 2019 and subsequently spread to the rest of the world in early 2020. In March 2020, the World Health Organization declared COVID-19, the disease caused by the SARS-CoV-2 virus, a global pandemic. In response to the COVID-19 outbreak, countries have taken different measures in relation to prevention and containment. For example, several countries introduced bans on business activities or locked down cities or countries, including countries where Tenaris has operations (such as Argentina, China, Colombia, Italy, Mexico and the United States). The rapid expansion of the virus and the measures taken to contain it have triggered a severe fall in global economic activity and a serious crisis in the energy sector.

While the extent of the effects of COVID-19 on the global economy and oil demand were still unclear, in March 2020, the members of OPEC+ (OPEC plus other major oil producers including Russia) did not agree to extend their agreement to cut oil production and Saudi Arabia precipitated a wave of additional supply on the market triggering a collapse in oil prices below $30 per barrel. This exacerbated what soon became clear was an unprecedented situation of oversupply, caused primarily by the sudden and dramatic fall in oil consumption consequent to the measures taken to contain the spread of the virus around the world. Although OPEC+ subsequently reached an equally unprecedented agreement to cut production by as much as 9.7 million barrels per day, a situation of acute oversupply remains, causing oil prices to hit record lows. By the end of trading on April 20, 2020, the West Texas Intermediate (WTI) forward price for delivery in May, which had to be closed out the following day, fell to a negative value for the first time in history, as oil storage facilities were completely committed, and producers were forced to pay buyers to take their barrels. It is not known how long it will take for oil and gas demand to recover or achieve a more balanced position between supply and demand. As a result, prices are expected to remain at low levels for an extended period. In these circumstances, most of our customers have announced, or are making, significant cuts to their investment plans and are likely to announce further cuts. Similarly, several of our suppliers are closing, either temporarily or permanently, some of their facilities, which may result in unavailability or increased prices for our raw materials and other inputs.

Status of our operations

We are adjusting our operations on a country-by-country basis to comply with applicable rules and requirements and adapt to this new, rapidly evolving scenario. As of the date of these annual accounts, this is the status of our facilities:

- In China, we are again fully operational, after several weeks of interruption and an extraordinary combined effort of our people and of our community.

- In Italy, production was greatly reduced; although our Dalmine facility was used exclusively for the manufacturing of oxygen tanks to aid local hospitals and health centers for a limited period of time, currently the facility is gradually resuming normal operations. In Argentina, Colombia, Mexico and Saudi Arabia, Tenaris decreased its activity following the imposition of mandatory lockdowns, and our plants in these countries are currently operating at reduced levels. Although the lockdowns or restrictions to operate in these countries are expected to end or be relaxed in the next few weeks, these could be extended and/or made more stringent if so decided by the appropriate authorities as the circumstances could require.

- In the United States, our facilities in Koppel and Ambridge (PA), Brookfield (OH), Blytheville (AR), Wilder (KY), and Odessa and Baytown (TX), have been or will be temporarily closed until market conditions improve. In addition, Tenaris is in the process of performing employee reductions and adjusting production levels at its other facilities in line with market demand.

In order to safeguard the health and safety of its employees, customers and suppliers, Tenaris has taken preventive measures, including remote working for the majority of white collar employees, restricting onsite access to essential operational personnel, keeping personnel levels at a minimum, implementing a special operations protocol to ensure social distancing and providing medical assistance and supplies to onsite employees. As of the date of these annual accounts, remote work and other work arrangements have not materially adversely affected Tenaris's ability to conduct operations. In addition, these alternative working arrangements have not adversely affected our financial reporting systems, internal control over financial reporting or disclosure controls and procedures.

Risks associated with the COVID-19 pandemic and the oil & gas crisis

Given the uncertainty around the extent and timing of the future spread of the SARS-CoV-2 virus and the unprecedented extent of the oversupply on the oil market and the uncertainty about the timing and extent of any recovery in demand, it is not possible at this time to predict the full magnitude of the adverse effects that these two circumstances will have on our industry generally, nor to reasonably estimate the impact on Tenaris's results of operations, cash flows or financial condition.

The COVID-19 pandemic and the ongoing oil & gas crisis poses the following main risks and challenges to Tenaris:

- Global oil or gas demand may fail to recover or even decrease further in the future, driving down prices even more or keeping them at very low levels, which would exert downward pressure on sales and margins of oil and gas companies, leading to further reductions and even generalized suspension of drilling activities (in the U.S. or elsewhere) and, as a result, materially adversely affecting our sales and financial position.

- Tenaris or its employees, contractors, suppliers, customers and other business partners may be prevented from conducting certain business activities for a prolonged or indefinite period of time. In addition, employees in some or all of our facilities, or those of our contracts, suppliers, customers or other business partners, may refuse to work due to health concerns while the COVID-19 outbreak is ongoing, If that happens, the continuity of our future operations may be severely affected.

- A continuing spread of COVID-19 may affect the availability and price of raw materials, energy and other inputs used by Tenaris in its operations. Any such disruption or increased prices could adversely affect Tenaris's profitability.

Mitigating actions

In order to mitigate the impact of expected lower sales, Tenaris is working on a worldwide rightsizing program and cost containment plan aimed at preserving its financial resources and overall liquidity position and maintaining the continuity of its operations. The actions include:

- Adjusting the level of our operations and workforce around the world, including through the temporary closure of certain U.S. facilities or production lines, as indicated above;

- Introducing efficiency and productivity improvements throughout Tenaris's industrial system;

- Downsizing our fixed cost structure, including through pay reductions for senior management and board members, aggregating estimated total annual savings of approximately USD220 million by year-end;

- Reducing capital expenditures and R&D expenses for approximately USD150 million when compared to 2019 levels;

- Reducing working capital, especially inventories, in accordance with the expected levels of activity; and

- Increasing our focus on managing customer credit conditions.

  As part of these liquidity preservation initiatives, the board of directors resolved to propose, for approval by the Annual Shareholders Meeting to be held on June 2, 2020, that no further dividends be distributed in respect of fiscal year 2019 on top of the interim dividend of approximately USD153 million already paid in November 2019.

  As of the date of these annual accounts, our capital and financial resources, and overall liquidity position, have not been materially affected by this new scenario.

Annual Dividend Proposal

On April 29, 2020, the Company's board of directors resolved to propose, for approval by the annual shareholders meeting to be held on June 2, 2020, that no further dividends be distributed in respect of fiscal year 2019 beyond the interim dividend of approximately USD153 million already paid in November 2019. For a discussion of the rationale behind the dividend proposal, see "*The COVID-19 pandemic and the oil & gas crisis and their impact on Tenaris's operations and financial condition*" included in this note.

/s/ Alicia Móndolo

Chief Financial Officer
Alicia Móndolo

Exhibit I – Alternative Performance Measures

EBITDA, Earnings before interest, tax, depreciation and amortization

EBITDA provides an analysis of the operating results excluding depreciation and amortization and impairments, as they are non-cash variables which can vary substantially from company to company depending on accounting policies and the accounting value of the assets. EBITDA is an approximation to pre-tax operating cash flow and reflects cash generation before working capital variation. EBITDA is widely used by investors when evaluating businesses (multiples valuation), as well as by rating agencies and creditors to evaluate the level of debt, comparing EBITDA with net debt. EBITDA is calculated in the following manner:

EBITDA = Operating results + Depreciation and amortization + Impairment charges/(reversals).

Millions of U.S. dollars

FOR THE YEAR ENDED DECEMBER 31	2019	2018	2017
Operating income	832	872	335
Depreciation and amortization	540	664	609
EBITDA	**1,372**	**1,536**	**943**

Net cash/(debt) position

This is the net balance of cash and cash equivalents, other current investments and fixed income investments held to maturity less total borrowings. It provides a summary of the financial solvency and liquidity of the company. Net cash / (debt) is widely used by investors and rating agencies and creditors to assess the company's leverage, financial strength, flexibility and risks.

Net cash/ debt is calculated in the following manner:

Net cash= Cash and cash equivalents + Other investments (Current and Non-Current) +/- Derivatives hedging borrowings and investments – Borrowings (Current and Non-Current).

Millions of U.S. dollars

AT DECEMBER 31	2019	2018	2017
Cash and bank deposits	1,554	428	330
Other current investments	210	488	1,192
Non-current investments	18	114	123
Derivatives hedging borrowings and investments	19	(6)	(33)
Borrowings – current and non-current	(822)	(539)	(966)
Net cash position	**980**	**485**	**647**

Free Cash Flow

Free cash flow is a measure of financial performance, calculated as operating cash flow less capital expenditures. FCF represents the cash that a company is able to generate after spending the money required to maintain or expand its asset base. Free cash flow is calculated in the following manner:

Free cash flow = Net cash (used in) provided by operating activities – Capital expenditures.

Millions of U.S. dollars

FOR THE YEAR ENDED DECEMBER 31	2019	2018	2017
Net cash provided by (used in) operating activities	1,528	611	(22)
Capital expenditures	(350)	(349)	(558)
Free cash flow	**1,178**	**261**	**(580)**

Investor information

Investor Relations Director
Giovanni Sardagna

General inquiries
investors@tenaris.com

Luxembourg Office
26 Boulevard Royal
4th Floor
L-2449 Luxembourg
(352) 26 47 89 78 tel
(352) 26 47 89 79 fax

ADS depositary bank
Deutsche Bank
CUSIP No. 88031M019

Internet
www.tenaris.com

Phones
USA 1 888 300 5432
Argentina (54) 11 4018 2928
Italy (39) 02 9925 0954
Mexico (52) 229 9891159

Stock information
New York Stock Exchange (TS)
Mercato Telematico Azionario (TEN)
Bolsa Mexicana de Valores, S.A.B. de C.V. (TS)

www.tenaris.com