

TENARIS S.A.

**CONSOLIDATED CONDENSED INTERIM FINANCIAL
STATEMENTS**

JUNE 30, 2014

29, Avenue de la Porte-Neuve – 3rd Floor.
L - 2227 Luxembourg

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

	Notes	Three-month period ended June 30,		Six-month period ended June 30,	
		2014	2013	2014	2013
		(Unaudited)		(Unaudited)	
Continuing operations					
Net sales	3	2,660,882	2,829,270	5,240,826	5,507,575
Cost of sales	4	(1,590,888)	(1,714,443)	(3,117,922)	(3,359,875)
Gross profit		1,069,994	1,114,827	2,122,904	2,147,700
Selling, general and administrative expenses	5	(518,237)	(529,329)	(1,007,097)	(1,004,894)
Other operating income (expense), net		(2,475)	(7,302)	(755)	(11,025)
Operating income		549,282	578,196	1,115,052	1,131,781
Interest income	6	9,944	6,870	19,006	12,951
Interest expense	6	(10,618)	(16,620)	(23,621)	(30,529)
Other financial results	6	1,144	(955)	47,578	(2,336)
Income before equity in earnings of associated companies and income tax		549,752	567,491	1,158,015	1,111,867
Equity in earnings of associated companies		14,367	11,869	33,188	24,066
Income before income tax		564,119	579,360	1,191,203	1,135,933
Income tax		(144,219)	(149,795)	(343,284)	(283,651)
Income for the period		419,900	429,565	847,919	852,282
Attributable to:					
Owners of the parent		407,885	417,828	830,390	842,605
Non-controlling interests		12,015	11,737	17,529	9,677
		419,900	429,565	847,919	852,282
Earnings per share attributable to the owners of the parent during the period:					
Weighted average number of ordinary shares (thousands)		1,180,537	1,180,537	1,180,537	1,180,537
Continuing operations					
Basic and diluted earnings per share (U.S. dollars per share)		0.35	0.35	0.70	0.71
Basic and diluted earnings per ADS (U.S. dollars per ADS) (1)		0.69	0.71	1.41	1.43

(1) Each ADS equals two shares.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Three-month period ended June 30,		Six-month period ended June 30,	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
Income for the period	419,900	429,565	847,919	852,282
Items that will not be reclassified to profit or loss:				
Remeasurements of post employment benefit obligations	4,428	-	4,428	-
Income tax on items that will not be reclassified	(1,165)	-	(1,165)	-
	3,263	-	3,263	-
Items that may be reclassified subsequently to profit or loss:				
Currency translation adjustment	(1,598)	(17,990)	11,312	(40,811)
Change in value of available for sale financial instruments and cash flow hedges	2,020	1,981	618	5,219
Share of other comprehensive income of associates:				
- Currency translation adjustment	12,078	(52,316)	12,506	(47,779)
- Changes in the fair value of derivatives held as cash flow hedges	(339)	(599)	(904)	1,129
Income tax relating to items that may be reclassified	5	(8)	33	679
Other comprehensive income (loss) for the period, net of tax	15,429	(68,932)	26,828	(81,563)
Total comprehensive income for the period	435,329	360,633	874,747	770,719
Attributable to:				
Owners of the parent	423,386	348,751	857,273	761,099
Non-controlling interests	11,943	11,882	17,474	9,620
	435,329	360,633	874,747	770,719

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. These Consolidated Condensed Interim Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2013.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

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

	Notes	At June 30, 2014	At December 31, 2013	
		(Unaudited)		
ASSETS				
Non-current assets				
Property, plant and equipment, net	8	4,856,796	4,673,767	
Intangible assets, net	9	2,993,696	3,067,236	
Investments in associated companies		941,501	912,758	
Other investments		1,813	2,498	
Deferred tax assets		219,560	197,159	
Receivables		219,824	9,233,190	152,080
				9,005,498
Current assets				
Inventories		2,774,035	2,702,647	
Receivables and prepayments		232,688	220,224	
Current tax assets		163,340	156,191	
Trade receivables		1,962,412	1,982,979	
Available for sale assets		21,572	21,572	
Other investments	10	1,727,405	1,227,330	
Cash and cash equivalents	10	642,382	7,523,834	614,529
				6,925,472
Total assets		16,757,024		15,930,970
EQUITY				
Capital and reserves attributable to owners of the parent		12,793,540	12,290,420	
Non-controlling interests		148,483	179,446	
Total equity		12,942,023		12,469,866
LIABILITIES				
Non-current liabilities				
Borrowings		173,083	246,218	
Deferred tax liabilities		710,151	751,105	
Other liabilities		284,168	277,257	
Provisions		72,653	1,240,055	66,795
				1,341,375
Current liabilities				
Borrowings		913,125	684,717	
Current tax liabilities		318,334	266,760	
Other liabilities		342,022	250,997	
Provisions		28,835	25,715	
Customer advances		92,041	56,911	
Trade payables		880,589	2,574,946	834,629
				2,119,729
Total liabilities		3,815,001		3,461,104
Total equity and liabilities		16,757,024		15,930,970

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CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

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

	Attributable to owners of the parent						Non-controlling interests	Total	
	Share Capital (1)	Legal Reserves	Share Premium	Currency Translation Adjustment	Other Reserves	Retained Earnings (2)			
Balance at December 31, 2013	1,180,537	118,054	609,733	(406,744)	(305,758)	11,094,598	12,290,420	179,446	12,469,866
Income for the period	-	-	-	-	-	830,390	830,390	17,529	847,919
Currency translation adjustment	-	-	-	11,382	-	-	11,382	(70)	11,312
Remeasurements of post employment benefit obligations, net of taxes	-	-	-	-	3,254	-	3,254	9	3,263
Change in value of available for sale financial instruments and cash flow hedges net of tax	-	-	-	-	645	-	645	6	651
Share of other comprehensive income of associates	-	-	-	12,506	(904)	-	11,602	-	11,602
Other comprehensive income (loss) for the period	-	-	-	23,888	2,995	-	26,883	(55)	26,828
Total comprehensive income for the period	-	-	-	23,888	2,995	830,390	857,273	17,474	874,747
Acquisition of non-controlling interests	-	-	-	-	8	-	8	(148)	(140)
Dividends paid in cash	-	-	-	-	-	(354,161)	(354,161)	(48,289)	(402,450)
Balance at June 30, 2014	1,180,537	118,054	609,733	(382,856)	(302,755)	11,570,827	12,793,540	148,483	12,942,023

	Attributable to owners of the parent						Non-controlling interests	Total	
	Share Capital (1)	Legal Reserves	Share Premium	Currency Translation Adjustment	Other Reserves	Retained Earnings			
Balance at December 31, 2012	1,180,537	118,054	609,733	(316,831)	(314,297)	10,050,835	11,328,031	171,561	11,499,592
Income for the period	-	-	-	-	-	842,605	842,605	9,677	852,282
Currency translation adjustment	-	-	-	(40,754)	-	-	(40,754)	(57)	(40,811)
Hedge reserve, net of tax	-	-	-	-	5,898	-	5,898	-	5,898
Share of other comprehensive income of associates	-	-	-	(47,779)	1,129	-	(46,650)	-	(46,650)
Other comprehensive (loss) income for the period	-	-	-	(88,533)	7,027	-	(81,506)	(57)	(81,563)
Total comprehensive income for the period	-	-	-	(88,533)	7,027	842,605	761,099	9,620	770,719
Acquisition of non-controlling interests	-	-	-	-	(10,552)	-	(10,552)	2,784	(7,768)
Dividends paid in cash	-	-	-	-	-	(354,161)	(354,161)	(18,529)	(372,690)
Balance at June 30, 2013	1,180,537	118,054	609,733	(405,364)	(317,822)	10,539,279	11,724,417	165,436	11,889,853

(1) The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of USD1.00 per share. As of June 30, 2014 and 2013 there were 1,180,536,830 shares issued. All issued shares are fully paid.

(2) The Distributable Reserve and Retained Earnings as of December 31, 2013 calculated in accordance with Luxembourg Law are disclosed in Note 11.

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. These Consolidated Condensed Interim Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2013.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Notes	Six-month period ended June 30,	
		2014	2013
(all amounts in thousands of U.S. dollars)			
Cash flows from operating activities		(Unaudited)	
Income for the period		847,919	852,282
Adjustments for:			
Depreciation and amortization	8 & 9	305,743	296,972
Income tax accruals less payments		58,411	25,021
Equity in earnings of associated companies		(33,188)	(24,066)
Interest accruals less payments, net		(18,056)	(35,021)
Changes in provisions		8,978	(917)
Changes in working capital		33,362	72,457
Other, including currency translation adjustment		(24,839)	(24,021)
Net cash provided by operating activities		1,178,330	1,162,707
Cash flows from investing activities			
Capital expenditures	8 & 9	(412,222)	(363,559)
Advance to suppliers of property, plant and equipment		(24,849)	11,758
Investment in associated companies	12	(1,380)	-
Loan to associated companies	12	(28,648)	-
Proceeds from disposal of property, plant and equipment and intangible assets		6,606	6,746
Dividends received from associated companies		17,429	16,127
Changes in investments in short terms securities		(500,075)	(468,656)
Net cash used in investing activities		(943,139)	(797,584)
Cash flows from financing activities			
Dividends paid	7	(354,161)	(354,161)
Dividends paid to non-controlling interest in subsidiaries		(48,289)	(18,529)
Acquisitions of non-controlling interests		(140)	(7,768)
Proceeds from borrowings (*)		1,207,214	1,220,390
Repayments of borrowings (*)		(1,000,200)	(1,354,772)
Net cash used in financing activities		(195,576)	(514,840)
Increase (Decrease) in cash and cash equivalents		39,615	(149,717)
Movement in cash and cash equivalents			
At the beginning of the period		598,145	772,656
Effect of exchange rate changes		2,064	(16,913)
Increase (Decrease) in cash and cash equivalents		39,615	(149,717)
At June 30,		639,824	606,026
		At June 30,	
Cash and cash equivalents		2014	2013
Cash and bank deposits		642,382	618,435
Bank overdrafts		(2,558)	(12,409)
		639,824	606,026

(*) Mainly related to the renewal of short-term local facilities carried out during the six-month period ending June 30, 2014 and June 30, 2013, respectively.

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. These Consolidated Condensed Interim Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2013.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

1 General information

Tenaris S.A. (the "Company") was established as a public limited liability company (*Société Anonyme*) under the laws of the Grand-Duchy of Luxembourg on December 17, 2001. The Company holds, either directly or indirectly, controlling interests in various subsidiaries in the steel pipe manufacturing and distribution businesses. References in these Consolidated Condensed Interim Financial Statements to "Tenaris" refer to Tenaris S.A. and its consolidated subsidiaries. A list of the principal Company's subsidiaries is included in Note 30 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2013.

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

These Consolidated Condensed Interim Financial Statements were approved for issuance by the Company's board of directors on July 30, 2014.

2 Accounting policies and basis of presentation

These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". The accounting policies used in the preparation of these Consolidated Condensed Interim Financial Statements are consistent with those used in the audited Consolidated Financial Statements for the year ended December 31, 2013. These Consolidated Condensed Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and adopted by the European Union ("EU").

The preparation of Consolidated Condensed Interim Financial Statements in conformity with IFRS requires management to make certain accounting estimates and assumptions that might affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet dates, and the reported amounts of revenues and expenses for the reported periods. Actual results may differ from these estimates.

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

There were no changes in valuation techniques during the period and there have been no changes in the risk management department or in any risk management policies since the year ended December 31, 2013.

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

Accounting pronouncements applicable as from January 1, 2014 and relevant for Tenaris

IFRS 15, "Revenue from contracts with customers"

In May 2014, the IASB issued IFRS 15, "revenue from contracts with customers", which sets out the requirements in accounting for revenue arising from contracts with customers and which is based on the principle that revenue is recognized when control of a good or service is transferred to the customer. IFRS 15 must be applied annual periods beginning on or after January 1, 2017.

This standard is not effective for the financial year beginning January 1, 2014 and has not been early adopted.

The Company's management has not assessed the potential impact that the application of these standards may have on the Company's financial condition or results of operations.

3 Segment Information**Reportable operating segment***(all amounts in thousands of U.S. dollars)***Six-month ended June 30, 2014****IFRS - Net Sales (*)**

Management View - Operating income

- Differences in cost of sales and others
- Depreciation and amortization

IFRS - Operating income

Financial income (expense), net

Income before equity in earnings of associated companies and income tax

Equity in earnings of associated companies

Income before income tax

Capital expenditures

Depreciation and amortization

	(Unaudited)		
	Tubes	Other	Total
IFRS - Net Sales (*)	4,864,780	376,046	5,240,826
Management View - Operating income	1,090,298	8,073	1,098,371
· Differences in cost of sales and others	8,924	7,878	16,802
· Depreciation and amortization	(162)	41	(121)
IFRS - Operating income	1,099,060	15,992	1,115,052
Financial income (expense), net			42,963
Income before equity in earnings of associated companies and income tax			1,158,015
Equity in earnings of associated companies			33,188
Income before income tax			1,191,203
Capital expenditures	398,735	13,487	412,222
Depreciation and amortization	294,792	10,951	305,743

*(all amounts in thousands of U.S. dollars)***Six-month ended June 30, 2013****Management View - Net Sales**

- Sales of energy, surplus raw materials and others

IFRS - Net Sales

Management View - Operating income

- Differences in cost of sales and others
- Depreciation and amortization

IFRS - Operating income

Financial income (expense), net

Income before equity in earnings of associated companies and income tax

Equity in earnings of associated companies

Income before income tax

Capital expenditures

Depreciation and amortization

	(Unaudited)		
	Tubes	Other	Total
Management View - Net Sales	5,107,375	360,118	5,467,493
· Sales of energy, surplus raw materials and others	-	40,082	40,082
IFRS - Net Sales	5,107,375	400,200	5,507,575
Management View - Operating income	1,112,813	50,434	1,163,247
· Differences in cost of sales and others	(31,713)	2,844	(28,869)
· Depreciation and amortization	(2,384)	(213)	(2,597)
IFRS - Operating income	1,078,716	53,065	1,131,781
Financial income (expense), net			(19,914)
Income before equity in earnings of associated companies and income tax			1,111,867
Equity in earnings of associated companies			24,066
Income before income tax			1,135,933
Capital expenditures	346,118	17,441	363,559
Depreciation and amortization	287,036	9,936	296,972

(*) In 2014, the company aligned the presentation of sales between Management and IFRS view.

In the six-month period ended June 30, 2014, net income under management view amounted to \$697.2 million, while under IFRS amounted to \$847.9 million. In addition to the above, the main differences arise from the impact of functional currencies on financial result, income taxes as well as the result of investments in associated companies.

Geographical information*(all amounts in thousands of U.S. dollars)***Six-month ended June 30, 2014**

	(Unaudited)					
	North America	South America	Europe	Middle East & Africa	Far East & Oceania	Total
Net sales	2,337,957	1,039,848	552,765	1,106,149	204,107	5,240,826
Capital expenditures	190,226	155,576	54,833	1,109	10,478	412,222
Depreciation and amortization	166,624	60,048	63,292	4,866	10,913	305,743

Six-month ended June 30, 2013

Net sales	2,287,402	1,434,293	523,107	1,041,049	221,724	5,507,575
Capital expenditures	114,123	184,600	51,761	2,174	10,901	363,559
Depreciation and amortization	161,994	52,993	65,942	5,260	10,783	296,972

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

3 Segment Information (Cont.)

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

4 Cost of sales

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

	Six-month period ended June 30,	
	2014	2013
	(Unaudited)	
Inventories at the beginning of the period	2,702,647	2,985,805
Plus: Charges of the period		
Raw materials, energy, consumables and other	1,993,006	1,867,398
Services and fees	221,228	206,052
Labor cost	604,348	596,968
Depreciation of property, plant and equipment	182,986	176,895
Amortization of intangible assets	6,192	3,659
Maintenance expenses	105,370	109,172
Allowance for obsolescence	(2,752)	35,274
Taxes	9,505	2,646
Other	69,427	73,938
	3,189,310	3,072,002
Less: Inventories at the end of the period	(2,774,035)	(2,697,932)
	3,117,922	3,359,875

5 Selling, general and administrative expenses

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

	Six-month period ended June 30,	
	2014	2013
	(Unaudited)	
Services and fees	96,703	92,971
Labor cost	301,311	293,781
Depreciation of property, plant and equipment	10,264	9,128
Amortization of intangible assets	106,301	107,290
Commissions, freight and other selling expenses	299,240	312,514
Provisions for contingencies	16,922	18,114
Allowances for doubtful accounts	30,014	26,376
Taxes	78,242	83,316
Other	68,100	61,404
	1,007,097	1,004,894

6 Financial results

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

	Six-month period ended June 30,	
	2014	2013
	(Unaudited)	
Interest income	19,006	12,951
Interest expense	(23,621)	(30,529)
Interest net	(4,615)	(17,578)
Net foreign exchange transaction results	57,718	3,953
Results from Foreign exchange derivative contracts	(11,664)	3,949
Other	1,524	(10,238)
Other financial results	47,578	(2,336)
Net financial results	42,963	(19,914)

For the six month period ended June 30, 2014 other financial results are mainly due to the positive impact from the Argentine peso devaluation against the U.S. dollar on the Argentine peso denominated borrowings and liabilities.

7 Dividend distribution

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

On May 2, 2013 the Company's Shareholders approved an annual dividend in the amount of \$0.43 per share (\$0.86 per ADS). The amount approved included the interim dividend previously paid in November 22, 2012 in the amount of \$0.13 per share (\$0.26 per ADS). The balance, amounting to \$0.30 per share (\$0.60 per ADS), was paid on May 23, 2013. In the aggregate, the interim dividend paid in November 2012 and the balance paid in May 2013 amounted to approximately \$507.6 million.

8 Property, plant and equipment, net

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

	2014	2013
	(Unaudited)	
Six-month period ended June 30,		
Opening net book amount	4,673,767	4,434,970
Currency translation adjustment	9,143	(26,719)
Additions (*)	373,419	320,348
Disposals	(6,079)	(6,193)
Increase due to consolidation of joint operations	-	1,554
Transfers	(204)	(942)
Depreciation charge	(193,250)	(186,023)
At June 30,	4,856,796	4,536,995

(*)The increase has to do mainly with the progress in the construction of the greenfield seamless facility in Bay City, Texas.

9 Intangible assets, net

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

	2014	2013
	(Unaudited)	
Six-month period ended June 30,		
Opening net book amount	3,067,236	3,199,916
Currency translation adjustment	473	(800)
Additions	38,803	43,211
Transfers	204	942
Amortization charge	(112,493)	(110,949)
Disposals	(527)	(553)
At June 30,	2,993,696	3,131,767

10 Other investments and Cash and cash equivalents

	At June 30,	At December 31,
	2014	2013
	(Unaudited)	
Other investments		
Fixed Income (time-deposits, zero coupon bonds, commercial papers)	771,094	639,538
Bonds and other fixed Income	747,740	513,075
Equity & Fund Investments	208,571	74,717
	1,727,405	1,227,330
Cash and cash equivalents		
Cash at banks	99,456	123,162
Liquidity funds	96,750	95,042
Short – term investments	446,176	396,325
	642,382	614,529

11 Contingencies, commitments and restrictions to the distribution of profits

Contingencies

This note should be read in conjunction with Note 26 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2013.

Tenaris is from time to time subject to various claims, lawsuits and other legal proceedings, including customer claims, in which third parties are seeking payment for alleged damages, reimbursement for losses or indemnity. Some of these claims, lawsuits and other legal proceedings involve highly complex issues, and often these issues are subject to substantial uncertainties. Accordingly, potential liability with respect to a large portion of such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Management with the assistance of legal counsel periodically reviews the status of each significant matter and assesses potential financial exposure. If a potential loss from a claim, lawsuit or proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded. Accruals for loss contingencies reflect a reasonable estimate of the losses to be incurred based on information available to management as of the date of preparation of the financial statements, and take into consideration litigation and settlement strategies. The Company believes that the aggregate provisions recorded for potential losses in these financial statements are adequate based upon currently available information. However, if management's estimates prove incorrect, current reserves could be inadequate and Tenaris could incur a charge to earnings which could have a material adverse effect on our results of operations, financial condition, net worth and cash flows.

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

- *Tax assessment in Italy*

A Tenaris Italian company received on December 24, 2012 a tax assessment from the Italian tax authorities related to allegedly omitted withholding tax on dividend payments made in 2007. The assessment, which was for an estimated amount of EUR282 million (approximately \$385 million), comprising principal, interest and penalties, was appealed with the tax court in Milan. In February 2014, the tax court issued its decision on this tax assessment, partially reversing the assessment for 2007 and lowering the claimed amount to approximately EUR9 million (approximately \$12 million), including principal, interest and penalties.

On December 24, 2013, the company received a second tax assessment from the Italian tax authorities related to allegedly omitted withholding tax on dividend payments made in 2008. This second assessment is for an estimated amount, as of June 30, 2014, of EUR248 million (approximately \$339 million), comprising EUR67 million (approximately \$92 million) in principal and EUR181 million (approximately \$247 million) in interest and penalties. On February 20, 2014, the assessment for 2008 was appealed with the tax court in Milan.

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

- *Companhia Siderúrgica Nacional (CSN) - Lawsuit*

In 2013, Confab was notified of a lawsuit filed in Brazil by Companhia Siderúrgica Nacional (CSN) and various entities affiliated with CSN against Confab and the other entities acquiring Usiminas shares in the January 2012 transaction.

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's control group, and Confab would have a 17.9% share in the offer.

On September 23, 2013, the first instance court issued its decision finding in favour of Confab and the other defendants and dismissing the CSN lawsuit. The claimants appealed the court decision and the defendants filed their response to the appeal. It is expected that the court of appeals will issue its judgment on the appeal within two years of the date hereof. Tenaris believes that CSN's allegations are groundless and without merit, as confirmed by several opinions of Brazilian counsel and previous decisions by Brazil's securities regulator Comissão de Valores Mobiliários, including a February 2012 decision determining that the above mentioned acquisition did not trigger any tender offer requirement and, more recently, the first instance court decision on this matter referred to above. Accordingly, no provision was recorded in these Consolidated Condensed Interim Financial Statements.

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

Commitments

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

- A Tenaris company is a party to a contract with Nucor Corporation under which it is committed to purchase on a monthly basis a minimum volume of hot-rolled steel coils at prices that are negotiated annually by reference to prices to comparable Nucor customers. The contract became effective in May 2013 and will be in force until December 2017; provided, however, that either party may terminate the contract at any time after January 1, 2015 with 12-month prior notice. As of June 30, 2014, the estimated aggregate contract amount through December 31, 2015, calculated at current prices, is approximately \$411 million.
- A Tenaris company entered into a contract with Siderar, a subsidiary of Ternium S.A. ("Ternium") for the supply of steam generated at the power generation facility that Tenaris owns in the compound of the Ramallo facility of Siderar. Under this contract, Tenaris is required to provide to Siderar 250 tn/hour of steam through to 2018, and Siderar has the obligation to take or pay this volume. The amount of this gas supply agreement totals approximately \$59 million.
- A Tenaris company, entered into various contracts with suppliers pursuant to which it committed to purchase goods and services for a total amount of approximately \$432 million related to the investment plan to expand Tenaris's US operations with the construction of a state-of-the-art seamless pipe mill in Bay City, Texas.

Restrictions to the distribution of profits and payment of dividends

As of December 31, 2013, equity as defined under Luxembourg law and regulations consisted of:

(all amounts in thousands of U.S. dollars)	
Share capital	1,180,537
Legal reserve	118,054
Share premium	609,733
Retained earnings including net income for the year ended December 31, 2013	<u>21,899,189</u>
Total equity in accordance with Luxembourg law	<u>23,807,513</u>

At least 5% of the Company's net income per year, as calculated in accordance with Luxembourg law and regulations, must be allocated to the creation of a legal reserve equivalent to 10% of the Company's share capital. As of December 31, 2013, this reserve was fully allocated and additional allocations to the reserve are not required under Luxembourg law. Dividends may not be paid out of the legal reserve.

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

At December 31, 2013, distributable amount under Luxembourg law totals \$22.5 billion, as detailed below:

(all amounts in thousands of U.S. dollars)	
Retained earnings at December 31, 2012 under Luxembourg law	22,411,870
Other income and expenses for the year ended December 31, 2013	(5,050)
Dividends approved	<u>(507,631)</u>
Retained earnings at December 31, 2013 under Luxembourg law	<u>21,899,189</u>
Share premium	<u>609,733</u>
Distributable amount at December 31, 2013 under Luxembourg law	<u>22,508,922</u>

12 Other investment

Investment in Power Plant

Following the execution of an August 2013 memorandum of understanding for the construction and operation of a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico, as of February 2014, Tenaris, Ternium and Tecpetrol International S.A. (a wholly-owned subsidiary of San Faustin S.A., the controlling shareholder of both Tenaris and Ternium) completed their initial investments in Techgen, S.A. de C.V., a Mexican project company owned 48% by Ternium, 30% by Tecpetrol and 22% by Tenaris. Tenaris and Ternium also agreed to enter into power supply and transportation agreements with Techgen, pursuant to which Ternium and Tenaris will contract 78% and 22%, respectively, of Techgen's power capacity of between 850 and 900 megawatts.

13 Related party transactions

As of June 30, 2014:

- San Faustin S.A., a Luxembourg public limited liability company (Société Anonyme) ("San Faustin"), owned 713,605,187 shares in the Company, representing 60.45% of the Company's capital and voting rights.
- San Faustin owned all of its shares in the Company through its wholly-owned subsidiary Techint Holdings S.à r.l., a Luxembourg private limited liability company (Société à Responsabilité Limitée) ("Techint").
- Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin, a Dutch private foundation (Stichting ("RP STAK")) held shares in San Faustin sufficient in number to control San Faustin.
- No person or group of persons controls RP STAK.

Based on the information most recently available to the Company, Tenaris's directors and senior management as a group owned 0.12% of the Company's outstanding shares.

At June 30, 2014, the closing price of the Ternium's ADSs as quoted on the New York Stock Exchange was \$27.93 per ADS, giving Tenaris's ownership stake a market value of approximately \$641.6 million. At June 30, 2014, the carrying value of Tenaris's ownership stake in Ternium was approximately \$610.9 million.

At June 30, 2014, the closing price of the Usiminas' ordinary shares as quoted on the BM&FBovespa Stock Exchange was BRL 6.92 (approximately USD 3.14) per share, giving Tenaris's ownership stake a market value of approximately \$78.5 million. At June 30, 2014, the carrying value of Tenaris's ownership stake in Usiminas, was approximately \$317.4 million. This amount includes goodwill and other tangible and intangible assets allocated in the purchase price for \$46.8 million and \$75.6 million, respectively.

Transactions and balances disclosed as with "Associated" companies 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 Associated and which are not consolidated are disclosed as "Other".

13 Related party transactions (Cont.)

The following transactions were carried out with related parties.

(all amounts in thousands of U.S. dollars)		Six-month period ended June 30,	
		2014	2013
		(Unaudited)	
(i) Transactions			
(a) Sales of goods and services			
Sales of goods to associated parties		12,246	18,192
Sales of goods to other related parties		51,019	64,192
Sales of services to associated parties		5,059	8,446
Sales of services to other related parties		1,603	2,447
		69,927	93,277
(b) Purchases of goods and services			
Purchases of goods to associated parties		143,723	169,757
Purchases of goods to other related parties		8,901	6,898
Purchases of services to associated parties		15,813	39,061
Purchases of services to other related parties		43,565	50,864
		212,002	266,580
(all amounts in thousands of U.S. dollars)		At June 30,	At December 31,
		2014	2013
		(Unaudited)	
(ii) Period-end balances			
(a) Arising from sales / purchases of goods / services			
Receivables from associated parties		58,173	30,416
Receivables from other related parties		44,496	30,537
Payables to associated parties		(32,795)	(33,503)
Payables to other related parties		(16,004)	(8,323)
		53,870	19,127

14 Fair Value

- **Measurement**

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

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).

14 Fair Value (Cont.)▪ **Measurement (Cont.)**

The following table presents the assets and liabilities that are measured at fair value as of June 30, 2014 and December 2013:

June 30, 2014	Level 1	Level 2	Level 3 (*)	Total
Assets				
Cash and cash equivalents	642,382	-	-	642,382
Other investments	1,042,382	685,023	1,813	1,729,218
Derivatives financial instruments	-	7,403	-	7,403
Available for sale assets	-	-	21,572	21,572
Total	1,684,764	692,426	23,385	2,400,575
Liabilities				
Derivatives financial instruments	-	4,065	-	4,065
Total	-	4,065	-	4,065
December 31, 2013				
	Level 1	Level 2	Level 3 (*)	Total
Assets				
Cash and cash equivalents	614,529	-	-	614,529
Other investments	866,382	360,948	2,498	1,229,828
Derivatives financial instruments	-	9,273	-	9,273
Available for sale assets	-	-	21,572	21,572
Total	1,480,911	370,221	24,070	1,875,202
Liabilities				
Derivatives financial instruments	-	8,268	-	8,268
Total	-	8,268	-	8,268

(*) Main balances included in this level correspond to Available for sale assets related to Tenaris's interest in the nationalized Venezuelan companies. For further detail regarding Available for sale assets, see Note 31 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2013.

There were no transfers between Level 1 and 2 during the period.

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

The fair value of financial instruments that are not traded in an active market (such as certain debt securities, certificates of deposits with original maturity of more than three months, forward and interest rate derivative instruments) is determined by using valuation techniques which maximize the use of observable market data where available and rely as little as possible on entity specific estimates. If all significant inputs required to value an instrument are observable, the instrument is included in Level 2. Tenaris values its assets and liabilities included in this level using bid prices, interest rate curves, broker quotations, current exchange rates, forward rates and implied volatilities obtained from market contributors as of the valuation date.

If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3. Tenaris values its assets and liabilities in this level using observable market inputs and management assumptions which reflect the Company's best estimate on how market participants would price the asset or liability at measurement date.

▪ **Estimation**

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

14 Fair Value (Cont.)

▪ **Estimation (Cont.)**

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

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

The fair value of all outstanding derivatives is determined using specific pricing models that include inputs that are observable in the market or can be derived from or corroborated by observable data. The fair value of forward foreign exchange contracts is calculated as the net present value of the estimated future cash flows in each currency, based on observable yield curves, converted into U.S. dollars at the spot rate of the valuation date.

Borrowings are comprised primarily of fixed rate debt and variable rate debt with a short term portion where interest has already been fixed, they are classified under other financial liabilities and measured at their carrying amount. Tenaris estimates that the fair value of its main financial liabilities is approximately 100.4% and 101.1% of its carrying amount including interests accrued as of June 30, 2014 and 2013, respectively. Tenaris estimates that a change of 100 basis points in the reference interest rates would have an estimated impact of approximately 0.3% and 0.2% in the fair value of borrowings as of June 30, 2014 and 2013, respectively. Fair values were calculated using standard valuation techniques for floating rate instruments and comparable market rates for discounting flows.

Edgardo Carlos
Chief Financial Officer