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Tenaris Announces 2018 Third Quarter Results

The financial and operational information contained in this press release is based on unaudited consolidated condensed interim financial statements presented in U.S. dollars and prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board and adopted by the European Union, or IFRS. Additionally, this press release includes non-IFRS alternative performance measures i.e., EBITDA and Net cash / debt. See exhibit I for more details on these alternative performance measures.

Luxembourg, October 31, 2018 - Tenaris S.A. (NYSE, Buenos Aires and Mexico: TS and MTA Italy: TEN) (“Tenaris”) today announced its results for the quarter and nine months ended September 30, 2018 with comparison to its results for the quarter and nine months ended September 30, 2017.

Summary of 2018 Third Quarter Results

(Comparison with second quarter of 2018 and third quarter of 2017)

| | 3Q 2018 | 2Q 2018 | | 3Q 2017 | |
|---------------------------------------|---------|---------|-----|---------|------|
| Net sales (\$ million) | 1,899 | 1,788 | 6% | 1,303 | 46% |
| Operating income (\$ million) | 258 | 222 | 16% | 79 | 227% |
| Net income (\$ million) | 247 | 166 | 48% | 95 | 160% |
| Shareholders' net income (\$ million) | 247 | 168 | 47% | 105 | 135% |
| Earnings per ADS (\$) | 0.42 | 0.29 | 47% | 0.18 | 135% |
| Earnings per share (\$) | 0.21 | 0.14 | 47% | 0.09 | 135% |
| EBITDA (\$ million) | 394 | 363 | 8% | 225 | 75% |
| EBITDA margin (% of net sales) | 20.7% | 20.3% | | 17.3% | |

In the third quarter of 2018, sales rose reflecting an increase in average selling prices, particularly in North America where prices have risen to compensate higher costs including tariffs, and higher sales of line pipe for complex projects, including shipments for the second Zohr offshore welded pipeline in Egypt. Operating income rose 16% sequentially on better absorption of fixed costs, while net income rose 48% sequentially boosted by lower deferred tax charges relating to the revaluation of the Mexican currency and higher equity in earnings from non-controlled companies.



Interim Dividend Payment

Our board of directors approved the payment of an interim dividend of \$0.13 per share (\$0.26 per ADS), or approximately \$153 million. The payment date will be November 21, 2018, with an ex-dividend date on November 19, 2018 and record date on November 20, 2018.

Market Background and Outlook

After increasing through the first half of the year, growth in drilling activity in North America paused during the third quarter reflecting constraints on pipeline takeaway capacity in the Permian and Canada and widening oil price differentials. In Latin America, drilling activity has also increased during the year, particularly in Colombia and the new Guyana offshore play, and is slowly picking up in Mexico and the Vaca Muerta shale play in Argentina. In the rest of the world, a gradual recovery in drilling activity is taking hold in many regions but offshore drilling activity remains subdued.

In the fourth quarter, we expect to finish the year strongly with a high level of shipments to the Zohr project and a seasonal increase in sales in Canada, with margins in line with the current level. In the first quarter of 2019, sales should remain in line with those of the fourth quarter with margins similar to the current level, while, for the rest of the year, our results will be influenced by the implementation of USMCA and the application of Section 232 tariffs within the agreement.



Analysis of 2018 Third Quarter Results

| Tubes Sales volume (thousand metric tons) | 3Q 2018 | 2Q 2018 | | 3Q 2017 | |
|---|------------|------------|-----------|------------|------------|
| Seamless | 654 | 689 | (5%) | 527 | 24% |
| Welded | 199 | 146 | 37% | 120 | 66% |
| Total | 853 | 834 | 2% | 647 | 32% |

| Tubes | 3Q 2018 | 2Q 2018 | | 3Q 2017 | |
|--------------------------------------|--------------|--------------|------------|--------------|-------------|
| (Net sales - \$ million) | | | | | |
| North America | 887 | 827 | 7% | 633 | 40% |
| South America | 334 | 310 | 8% | 256 | 30% |
| Europe | 148 | 179 | (17%) | 117 | 26% |
| Middle East & Africa | 350 | 299 | 17% | 170 | 106% |
| Asia Pacific | 77 | 71 | 9% | 51 | 51% |
| Total net sales (\$ million) | 1,797 | 1,686 | 7% | 1,228 | 46% |
| Operating income (\$ million) | 233 | 197 | 18% | 66 | 253% |
| Operating margin (% of sales) | 13.0% | 11.7% | | 5.4% | |

Net sales of tubular products and services increased 7% sequentially and 46% year on year. The sequential increase reflects a 2% increase in volumes and a 4% increase in average selling prices, particularly in North America. In North America, in addition to the increase in realized prices we had higher sales in Canada reflecting seasonal effects. In South America sales increased due to an increase in activity in Colombia and Argentina. In Europe sales declined reflecting seasonally lower sales of mechanical and line pipe products and lower sales of premium OCTG in the North Sea and Russia. In the Middle East and Africa sales increased reflecting higher sales of OCTG in Saudi Arabia and the start of shipments to Zohr's second pipeline. In Asia Pacific we had higher sales in China and Australia.

Operating income from tubular products and services, amounted to \$233 million in the third quarter of 2018, compared to \$197 million in the previous quarter and \$66 million in the third quarter of 2017. Sequentially, the increase in operating income is due to an improvement in gross profit, as higher sales prices and volumes, more than offset an increase in raw material costs, and the cost of import tariffs in the United States. Additionally, SG&A, declined slightly.

| Others | 3Q 2018 | 2Q 2018 | | 3Q 2017 | |
|-------------------------------|---------|---------|------|---------|-----|
| Net sales (\$ million) | 102 | 103 | (1%) | 75 | 36% |
| Operating income (\$ million) | 26 | 25 | 2% | 13 | 93% |
| Operating income (% of sales) | 25.2% | 24.5% | | 17.8% | |

Net sales of other products and services declined 1% sequentially but increased 36% year on year. Despite the decline in sales, operating income increased 2% sequentially due to an increase in results at our sucker rods business.

Selling, general and administrative expenses, or SG&A, amounted to \$336 million, or 17.7% of net sales in the third quarter of 2018, compared to \$338 million, 18.9% in the previous quarter and \$305 million, 23.4% in the third quarter of 2017. Sequentially, an increase in selling expenses, due to higher sales, was offset by lower labor and service costs and therefore SG&A declined 1.2 percentage points of sales.



Financial results amounted to a gain of \$13 million in the third quarter of 2018, compared to a gain of \$39 million in the previous quarter and a loss of \$7 million in the third quarter of 2017. The gain of the quarter corresponds mainly to an FX gain of \$11 million 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 \$56 million in the third quarter of 2018, compared to \$41 million in the previous quarter and \$25 million in the third quarter of 2017. These results are mainly derived from our equity investment in Ternium (NYSE:TX) and Usiminas.

Income tax charge amounted to \$80 million in the third quarter of 2018, compared to \$135 million in the previous quarter and \$1 million in the third quarter of 2017. Sequentially, the main reason for the lower income tax is the impact of FX movements on the tax base at our Mexican subsidiaries; during the third quarter of 2018 an appreciation of the Mexican peso reduced our deferred income tax by \$21 million, while in the previous quarter a devaluation of the Mexican peso increased our deferred tax by \$31 million.

Cash Flow and Liquidity of 2018 Third Quarter

Net cash provided by operating activities during the third quarter of 2018 was \$50 million, compared to \$351 million in the previous quarter and a use of \$2 million in the third quarter of last year. During the third quarter of 2018 we used \$301 million for the increase in working capital following higher inventories primarily from production anticipation for the Zohr project and the Canadian winter season to be shipped during the fourth quarter as well as higher raw material costs and the impact of Section 232 duties, while receivables were affected by higher sales and some payment delays by some customers.

Capital expenditures continued to decline reaching \$78 million for the third quarter of 2018, compared to \$104 million in the previous quarter and \$143 million in the third quarter of 2017.

Our net cash position slightly declined to \$408 million at September 30, 2018.



Analysis of 2018 First Nine Months Results

| | 9M 2018 | 9M 2017 | Increase/(Decrease) |
|---------------------------------------|---------|---------|---------------------|
| Net sales (\$ million) | 5,554 | 3,700 | 50% |
| Operating income (loss) (\$ million) | 693 | 167 | 316% |
| Net income (\$ million) | 649 | 374 | 73% |
| Shareholders' net income (\$ million) | 650 | 385 | 69% |
| Earnings per ADS (\$) | 1.10 | 0.65 | 69% |
| Earnings per share (\$) | 0.55 | 0.33 | 69% |
| EBITDA (\$ million) | 1,110 | 624 | 78% |
| EBITDA margin (% of net sales) | 20.0% | 16.9% | |

| Tubes Sales volume (thousand metric tons) | 9M 2018 | 9M 2017 | Increase/(Decrease) |
|---|--------------|--------------|---------------------|
| Seamless | 1,994 | 1,564 | 27% |
| Welded | 630 | 290 | 117% |
| Total | 2,624 | 1,854 | 42% |

| Tubes | 9M 2018 | 9M 2017 | Increase/(Decrease) |
|--------------------------------------|--------------|--------------|---------------------|
| (Net sales - \$ million) | | | |
| North America | 2,521 | 1,654 | 52% |
| South America | 929 | 686 | 35% |
| Europe | 480 | 364 | 32% |
| Middle East & Africa | 1,105 | 631 | 75% |
| Asia Pacific | 215 | 152 | 41% |
| Total net sales (\$ million) | 5,249 | 3,488 | 50% |
| Operating income (\$ million) | 623 | 142 | 339% |
| Operating income (% of sales) | 11.9% | 4.1% | |

Net sales of tubular products and services increased 50% to \$5,249 million in the first nine months of 2018, compared to \$3,488 million in the first nine months of 2017, reflecting a 42% increase in volumes and a 6% increase in average selling prices.

Operating income from tubular products and services amounted to \$623 million in the first nine months of 2018 compared to \$142 million in the first nine months of 2017. Results improved following a 42% increase in shipment volumes, higher sales and utilization of production capacity that translated into better absorption of fixed costs, including a decline in SG&A expenses as a percentage of sales.

| Others | 9M 2018 | 9M 2017 | Increase/(Decrease) |
|-------------------------------|---------|---------|---------------------|
| Net sales (\$ million) | 305 | 212 | 44% |
| Operating income (\$ million) | 70 | 24 | 186% |
| Operating margin (% of sales) | 22.8% | 11.5% | |

Net sales of other products and services increased 44% to \$305 million in the first nine months of 2018, compared to \$212 million in the first nine months of 2017, reflecting increased sales in our Sucker Rods and Coiled Tubing businesses, while operating income increased 186% reflecting higher margins.



SG&A amounted to \$1,023 million, or 18.4% of net sales during the first nine months of 2018, compared to \$926 million, or 25.0% in the same period of 2017. Despite a 10% increase in SG&A expenses, SG&A as a percentage of sales declined 660 basis points following a 50% increase in sales.

Financial results amounted to a gain of \$44 million in the first nine months of 2018 compared to a loss of \$27 million in the same period of 2017. The gain in the first nine months of 2018 corresponds mainly to an FX gain of \$41 million; \$31 million 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, \$14 million related to the Euro depreciation on Euro denominated intercompany liabilities (offset in the currency translation reserve in equity), partially offset by a loss of \$4 million due to the devaluation of the Canadian dollar.

Equity in earnings of non-consolidated companies generated a gain of \$143 million in the first nine months of 2018, compared to a gain of \$90 million in the first nine months of 2017. These results are mainly derived from our equity investment in Ternium (NYSE:TX) and Usiminas.

Income tax amounted to a charge of \$231 million in the first nine months of 2018, compared to a gain of \$53 million in the first nine months of 2017. The increase in income tax charges reflects both the improvement in results and the effect of the Argentine and Mexican peso devaluation on the tax base at our Argentine and Mexican subsidiaries which have the U.S. dollar as their functional currency.

Cash Flow and Liquidity of 2018 First Nine Months

During the first nine months of 2018, net cash provided by operations was \$372 million, compared to cash used of \$9 million in the same period of 2017. Working capital increased by \$659 million in the first nine months of 2018 and by \$532 million in the first nine months of 2017.

Capital expenditures amounted to \$274 million in the first nine months of 2018, compared with \$437 million in the same period of 2017. The decline in investments is related with the conclusion of works at our new greenfield seamless mill in Bay City, Texas.

We maintained a net cash position of \$408 million at September 30, 2018.

Conference call

Tenaris will hold a conference call to discuss the above reported results, on November 1, 2018, at 09:00 a.m. (Eastern Time). Following a brief summary, the conference call will be opened to questions. To access the conference call dial in +1 877 730 0732 within North America or +1 530 379 4676 Internationally. The access number is “4796176”. Please dial in 10 minutes before the scheduled start time. The conference call will be also available by webcast at www.tenaris.com/investors.

A replay of the conference call will be available on our webpage <http://ir.tenaris.com/> or by phone from 12.00 pm ET on November 1 through 11:59 pm on November 9, 2018. To access the replay by phone, please dial 855 859 2056 or 404 537 3406 and enter passcode “4796176” when prompted.

Some of the statements contained in this press release are “forward-looking statements”. Forward-looking statements are based on management’s current views and assumptions and involve known and



unknown risks that could cause actual results, performance or events to differ materially from those expressed or implied by those statements. These risks include but are not limited to risks arising from uncertainties as to future oil and gas prices and their impact on investment programs by oil and gas companies.

Press releases and financial statements can be downloaded from Tenaris's website at www.tenaris.com/investors.



Consolidated Condensed Interim Income Statement

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

| | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|--|---|----------------|--|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | Unaudited | | Unaudited | |
| Continuing operations | | | | |
| Net sales | 1,898,892 | 1,302,924 | 5,553,611 | 3,699,588 |
| Cost of sales | (1,305,232) | (918,338) | (3,837,295) | (2,607,923) |
| Gross profit | 593,660 | 384,586 | 1,716,316 | 1,091,665 |
| Selling, general and administrative expenses | (335,714) | (304,723) | (1,022,922) | (926,286) |
| Other operating income (expense), net | 551 | (808) | (264) | 1,180 |
| Operating income | 258,497 | 79,055 | 693,130 | 166,559 |
| Finance Income | 10,804 | 11,776 | 29,786 | 35,762 |
| Finance Cost | (8,586) | (6,501) | (29,182) | (18,459) |
| Other financial results | 10,839 | (12,549) | 43,156 | (44,631) |
| Income before equity in earnings of non-consolidated companies and income tax | 271,554 | 71,781 | 736,890 | 139,231 |
| Equity in earnings of non-consolidated companies | 55,930 | 24,752 | 142,876 | 90,153 |
| Income before income tax | 327,484 | 96,533 | 879,766 | 229,384 |
| Income tax | (80,355) | (1,307) | (230,931) | 53,295 |
| Income for continuing operations | 247,129 | 95,226 | 648,835 | 282,679 |
| Discontinued operations | | | | |
| Result for discontinued operations | - | - | - | 91,542 |
| Income for the period | 247,129 | 95,226 | 648,835 | 374,221 |
| Attributable to: | | | | |
| Owners of the parent | 246,927 | 104,854 | 650,238 | 384,505 |
| Non-controlling interests | 202 | (9,628) | (1,403) | (10,284) |
| | 247,129 | 95,226 | 648,835 | 374,221 |



Consolidated Condensed Interim Statement of Financial Position

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

| | At September 30, 2018 | | At December 31, 2017 | |
|---|-----------------------|-------------------|----------------------|-------------------|
| | Unaudited | | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment, net | 6,092,025 | | 6,229,143 | |
| Intangible assets, net | 1,590,979 | | 1,660,859 | |
| Investments in non-consolidated companies | 743,748 | | 640,294 | |
| Other equity investments | 21,572 | | 21,572 | |
| Other investments | 180,620 | | 128,335 | |
| Deferred tax assets | 190,224 | | 153,532 | |
| Receivables, net | 130,049 | 8,949,217 | 183,329 | 9,017,064 |
| Current assets | | | | |
| Inventories, net | 2,664,573 | | 2,368,304 | |
| Receivables and prepayments, net | 163,606 | | 135,698 | |
| Current tax assets | 143,484 | | 132,334 | |
| Trade receivables, net | 1,659,023 | | 1,214,060 | |
| Derivative financial instruments | 10,088 | | 8,231 | |
| Other investments | 794,330 | | 1,192,306 | |
| Cash and cash equivalents | 236,303 | 5,671,407 | 330,221 | 5,381,154 |
| Total assets | | 14,620,624 | | 14,398,218 |
| EQUITY | | | | |
| Capital and reserves attributable to owners of the parent | | 11,691,657 | | 11,482,185 |
| Non-controlling interests | | 95,340 | | 98,785 |
| Total equity | | 11,786,997 | | 11,580,970 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 31,553 | | 34,645 | |
| Deferred tax liabilities | 474,135 | | 457,970 | |
| Other liabilities | 215,586 | | 217,296 | |
| Provisions | 37,125 | 758,399 | 36,438 | 746,349 |
| Current liabilities | | | | |
| Borrowings | 702,577 | | 931,214 | |
| Derivative financial instruments | 76,294 | | 39,799 | |
| Current tax liabilities | 210,695 | | 102,405 | |
| Other liabilities | 241,521 | | 157,705 | |
| Provisions | 20,828 | | 32,330 | |
| Customer advances | 60,577 | | 56,707 | |
| Trade payables | 762,736 | 2,075,228 | 750,739 | 2,070,899 |
| Total liabilities | | 2,833,627 | | 2,817,248 |
| Total equity and liabilities | | 14,620,624 | | 14,398,218 |



Consolidated Condensed Interim Statement of Cash Flow

| | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|---|---|-----------------|--|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | Unaudited | | Unaudited | |
| Cash flows from operating activities | | | | |
| Income for the period | 247,129 | 95,226 | 648,835 | 374,221 |
| Adjustments for: | | | | |
| Depreciation and amortization | 135,044 | 146,293 | 417,247 | 457,359 |
| Income tax accruals less payments | 36,987 | (30,804) | 104,838 | (160,622) |
| Equity in earnings of non-consolidated companies | (55,930) | (24,752) | (142,876) | (90,153) |
| Interest accruals less payments, net | (811) | 2,683 | 5,964 | 7,572 |
| Changes in provisions | (5,194) | (2,048) | (10,815) | (21,968) |
| Income from the sale of Conduit business | - | - | - | (89,694) |
| Changes in working capital | (301,306) | (240,003) | (658,961) | (531,724) |
| Derivatives, currency translation adjustment and others | (6,074) | 50,975 | 7,288 | 45,883 |
| Net cash provided by (used in) operating activities | 49,845 | (2,430) | 371,520 | (9,126) |
| Cash flows from investing activities | | | | |
| Capital expenditures | (77,938) | (143,356) | (273,669) | (437,162) |
| Changes in advance to suppliers of property, plant and equipment | 719 | 1,880 | 4,937 | 6,209 |
| Acquisition of subsidiaries | - | (10,418) | - | (10,418) |
| Proceeds from disposal of Conduit business | - | - | - | 327,631 |
| Loan to non-consolidated companies | (11,220) | - | (14,740) | (10,956) |
| Repayment of loan by non-consolidated companies | 3,900 | 1,950 | 9,370 | 3,900 |
| Proceeds from disposal of property, plant and equipment and intangible assets | 1,491 | 1,520 | 4,199 | 4,398 |
| Investment in companies under cost method | - | - | - | (3,681) |
| Dividends received from non-consolidated companies | - | - | 25,722 | 22,971 |
| Changes in investments in securities | (47,655) | 341,975 | 348,423 | 512,046 |
| Net cash (used in) provided by investing activities | (130,703) | 193,551 | 104,242 | 414,938 |
| Cash flows from financing activities | | | | |
| Dividends paid | - | - | (330,550) | (330,550) |
| Dividends paid to non-controlling interest in subsidiaries | (590) | - | (1,698) | (19,200) |
| Changes in non-controlling interests | 5 | (3) | 4 | (34) |
| Proceeds from borrowings | 147,296 | 342,228 | 723,303 | 861,963 |
| Repayments of borrowings | (251,584) | (370,665) | (948,436) | (888,515) |
| Net cash (used in) financing activities | (104,873) | (28,440) | (557,377) | (376,336) |
| (Decrease) increase in cash and cash equivalents | (185,731) | 162,681 | (81,615) | 29,476 |
| Movement in cash and cash equivalents | | | | |
| At the beginning of the period | 427,256 | 270,837 | 330,090 | 398,580 |
| Effect of exchange rate changes | (5,495) | 1,260 | (12,445) | 6,722 |
| (Decrease) increase in cash and cash equivalents | (185,731) | 162,681 | (81,615) | 29,476 |
| At September 30, | 236,030 | 434,778 | 236,030 | 434,778 |



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).

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

| | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|-------------------------------|---|----------------|--|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Operating income | 258,497 | 79,055 | 693,130 | 166,559 |
| Depreciation and amortization | 135,044 | 146,293 | 417,247 | 457,359 |
| EBITDA | 393,541 | 225,348 | 1,110,377 | 623,918 |

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.

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

| | Three-month period ended September 30, | | Nine-month period ended September 30, | |
|---|---|------------------|--|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net cash provided by (used in) operating activities | 49,845 | (2,430) | 371,520 | (9,126) |
| Capital expenditures | (77,938) | (143,356) | (273,669) | (437,162) |
| Free cash flow | (28,093) | (145,786) | 97,851 | (446,288) |

Net Cash / (Debt)

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).

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

| | At September 30, | |
|--|------------------|----------------|
| | 2018 | 2017 |
| Cash and cash equivalents | 236,303 | 436,359 |
| Other current investments | 794,330 | 1,146,153 |
| Non-current Investments | 176,178 | 222,992 |
| Derivatives hedging borrowings and investments | (64,525) | 14,492 |
| Borrowings – current and non-current | (734,130) | (831,533) |
| Net cash / (debt) | 408,156 | 988,463 |