# TENARIS SA

## FORM 20-F
(Annual and Transition Report (foreign private issuer))

Filed 05/01/17 for the Period Ending 12/31/16

| | |
|---|---|
| Telephone | 212-376-6500 |
| CIK | 0001190723 |
| Symbol | TS |
| SIC Code | 3312 - Steel Works, Blast Furnaces (Including Coke Ovens), and Rolling Mills |
| Industry | Oil Related Services and Equipment |
| Sector | Energy |
| Fiscal Year | 12/31 |

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 20-F

**(Mark One)**

☐ **Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934**

**or**

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**for the fiscal year ended December 31, 2016**

**or**

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**or**

☐ **Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Commission file number: 001-31518**

# TENARIS S.A.
**(Exact name of Registrant as specified in its charter)**

**N/A**
**(Translation of Registrant's name into English)**

**Grand Duchy of Luxembourg**
**(Jurisdiction of incorporation or organization)**

**29, Avenue de la Porte-Neuve – 3 rd floor**
**L-2227 Luxembourg**
**(Address of principal executive offices)**

**Gonzalo Dominguez**
**29, Avenue de la Porte-Neuve – 3 rd floor**
**L-2227 Luxembourg**
**Tel. + (352) 26 47 89 78, Fax. + (352) 26 47 89 79, e-mail: gdominguez@tenaris.com**
**(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)**

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

| Title of Each Class | Name of Each Exchange On Which Registered |
|---|---|
| American Depositary Shares | New York Stock Exchange |
| Ordinary Shares, par value $1.00 per share | New York Stock Exchange* |

* **Ordinary shares of Tenaris S.A. are not listed for trading but only in connection with the registration of American Depositary Shares which are evidenced by American Depositary Receipts.**

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**1,180,536,830 ordinary shares, par value $1.00 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note – checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☒ Accelerated Filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

*Please send copies of notices and communications from the Securities and Exchange Commission to:*

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## 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 Policy A. Basis of presentation” and “II Accounting Policy 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 $1.00, of the Company.
- “ADSs” refers to the American Depositary Shares, which are evidenced by American Depositary Receipts, and represent two Shares each.
- “OCTG” refers to oil country tubular goods. See Item 4.B. “Information on the Company – Business Overview – Our Products.”
- “tons” refers to metric tons; one metric ton is equal to 1,000 kilograms, 2,204.62 pounds, or 1.102 U.S. (short) tons.
- “billion” refers to one thousand million, or 1,000,000,000.
- “U.S. dollars”, “US$”, “USD” or “$” each refers to the United States dollar.

## PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

### Accounting Principles

We prepare our consolidated financial statements in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, or IFRS. IFRS differs in certain significant respects from generally accepted accounting principles in the United States, commonly referred to as U.S. GAAP. Additionally, this annual report includes non-IFRS alternative performance measures such as EBITDA, Net cash/debt position and Free Cash Flow. See Exhibit 7.2 for more details on these alternative performance measures.

Following the sale of our steel electric conduit business in North America, known as Republic Conduit (with respect to which an agreement was reached on December 15, 2016 and which closed on January 20, 2017) 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 from discontinued operations and earnings per share are disclosed separately in note 28 “Net assets of disposal group classified as held for sale” 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, 2016, 2015 and 2014.

### 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 a 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" within the meaning of and subject to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. 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, Item 3. "Key Information", Item 4. "Information on the Company", Item 5. "Operating and Financial Review and Prospects", Item 8. "Financial Information" and Item 11. "Quantitative and Qualitative Disclosure About Market Risk."

We use words 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. All forward-looking statements are management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These factors include the risks related to our business discussed under Item 3.D. "Key Information – Risk Factors", among them, the following:

- 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; *and*
- general macroeconomic and political conditions and developments in the countries in which we operate or distribute pipes.

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.

## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

Not applicable.

## Item 3. Key Information

### A. Selected Financial Data

The selected consolidated financial data set forth below have been derived from our audited consolidated financial statements for each of the years and at the dates indicated therein (1) . Our consolidated financial statements were prepared in accordance with IFRS, and were audited by PricewaterhouseCoopers Société Coopérative, *Cabinet de révision agréé* , an independent registered public accounting firm. PricewaterhouseCoopers Société Coopérative is a member firm of PwC International Limited ("PWC"). IFRS differs in certain significant respects from U.S. GAAP.

For a discussion of the accounting principles affecting the financial information contained in this annual report, please see "Presentation of Certain Financial and Other Information – Accounting Principles."

| *Thousands of U.S. dollars (except number of shares and per share amounts)* | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2016** | **2015** | **2014** | **2013** | **2012** |
| **Selected consolidated income statement data** (1) | | | | | |
| **Continuing operations** | | | | | |
| Net sales | 4,293,592 | 6,903,123 | 10,141,459 | 10,424,191 | 10,648,065 |
| Cost of sales | (3,165,684) | (4,747,760) | (6,140,415) | (6,322,198) | (6,494,594) |
| Gross profit | 1,127,908 | 2,155,363 | 4,001,044 | 4,101,993 | 4,153,471 |
| Selling, general and administrative expenses | (1,196,929) | (1,593,597) | (1,932,778) | (1,912,164) | (1,853,315) |
| Other operating income (expenses), net (2) | 9,964 | (395,971) | (187,734) | (13,727) | 43,832 |
| Operating (loss) income | (59,057) | 165,795 | 1,880,532 | 2,176,102 | 2,343,988 |
| Finance income | 66,204 | 34,574 | 38,211 | 34,767 | 36,932 |
| Finance cost | (22,329) | (23,058) | (44,388) | (70,450) | (55,507) |
| Other financial results | (21,921) | 3,076 | 39,575 | 7,290 | (31,316) |
| (Loss) income before equity in earnings (losses) of non-consolidated companies and income tax | (37,103) | 180,387 | 1,913,930 | 2,147,709 | 2,294,097 |
| Equity in earnings (losses) of non-consolidated companies (3) | 71,533 | (39,558) | (164,616) | 46,098 | (63,206) |
| Income before income tax | 34,430 | 140,829 | 1,749,314 | 2,193,807 | 2,230,891 |
| Income tax | (17,102) | (234,384) | (580,431) | (625,798) | (537,961) |
| Income (loss) for the year for continuing operations | 17,328 | (93,555) | 1,168,883 | 1,568,009 | 1,692,930 |
| Discontinued operations | | | | | |
| Result for discontinued operations | 41,411 | 19,130 | 12,293 | 6,363 | 8,809 |
| Income (loss) for the year (4) | 58,739 | (74,425) | 1,181,176 | 1,574,372 | 1,701,739 |
| Income (loss) attributable to (4) : | | | | | |
| Owners of the parent | 55,298 | (80,162) | 1,158,517 | 1,551,394 | 1,699,375 |
| Non-controlling interests | 3,441 | 5,737 | 22,659 | 22,978 | 2,364 |
| Income (loss) for the year (4) | 58,739 | (74,425) | 1,181,176 | 1,574,372 | 1,701,739 |
| Depreciation and amortization for continuing operations | (657,109) | (653,313) | (609,647) | (604,017) | (561,707) |
| Weighted average number of shares outstanding | 1,180,536,830 | 1,180,536,830 | 1,180,536,830 | 1,180,536,830 | 1,180,536,830 |
| Basic and diluted earnings (losses) per share for continuing operations | 0.01 | (0.08) | 0.97 | 1.31 | 1.43 |
| Basic and diluted earnings (losses) per share | 0.05 | (0.07) | 0.98 | 1.31 | 1.44 |
| Dividends per share (5) | 0.41 | 0.45 | 0.45 | 0.43 | 0.43 |

(1) Following the sale of our steel electric conduit business in North America, known as Republic Conduit, the results of that business 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. Additionally, certain comparative amounts have been re-presented to conform to the adoption of revised IAS19 on Employee Benefits for the year ended December 31, 2012.

(2) Other operating income (expenses), net in 2015 includes an impairment charge of $400 million on our North American welded pipe operations and in 2014 includes an impairment charge of $206 million on our welded pipe operations in Colombia and Canada.

(3) Equity in earnings (losses) of non-consolidated companies includes impairment charges on the Usiminas investment of $29 million in 2015 and $161 million in 2014.

(4) International Accounting Standard No. 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 (i.e., the Company).

(5) 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, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| **Selected consolidated financial position data** (1) | | | | | |
| Current assets | 4,817,154 | 5,743,031 | 7,396,322 | 6,903,900 | 6,987,116 |
| Property, plant and equipment, net | 6,001,939 | 5,672,258 | 5,159,557 | 4,673,767 | 4,434,970 |
| Other non-current assets | 3,032,765 | 3,471,685 | 3,954,799 | 4,353,303 | 4,537,457 |
| Assets of disposal group classified as held for sale | 151,417 | — | — | — | — |
| Total assets | 14,003,275 | 14,886,974 | 16,510,678 | 15,930,970 | 15,959,543 |
| Current liabilities | 1,713,036 | 1,754,775 | 2,602,829 | 2,119,729 | 2,829,374 |
| Non-current borrowings | 31,542 | 223,221 | 30,833 | 246,218 | 532,407 |
| Deferred tax liabilities | 550,657 | 750,325 | 714,123 | 751,105 | 728,541 |
| Other non-current liabilities | 276,874 | 292,597 | 356,579 | 344,052 | 369,629 |
| Liabilities of disposal group classified as held for sale | 18,094 | — | — | — | — |
| Total liabilities | 2,590,203 | 3,020,918 | 3,704,364 | 3,461,104 | 4,459,951 |
| Capital and reserves attributable to the owners of the parent | 11,287,417 | 11,713,344 | 12,654,114 | 12,290,420 | 11,328,031 |
| Non-controlling interests | 125,655 | 152,712 | 152,200 | 179,446 | 171,561 |
| Total equity | 11,413,072 | 11,866,056 | 12,806,314 | 12,469,866 | 11,499,592 |
| Total liabilities and equity | 14,003,275 | 14,886,974 | 16,510,678 | 15,930,970 | 15,959,543 |
| Share capital | 1,180,537 | 1,180,537 | 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 | 1,180,536,830 | 1,180,536,830 |

(1) Certain comparative amounts have been re-presented to conform to the adoption of revised IAS19 on Employee Benefits as of December 31, 2012.

### B. Capitalization and Indebtedness

Not applicable.

### C. Reasons for the Offer and Use of Proceeds

Not applicable.

### D. Risk Factors

*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

***Sales and profitability may fall as a result of downturns in the international price of oil and gas and other circumstances affecting the oil and gas industry.***

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. Other circumstances – such as geopolitical events and hostilities in the Middle East and elsewhere – may also affect drilling activity and, as a result, cause steel pipe consumption to decline, and thus have a material impact on our revenues, profitability and financial condition. For example, the level of drilling activity and the investment by oil and gas companies declined in 2016 for the second consecutive year as they continued to be severely affected by the strong decline in prices of oil and natural gas. Several factors, such as the supply and demand for oil and gas, and political and global economic conditions, affect, and may continue to affect, these prices; accordingly oil and gas companies may cut their investment plans and consequently, demand for our products could decline.

***Our industry is cyclical and fluctuations in industry inventory levels may adversely affect our sales and revenues.***

Inventory levels of steel pipe in the oil and gas industry can vary significantly from period to period and from region to region. These fluctuations can affect demand for our products. During periods of high demand, industry participants increase the production of pipe products and customers accumulate inventory. Conversely, during periods of low investment in drilling and other activities, customers draw from existing inventory. Particularly, when oil and gas prices fall, as happened over the last two to three years, oil and gas companies are generally expected to hold or reduce purchases of additional steel pipe products.

***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. We compete in most markets outside North America primarily against a limited number of manufacturers of premium-quality steel pipe products. In the United States and Canada, we compete against a wide range of local and foreign producers. In recent years, substantial investments have been made, especially in China, to increase production capacity of seamless steel pipe products. New production capacity continues to be installed and there is significant excess production capacity, particularly for "commodity" or standard product grades. Capacity for the production of more specialized product grades is also increasing. In addition, there is an increased risk of unfairly traded steel pipe imports in markets in which Tenaris produces and sells its products. In August 2014, the United States imposed anti-dumping duties on OCTG imports from various countries, including South Korea which received duties between 10% and 16%. Despite the duties imposed, imports from South Korea continued at a very high level for several months, and in September 2015 the domestic producers in the United States requested an annual review of South Korea's exports. At the same time South Korean producers presented an appeal which resulted in a reduction in the preliminary duties to a range of 5% to 8%. However, in April 2017 the Department of Commerce set the final duties in a range of 14% to 25% for all the South Korean producers except one that received duties of approximately 3%. Similarly, in Canada, the Canada Border Services Agency introduced anti-dumping duties on OCTG imports from South Korea and other countries in March 2015. However, despite the application of antidumping duties, we can give no assurance about the effectiveness of these actions. Additionally, the high cost and long lead times required to develop the most complex projects, particularly deepwater and oil sands projects, is leading to a slowdown in the sanctioning of new developments in a context of low and more volatile oil prices, consequently affecting the level of product differentiation. The competitive environment, therefore, is expected to remain intense in the coming years and effective competitive differentiation will be a key success factor for Tenaris. 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. See Item 4.B. "Information on the Company – Business Overview – Competition."

***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 government regulation, 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, shortages of energy and natural gas in Argentina and the resulting supply restrictions imposed by the government could lead to production cutbacks at our facilities in Argentina. Similarly, in Mexico, existing constraints in natural gas transportation capacity have led to increased imports of natural gas liquids which, since 2013, resulted in increased natural gas transportation costs and, thus, higher steel pipe products 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. Moreover, we are dependent on a few suppliers for a significant portion of our requirements for steel coils at our welded pipe operations in North America and the loss of any of these suppliers could result in increased production costs, production cutbacks and reduced competitiveness at these operations.

We may not be able to recover increased costs of raw materials and energy through increased selling prices on our products, 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. If demand for our products falls significantly, these costs may adversely affect our profitability and financial condition. For example, starting in the beginning of 2015, we have implemented temporary suspensions of certain of our operations, mostly in the United States and Canada, due to the impact on our business of the sharp decline of oil prices and high levels of unfairly traded imports of OCTG and line pipe products. Temporary suspensions of operations generally lead to layoffs of employees which may in turn give rise to labor conflicts and impact operations. Moreover, temporary suspensions—such as those implemented by the Company—may also affect profitability and trigger impairment assessments of assets. For more information regarding suspension of certain operations, see Item 4.B. "Information on the Company – Business Overview – Production Process and Facilities – Production Facilities – Tubes – North America."

**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 are exposed to economic and political conditions in the countries where we operate or sell our products and services. The economies of these countries are in different stages of social and economic development. Like other companies with worldwide operations, we are exposed to risks from fluctuations in foreign currency exchange rates, interest rates and inflation. We are also affected by governmental policies regarding spending and investment, impositions or strengthening of trade restrictions with respect to certain markets, exchange controls, regulatory and taxation changes, and other adverse political, economic or social developments of the countries in which we operate.

Significant portions of our operations are located in countries with a history of political volatility or instability. As a consequence, our business and operations have been, and could in the future be, affected from time to time to varying degrees by political, economic and social developments and changes in laws and regulations. These developments and changes may include, among others, the nationalization, expropriation or forced divestiture of assets; restrictions on production, imports and exports; interruptions in the supply of essential energy inputs; restrictions on the exchange or transfer of currency, repatriation of capital, or payment of dividends, debt principal or interest, or other contractual obligations; 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 in the interpretation, application or enforcement of tax laws and other retroactive tax claims or challenges; changes in laws, norms and regulations; 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.

For example, we have significant manufacturing operations and assets located in Argentina and a significant portion of our sales are made in Argentina. Our business could be materially and adversely affected by economic, political, social, fiscal and regulatory developments in Argentina, including the following:

- 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 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.

- 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.
- The Argentine government has increased taxes on our operations in Argentina through several methods. For example, the Argentine government does not accept adjustments for inflation for tax purposes, thus resulting in the taxation of inflationary gains. In addition, in September 2013, the Argentine government enacted a new 10% withholding tax on dividend distributions. Although such tax was eliminated in July 2016, if the Argentine government continues to increase the tax burden on our operations, our results of operation and financial condition could be adversely affected.
- Restrictions on the supply of energy to our operations in Argentina could curtail our production and adversely affect our results of operations. There has been a lack of investment in natural gas and electricity supply and transport capacity in Argentina in recent years. Over the course of the last several years, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and low prices in comparison with alternative fuel sources. This in turn has resulted in shortages of natural gas and electricity to residential and industrial users during periods of high demand. For example, in recent years, our operations in Argentina experienced constraints in their electricity and natural gas supply requirements on many occasions. If demand for natural gas and electricity increases and a matching increase in natural gas and electricity supply and transport capacity fails to materialize on a timely basis, our production in Argentina (or that of our main customers and suppliers), could be curtailed, and our sales and revenues could decline. Although we have taken and are taking measures to limit the effect of supply restrictions on our operations in Argentina, and the Argentine government is making efforts to increase the energy supply in the country, such efforts might not be sufficient to avoid an adverse impact on our production in Argentina and we might not be able to limit the effect of future supply restrictions. In addition, it is possible that we could also face increased costs when using alternative sources of energy.
- In the past, the Argentine government and the Argentine Central Bank introduced several rules and regulations to reduce volatility in the U.S. Dollar/Argentine Peso, or ARS, exchange rate, and implemented restrictions on capital inflows into Argentina and capital outflows from Argentina. Although most restrictions were lifted in the course of 2016 and the first quarter of 2017, following a change in administration, such controls could be reestablished, or additional restrictions of that kind could be imposed in the future and could expose us to the risk of losses arising from fluctuations in the exchange rate of the ARS or adversely affect our ability to finance our investments and operations in Argentina, or impair our ability to convert and transfer outside Argentina funds generated by Argentine subsidiaries, for example, to fund the payment of dividends, pay royalties or undertake investments or other activities that require offshore payments. For additional information on current Argentine exchange controls and restrictions see Item 10.D. "Additional Information – Exchange Controls – Argentina."
- In recent years, the Argentine government has imposed export taxes on certain activities, mainly in connection to oil, gas and other commodities. Although most of these taxes were lifted in December 2015, if the Argentine government were to reinstate such export taxes or impose export restrictions concerning our activities, our business and operations in Argentina could be adversely affected.
- In the past, the Argentine government implemented significant import restrictions that, if reinstated, may affect the availability of key inputs for our operations in Argentina. Although most restrictions were lifted in December 2015, such import restrictions, if reinstated, could delay imports and as a result, adversely affect our business, operations and growth projects in Argentina. In addition, they could affect our exports from Argentina, considering that foreign countries could adopt and implement counter-trade measures.

We currently have the following exposure to political and economic developments in Venezuela:

- We have been present in the Venezuelan OCTG market for many years and we maintain ongoing business relationships with Petróleos de Venezuela, or PDVSA, and the joint venture operators in the oil and gas sector. Since 2010, our sales in Venezuela have been negatively affected as PDVSA delayed payments to suppliers. While we maintain reserves for potential credit losses and analyze trade account receivables on a regular basis, our revenues, profitability and financial condition could be adversely affected by Venezuela's political and economic environment.
- In 2009, Venezuela nationalized our investments in, and assumed exclusive operation control over the assets of, Tubos de Acero de Venezuela S.A. or Tavsa, Matesi Materiales Siderúrgicos S.A., or Matesi, and Complejo Siderurgico de Guayana, C.A., or Comsigua. Our investments in Tavsa, Matesi and Comsigua are protected under applicable bilateral investment treaties, including the bilateral investment treaty between Venezuela and the Belgian-Luxembourgish Union. The Company and its wholly-owned subsidiary Talta-Trading e Marketing

Sociedad Unipessoal Lda, or Talta, initiated arbitration proceedings against Venezuela before the International Centre for Settlement of Investment Disputes, or ICSID, seeking adequate and effective compensation for the expropriation of their investments in Matesi, Tavsa and Comsigua. On January 29, 2016, the tribunal released its award for the expropriation of our investment in Matesi, granted compensation in the amount of $87 million for the breaches, and ordered Venezuela to pay an additional amount of $86 million in pre-award interest, aggregating to a total award of $173 million, payable in full and net of any applicable Venezuelan tax, duty or charge. Similarly, on December 12, 2016, the tribunal issued its award for the expropriation of our investments in Tavsa and Comsigua, granting compensation in the amount of $137 million and ordering 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, 2016 amounted $76 million. Venezuela has requested the annullment of both awards as well as the stay of enforcement of the awards in accordance with the ICSID Convention and Arbitration Rules, and some of these requests are pending. Given the current economic and political situation of Venezuela, we can give no assurance that the Venezuelan government will honor the award for the expropriation of our investments in Matesi nor agree to pay a fair and adequate compensation for our interest in Tavsa and Comsigua, or that any such compensation will be freely convertible into or exchangeable for foreign currency. For further information on the nationalization of the Venezuelan subsidiaries, see note 31 " *Nationalization of Venezuelan Subsidiaries* " to our audited consolidated financial statements included in this annual report.

In Mexico, amendments to applicable law and regulations may materially and adversely affect our business. For example, in 2014 a comprehensive tax reform became effective in Mexico, which, among other things, introduced a general 10% withholding tax on dividend distributions based upon earnings accrued after January 1, 2014. Any additional changes to Mexican legislation could adversely impact our results of operations. Similarly, our Mexican operations could 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. Since 2011, organized criminal activity and violent incidents have remained high and have spread to new regions of the country. 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. Furthermore, the Mexican national economy tends to reflect changes in the economic and political environment in the United States, and uncertainties related to tax reform in the United States, including the possible introduction of a border adjustment tax, or changes to the terms of the North American Free Trade Agreement, or NAFTA, both of which have been recently discussed by the U.S. government, could adversely affect the investment climate and economic activity in Mexico and/or in the United States and impact our results of operations and net results.

In Brazil, our sales may also be affected by governmental actions and policies and their consequences, such as measures relating to the taxation and ownership of oil and gas production activities and the operations of Petrobras S.A., or Petrobras, a state-run oil company. We have a longstanding business relationship with Petrobras, whom we supply with casing (including premium connections) and line pipe products, most of which are produced in our Brazilian welded pipe facility, for both offshore and onshore applications. Given our business relationship with Petrobras, our sales and profitability in Brazil could be affected by operational and financial issues at Petrobras. Demand for line pipe products used offshore in Brazil decreased to a virtual halt in the first half of 2016. Our profitability in the Brazilian market may fluctuate significantly in future years depending on our success in securing large supply contracts and on other factors, including the cancellation or postponement of specific projects due to changes in governmental policies, and any adverse economic, political or social developments in Brazil.

***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 high value products designed to serve and meet the needs of customers operating in demanding environments, developing and offering additional value-added services, which enable us to integrate our production activities with our customers' supply chain, and 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 develop products or services that differentiate us from our competitors 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, or E.U., 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 also may impose economic sanctions against certain countries, persons and other entities that may 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. Any failure to comply with these applicable legal and regulatory obligations also could result in criminal and civil penalties and sanctions.

***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, we are building a new greenfield seamless mill in Bay City, Texas, the United States. We will continue to consider strategic acquisitions, investments and partnerships from time to time. We must necessarily base any assessment of potential acquisitions, joint ventures and capital investments on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. 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, we may also acquire, as part of future acquisitions, assets unrelated to our business, and we may not be able to integrate them or sell them under favorable terms and conditions.

***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, 2016 we had $1,293 million in goodwill corresponding mainly to the acquisition of Hydril, in 2007 ($920 million) and Maverick, in 2006 ($229 million). As of December 31, 2015, we recorded an impairment charge of $400 million on the goodwill of our welded pipe assets in the United States, reflecting the decline in oil prices, and their impact on drilling activity and the demand outlook for welded pipe products in the United States. Additionally, as of December 31, 2015 we also recorded a $29 million impairment on the carrying value of our investment in Usiminas. If our management was to determine in the future that the goodwill or other assets were impaired, particularly as a consequence of deteriorating market conditions, we would be required to recognize a non-cash charge to reduce the value of these assets, which would adversely affect our results of operations.

***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 Item 11. "Quantitative and Qualitative Disclosure About Market Risk – Foreign Exchange Rate Risk."

***Related party transactions with companies controlled by San Faustin may not be on terms as favorable as could be obtained from unrelated and unaffiliated third parties.***

A portion of our sales and purchases of goods and services are made to and from other companies controlled by San Faustin. These sales and purchases are primarily made in the ordinary course of business and we believe they are carried out on terms no less favorable than those we could obtain from unaffiliated third parties. We will continue to engage in related party transactions in the future, and these transactions may not be on terms as favorable as could be obtained from unaffiliated third parties. For information concerning our principal transactions with related parties, see Item 7.B. "Major Shareholders and Related Party Transactions – Related Party Transactions."

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

We conduct business in certain countries known to experience governmental 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 or representatives may take actions that violate applicable laws and regulations that generally prohibit the making of improper payments 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, or FCPA.

***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. Similarly, 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 supply chain 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 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 automobile 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.

**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.***

The Company conducts 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 the 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, the Company may not be in a position to meet its operational needs or to pay dividends. For information concerning limitations on payments of dividends, 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."

In addition, 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. See Item 8.A. "Financial Information – Consolidated Statements and Other Financial Information – Dividend Policy."

***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 March 31, 2017, San Faustin beneficially owned 60.45% of our Shares. Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin, or RP STAK, controls a significant portion of the voting power of San Faustin and has the ability to influence matters affecting, or submitted to a vote of, the shareholders of 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 or best interests of other shareholders. For example, 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 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**

***In deciding whether to purchase, hold or sell Shares or ADSs, you may not have access to as much information about us as you would in the case of a U.S. company.***

There may be less publicly available information about us than is regularly published by or about U.S. issuers. Also, corporate and securities regulations governing Luxembourg companies may not be as extensive as those in effect in the United States, and Luxembourg law and regulations in respect of corporate governance matters might not be as protective of minority shareholders as state corporation laws in the United States. Furthermore, IFRS, the accounting standards in accordance with which we prepare our consolidated financial statements, differ in certain significant aspects from U.S. 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 that 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 ADS by the prescribed deadline, or the instructions are not in proper form, then the Depositary shall deem such holder of ADS 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 until 2020. The Company may, however, issue Shares without preemptive subscription rights only if (i) 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) are issued against a contribution other than in cash; (ii) Shares (including by way of free Shares or at discount), up to an amount of 1.5% of the issued shares capital of the Company, are issued to directors, officers, agents, employees of the Company, its direct or indirect subsidiaries or its affiliates (collectively, the "Beneficiaries"), 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), 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.

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, or the 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 in U.S. courts.***

The Company is a *société anonyme* organized under the laws of Luxembourg, and most of its assets are located outside the United States. Furthermore, most of the Company's directors and officers named in this annual report reside outside the United States. As a result, investors may not be able to effect service of process within the United States upon us or our directors or officers or to enforce against us or them in U.S. courts judgments predicated upon the civil liability provisions of U.S. federal securities law. Likewise, it may be difficult for a U.S. investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against the Company, directors and officers. There is also uncertainty with regard to the enforceability of original actions in courts outside the United States of civil liabilities predicated upon the civil liability provisions of U.S. federal securities laws. Furthermore, the enforceability in courts outside the United States of judgments entered by U.S. courts predicated upon the civil liability provisions of U.S. federal securities law 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.

## Item 4. Information on the Company

### Overview

We are a leading global manufacturer and supplier of steel pipe products and related services for the world's energy industry and for other industrial applications. Our customers include most of the world's leading oil and gas companies as well as engineering companies engaged in constructing oil and gas gathering, transportation, processing and power generation facilities. Our principal products include casing, tubing, line pipe, and mechanical and structural pipes.

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 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.

### A. History and Development of the Company

#### 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 29 avenue de la Porte-Neuve, 3rd Floor, L-2227, Luxembourg, telephone (352) 2647-8978. Its agent for U.S. federal securities law purposes is Tenaris Global Services (U.S.A.) Corporation, located at 2200 West Loop South, Suite 800, Houston, TX 77027.

#### Tenaris

Tenaris began with the formation of Siderca S.A.I.C., or Siderca, the sole Argentine producer of seamless steel pipe products, by San Faustin's predecessor in Argentina in 1948. We acquired Siat, 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., or Tamsa, the sole Mexican producer of seamless steel pipe products;
- Dalmine S.p.A., or Dalmine, a leading Italian producer of seamless steel pipe products;
- Confab Industrial S.A., or Confab, the leading Brazilian producer of welded steel pipe products;
- NKKTubes, a leading Japanese producer of seamless steel pipe products;
- Algoma Tubes Inc., or AlgomaTubes, the sole Canadian producer of seamless steel pipe products;
- S.C. Silcotub S.A., or Silcotub, a leading Romanian producer of seamless steel pipe products;
- Maverick Tube Corporation, or Maverick, a leading North American producer of welded steel pipe products with operations in the United States, Canada and Colombia;
- Hydril Company, or Hydril, a leading North American manufacturer of premium connection products for oil and gas drilling production;
- Seamless Pipe Indonesia Jaya, or SPIJ, an Indonesian oil country tubular goods, or OCTG, processing business with heat treatment and premium connection threading facilities;
- Pipe Coaters Nigeria Ltd, the leading company in the Nigerian coating industry;
- Ternium S.A., or Ternium, one of the leading steel producers of the Americas with production facilities in Latin America;
- Usinas Siderúrgicas de Minas Gerais S.A., or Usiminas, a Brazilian producer of high quality flat steel products used in the energy, automotive and other industries;
- Techgen S.A. de C.V., or Techgen, an electric power plant in Mexico; and
- a sucker rod business, in Campina, Romania.

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 Item 4.B. "Information on the Company – Business Overview – Capital Expenditure Program."

**B. Business Overview**

Our business strategy is to continue expanding our operations worldwide and further consolidate our position as a leading global supplier of high quality tubular products and services to the energy and other industries by:

- pursuing strategic investment opportunities in order to strengthen our presence in local and global markets;
- expanding our comprehensive range of products and developing new high-value products designed to meet the needs of customers operating in increasingly challenging environments;
- securing an adequate supply of production inputs and reducing the manufacturing costs of our core products; *and*
- enhancing our 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.

***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. Our track record with respect to acquisitions of companies is described above (See "History and Development of the Company—Tenaris"). In addition, we continue to build a new greenfield seamless mill in Bay City, Texas. The new facility will include a state-of-the-art rolling mill as well as finishing and heat treatment lines. We plan to bring the 600,000 tons per year capacity mill and logistics center into operation in 2017, within a budget of approximately $1.8 billion. As of December 31, 2016, approximately $1.3 billion had already been invested and an additional $0.2 billion had been committed.

***Developing high-value 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 increasingly challenging environments.

***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. For example, in February 2014, we entered into an agreement with our affiliates Ternium and Tecpetrol International S.A., or Tecpetrol, (a wholly-owned subsidiary of San Faustin, the controlling shareholder of both Tenaris and Ternium) to build 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 new power plant became fully operational during 2016. For more information on the new 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 new power plant, see item 5.E. "Operating and Financial Review and Prospects – Off-Balance Sheet Arrangements."

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

We continue to enhance our offer of technical and pipe management services, now called 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 in markets like Mexico and Argentina. Now, in response to changes in market conditions and the increased focus of customers on reducing costs and improving the efficiency of their operations, we have extended the deployment of our Rig Direct™ services throughout North America and in other markets around the world, such as the North Sea, Romania and Thailand. Through the provision of Rig Direct™ services, we seek to enable our customers to optimize their operations, reduce costs and working capital, to concentrate on their core businesses. They are also intended to differentiate us from our competitors and further strengthen our relationships with our customers worldwide through long-term agreements.

### 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 these 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.

Others include 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, 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 or 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 most 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.

*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, industrial equipment of various specifications and diverse applications, including liquid and gas storage equipment. In addition, 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. In addition, we manufacture tubular accessories such as sucker rods in Argentina, Brazil, Mexico, Romania, and we soon will commence production in the United States, where we have built a new facility. 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 or API, and premium joints in the United States, Canada, China, Denmark, Kazakhstan, Indonesia, Nigeria, the United Kingdom and Saudi Arabia. Additionally, we have just started to operate the finishing and heat treatment lines at the new greenfield seamless mill in Bay City, Texas.

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. The figures for effective annual capacity are based on our estimates of effective annual production capacity under present conditions.

| | At or for the year ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| *Thousands of tons* | | | |
| Steel Bars | | | |
| Effective Capacity (annual) (1) | 3,835 | 3,835 | 3,635 |
| Actual Production | 2,010 | 1,875 | 2,865 |
| Tubes – Seamless | | | |
| Effective Capacity (annual) (1) | 3,680 | 3,820 | 3,790 |
| Actual Production | 1,735 | 1,780 | 2,940 |
| Tubes – Welded | | | |
| Effective Capacity (annual) (1) | 2,620 | 2,620 | 2,620 |
| Actual Production | 305 | 633 | 908 |

(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.

Actual production of Tubes declined in 2015 and 2016, reflecting the decline in oil prices, and the resulting impact on drilling activity and on the demand for OCTG products. Additionally, effective annual production capacity at our Dalmine facility in Italy, was reduced by 140,000 tons, as our small diameter mill at that facility suspended operations and its finishing lines were disassembled.

***Production Facilities – Tubes***

***North America***

In North America, we have a fully integrated seamless pipe manufacturing facility, a threading plant and a pipe fittings facility in Mexico, three welded pipe manufacturing facilities and three threading plants in the United States, and a seamless pipe rolling mill, a welded pipe manufacturing facility and one threading plant in Canada.

*Mexico*

In Mexico, our fully integrated seamless pipe manufacturing facility is located near the major exploration and drilling operations of Petróleos Mexicanos S.A. de C.V., or Pemex, about 13 kilometers from the port of Veracruz on the Gulf of Mexico. Situated on an area of 650 hectares, the plant includes two state-of-the-art seamless pipe mills and has an installed annual production capacity of approximately 1,230,000 tons of seamless steel pipes (with an outside diameter range of 2 to 20 inches) and 1,150,000 tons of steel bars. The plant is served by two highways and a railroad and is close to the port of Veracruz, which reduces transportation costs and facilitates product shipments to export markets.

The Veracruz facility comprises:

- a steel shop, including an electric arc furnace, refining equipment, vacuum degassing, five-strand continuous caster and a cooling bed;
- a multi-stand pipe mill, including a rotary furnace, direct piercing equipment, mandrel mill with retained mandrel, sizing mill and a cooling bed;
- a premium quality finishing, or PQF, technology mill (2 $^3/_8$ to 7 inches), including a rotary furnace, direct piercing equipment, mandrel mill with retained mandrel, sizing mill and a cooling bed;
- a pilger pipe mill, including a rotary furnace, direct piercing equipment, a reheating furnace, sizing mill and a cooling bed;
- six finishing lines, including heat treatment lines, upsetting machines and threading and inspection equipment;
- a cold-drawing mill; *and*
- automotive components production machinery.

The major operational units at the Veracruz facility and the corresponding effective annual production capacity (in thousands of tons per year, except for the auto components facility, which is in millions of parts) as of December 31, 2016, are as follows:

| | Effective Annual Production Capacity (thousands of tons) (1) |
|---|---|
| Steel Shop | 1,150 |
| Pipe Production | |
| Multi-Stand Pipe Mill | 700 |
| PQF Mill | 450 |
| Pilger Mill | 80 |
| Cold-Drawing Mill | 35 |
| Auto Components Facility | 30 |

(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 Veracruz, located near our fully integrated seamless pipe manufacturing facility, we have a threading plant, which produces premium connections and accessories.

In addition to the Veracruz facilities, we operate a manufacturing facility near Monterrey in the state of Nuevo León, Mexico, for the production of weldable pipe fittings. This facility has an annual production capacity of approximately 15,000 tons.

*United States*

In the United States we have the following production facilities:

*Hickman, Arkansas* : This facility, which is our main U.S. production facility and covers an area of 78 hectares, processes steel coils to produce electric resistance welded, or ERW, OCTG and line pipe with an outside diameter range from 2 3/8 to 16 inches and has an annual production capacity of approximately 900,000 tons. It includes:

- A plant comprising two mills producing 2 3/8 through 5 1/2 inches API products with three finishing lines and three heat treatment lines;
- A plant comprising two mills producing 4 1/2 through 16 inches API products with two finishing lines; *and*
- A coating facility coating sizes up to 16 inches.

*Conroe, Texas* : A plant located on an area of 47 hectares which processes steel coils to produce ERW OCTG, with an outside diameter range of 4 1/2 to 8 5/8 inches and has an annual production capacity of approximately 250,000 tons. The facility includes one mill, one heat treatment line and one finishing line. Since April 2015, Tenaris temporarily suspended operations at this mill, due to the record levels of unfairly traded imports of OCTG from South Korea and the sharp decline in the price of oil and consequential reduction in drilling activity.

*Counce, Tennessee* : A plant located on an area of 54 hectares which processes steel coils to produce line pipe with an outside diameter range of 4 1/2 to 8 5/8 inches and has an annual production capacity of approximately 90,000 tons. The plant has one mill and a finishing line capable of producing line pipe products. Currently, for efficiency reasons, the plant is not operational and these products are being produced by our Hickman plant.

*Houston, Texas:* In the Houston area we have the Texas Arai coupling manufacturing facility. Operations at Texas Arai were suspended in March 2016 due to the low price of oil, the continuing reduction in rig activity and the high level of inventory on the ground created mostly by unfairly traded imports of OCTG from South Korea. This facility remains idle as of the filing of this annual report and some of its equipment was disassembled and moved to other facilities.

Additionally, we have the following threading facilities, which are mainly dedicated to the finishing of tubes with premium connections:

- *McCarty* : a threading facility in Houston, Texas, which comprises two main production buildings in an area of approximately 20 hectares;
- *Westwego* : a threading facility located in Louisiana. In June 2015, we suspended operations at the Westwego facility, mainly due to the decline in drilling activity driven by the low price of oil; *and*
- *Bakersfield* : a threading facility in California, mainly used as a repair shop.

In addition, we continue to build a new greenfield seamless mill in Bay City, Texas. The new facility will include a state-of-the-art rolling mill as well as finishing and heat treatment lines. We plan to bring the 600,000 tons per year capacity mill and logistics center into operation in 2017, within a budget of approximately $1.8 billion. As of December 31, 2016, approximately $1.3 billion had already been invested with an additional $0.2 billion being committed.

*Canada*

In Canada, we have a seamless steel pipe manufacturing facility located in Sault Ste. Marie, near the mouth of Lake Superior in the province of Ontario. The facility includes a retained mandrel mill, a stretch reducing mill and heat treatment and finishing facilities producing seamless pipe products with an outside diameter range of 3 $^{1}/_{2}$ to 9 $^{7}/_{8}$ inches. The effective annual production capacity of the facility is approximately 300,000 tons. We use steel bars produced by Rio Tinto Fer et Titane, Inc., a Canadian producer of titanium dioxide and high purity iron, and by our integrated facilities in Romania, Italy, Mexico and Argentina. As the industry started to recover and inventory levels were reduced, we resumed production at this mill in November 2016.

We also own a welded steel pipe manufacturing facility located in Calgary, Alberta, which processes steel coils into ERW OCTG and line pipe with an outside diameter range of 2 $^{3}/_{8}$ to 12 $^{3}/_{4}$ inches. The facility includes a slitter, three welding lines and four threading lines. The effective annual production capacity of this plant is approximately 400,000 tons. We have temporarily suspended operations at this mill, due to the high levels of unfairly traded imports of OCTG and line pipe products and the sharp decline in the price of oil and consequential reduction in drilling activity. As the industry recovers and inventory levels are reduced, we expect to resume operations at this facility in the second half of 2017.

In addition, we have a threading facility in Nisku, Alberta, near the center of Western Canadian drilling area. The facility is dedicated to premium connections and accessories including related repairs.

***South America***

In South America, we have a fully integrated seamless pipe facility in Argentina. In addition, we have welded pipe manufacturing facilities in Argentina, Brazil and Colombia.

*Argentina*

Our principal manufacturing facility in South America is a fully integrated plant on the banks of the Paraná river near the town of Campana, approximately 80 kilometers from the City of Buenos Aires, Argentina. Situated on over 300 hectares, the plant includes a state-of-the-art seamless pipe facility and has an effective annual production capacity of approximately 900,000 tons of seamless steel pipe (with an outside diameter range of 1 $^{1}/_{4}$ to 10 $^{3}/_{4}$ inches) and 1,300,000 tons of steel bars.

The Campana facility comprises:

- a direct reduced iron, or DRI, production plant;
- a steel shop with two production lines, each including an electric arc furnace, refining equipment, four-strand continuous caster and a cooling bed;
- two continuous mandrel mills, each including a rotary furnace, direct piercing equipment and a cooling bed and one of them also including a stretch reducing mill;

- seven finishing lines, including heat treatment lines, upsetting machines, threading and inspection equipment and make-up facilities;
- a cold-drawing mill; *and*
- a port on the Paraná river for the supply of raw materials and the shipment of finished products.

In Argentina, we have a modern gas turbine power generation plant, located in San Nicolás, approximately 150 kilometers from Campana. The 160 megawatt capacity of this power generation plant together with a smaller thermo-electric power generating plant located within the Campana facility is sufficient to supply all of the electric power requirements of the Campana facility.

The major operational units at the Campana facility and corresponding effective annual production capacity (in thousands of tons per year) as of December 31, 2016, are as follows:

| | **Effective Annual Production Capacity (thousands of tons)** (1) |
|---|---|
| DRI | 960 |
| Steel Shop | |
| Continuous Casting I | 530 |
| Continuous Casting II | 770 |
| Pipe Production | |
| Mandrel Mill I | 330 |
| Mandrel Mill II | 570 |
| Cold-Drawing Mill | 20 |

(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 addition to our main integrated seamless pipe facility, we also have two welded pipe manufacturing facilities in Argentina. One is located at Valentín Alsina just south of the city of Buenos Aires. The facility includes ERW and submerged arc welding, or SAW, rolling mills with one spiral line. The facility was originally opened in 1948 and processes steel coils and plates to produce welded steel pipes with an outside diameter range of 4 $^{1}/_{2}$ to 80 inches, which are used for the conveying of fluids at low, medium and high pressure and for mechanical and structural purposes. The facility has an annual production capacity of approximately 350,000 tons. The other welded facility is located at Villa Constitución in the province of Santa Fe. The facility has an annual production capacity of approximately 80,000 tons of welded pipes with an outside diameter range of 1 to 8 inches.

*Brazil*

In Brazil, we have the Confab welded pipe manufacturing facility, located at Pindamonhangaba, 160 kilometers from the city of São Paulo. The facility includes an ERW rolling mill and a SAW rolling mill with one spiral line and one longitudinal line. The facility, which was originally opened in 1974, processes steel coils and plates to produce welded steel pipes with an outside diameter range of 4 $^{1}/_{2}$ to 100 inches for various applications, including OCTG and line pipe for oil, petrochemical and gas applications. The facility also supplies anticorrosion pipe coating made of extruded polyethylene or polypropylene, external and internal fusion bonded epoxy and paint for internal pipe coating. The facility has an annual production capacity of approximately 500,000 tons. In addition to our welded pipe manufacturing facility, in September 2014, we acquired the remaining 50% of Socotherm Brasil S.A. (now known as Tenaris Coating do Brasil S.A.), or Socotherm, a pipe coating services company in which we already had a 50% ownership interest and that performed pipe coating services for us over the years. The pipe coating facility, located beside the Confab welded pipes mill in Pindamonhangaba, was previously managed in partnership by Tenaris and by an affiliate of ShawCor.

*Colombia*

In Colombia we have the Tubocaribe Ltda., or Tubocaribe, welded pipe manufacturing facility in Cartagena, on an area of 28 hectares. The total estimated annual production capacity is approximately 140,000 tons. The plant produces mainly ERW OCTG and line pipe products having two mills with an outside diameter range of 2 $^{3}/_{8}$ to 9 $^{5}/_{8}$ inches, three heat treatment lines and three threading lines. Inspection lines and materials testing laboratories complete the production facility. A 2 to 42 inches diameter multilayer coating facility complements our line pipe production facilities.

We have an additional greenfield and state-of-the-art finishing plant, on an area of 30 hectares, adjacent to the Tubocaribe facility. We invested $240 million to expand the finishing capacity by 130,000 tons through a new heat treatment plant for tubing and casing, a new casing finishing plant, a new ultrasound inspection line and a new threading line, including premium connections and a new coupling shop.

*Ecuador*

In Ecuador we have a small threading and finishing service center in Machachi. In 2015, Tenaris temporarily suspended operations at this service center due to the sharp decline in the price of oil and consequential reduction in drilling activity, and operations have not resumed as of the date of filing this annual report.

***Europe***

In Europe, we have several seamless pipe manufacturing facilities in Italy and one in Romania and premium connection threading facilities in Denmark and the United Kingdom.

*Italy*

Our principal manufacturing facility in Europe is an integrated plant located in the town of Dalmine in the industrial area of Bergamo, about 40 kilometers from Milan in northern Italy. Situated on an area of 150 hectares, the plant includes a state-of-the-art seamless pipe mill and has an annual production capacity of approximately 650,000 tons of seamless steel pipes and 935,000 tons of steel bars.

The Dalmine facility comprises:

- a steel shop, including an electric arc furnace, two ladle furnaces, one vacuum degassing, two continuous casters with their own cooling beds;
- a continuous floating mandrel mill with two finishing lines whose operations have been suspended;
- a retained mandrel mill with two in-line-high-productivity finishing lines including one heat treatment; *and*
- a rotary expander with a finishing line including a heat treatment.

The major operational units at the Dalmine facility and corresponding effective annual production capacity (in thousands of tons per year) as of December 31, 2016, are as follows:

| | **Effective Annual Production Capacity (thousands of tons) (1)** |
|---|---|
| Steel Shop | 935 |
| Pipe Production | |
| Retained Mandrel Mill Medium Diameter (plus Rotary Expander for Large Diameter) | 650 |

(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.

Effective annual production capacity at our Dalmine facility was reduced as our small diameter floating mandrel mill located therein, with a production capacity of 140,000 tons, suspended operations and its finishing lines were disassembled.

The Dalmine facility manufactures seamless steel pipes with an outside diameter range of 21 to 711 mm (0.75 to 28.00 inches), mainly from carbon, low alloy and high alloy steels for diverse applications. The Dalmine facility also manufactures steel bars for processing at our other facilities in Italy.

Our production facilities located in Italy have a collective annual production capacity of approximately 780,000 tons of seamless steel pipes. Aside from the main facility mentioned above, they include:

- the Costa Volpino facility, which covers an area of approximately 31 hectares and comprises a cold-drawing mill and an auto components facility producing cold-drawn carbon, low alloy and high alloy steel pipes with an outside diameter range of 12 to 380 mm (0.47 to 15 inches), mainly for automotive, mechanical and machinery companies in Europe. The Costa Volpino facility has an annual production capacity of approximately 80,000 tons;
- the Arcore facility, which covers an area of approximately 26 hectares and comprises a Diescher mill with associated finishing lines. Production is concentrated in heavy-wall mechanical pipes with an outside diameter range of 48 to 219 mm (1.89 to 8.62 inches). The Arcore facility has an annual production capacity of approximately 150,000 tons; *and*
- the Piombino facility, which covers an area of approximately 67 hectares and comprises a hot dip galvanizing line and associated finishing facilities. Production is focused on finishing of small diameter seamless pipe for plumbing applications in the domestic market, such as residential water and gas transport. The Piombino facility has an annual production capacity of approximately 100,000 tons.

In addition to these facilities, we operate a manufacturing facility at Sabbio, which manufactures gas cylinders with an annual production capacity of approximately 14,000 tons or 270,000 pieces, and a large vessels plant inside the Dalmine facility, recently revamped, with a production capacity of around 5,000 pieces per year.

In order to reduce the cost of electrical energy at our operations in Dalmine, we constructed a gas-fired, combined heat and power station with a capacity of 120 megawatts at Dalmine. Our operations in Dalmine consume most of the power generated at the power station which is designed to have sufficient capacity to meet the electric power requirements of these operations at peak load. Excess power is sold to third-party consumers and heat is sold for district heating.

*Romania*

We have a seamless steel pipe manufacturing facility in Romania, located in the city of Zalau, near the Hungarian border, 480 kilometers from Bucharest. The Silcotub facility includes a continuous mandrel mill and has an annual production capacity of approximately 210,000 tons of seamless steel tubes, of which 25,000 tons are cold drawn. The plant produces carbon and alloy steel tubes with an outside diameter range of 8 to 146 mm (0.314 to 5.74 inches). We also have a steelmaking facility in southern Romania, with an annual steelmaking capacity of 450,000 tons. Following investments to convert this capacity to the production of steel bars for seamless pipe production, this facility has been integrated into our Romanian and European operations and supplies steel bars to the Silcotub facility as well as to other rolling mills in our industrial system. The combined Romanian facilities comprise:

- a steel shop including an electric arc furnace, a ladle furnace and a continuous caster;
- a continuous mandrel mill;
- four finishing lines, including heat treatment lines, upsetting machine, line pipe, threading, make-up and inspection equipment facilities;
- a coupling shop;
- a cold-drawing plant with finishing area; *and*
- automotive and hydraulic cylinders components' production machinery.

*United Kingdom*

In Aberdeen, the United Kingdom, we have a premium connection threading facility and repair shop, which works as a hub to service our customers working in the North Sea region. The facility has an annual production capacity of approximately 24,000 pieces.

*Denmark*

We have a facility in Esbjerg, Denmark for the manufacturing of casing and tubing accessories and the provision of casing and tubing repairs, with a production range of 2 $^{3}/_{8}$ '' to 18 $^{5}/_{8}$ '' and production capacity of 3,600 ends per year.

### *Middle East and Africa*

We have a threading facility for the production of premium joints and accessories in Saudi Arabia. The facility has an annual production capacity of 120,000 tons.

In Nigeria we have a facility dedicated to the production of premium joints and couplings in Onne, where we are consolidating our operations in the area (previously distributed between Onne and Warri). This plant comprises a threading facility for both API and premium connections with an annual production capacity of approximately 40,000 tons, inspection facilities and a stockyard. In addition, in October 2011, we acquired 40% of the shares of Pipe Coaters Nigeria Ltd, a leading company in the Nigerian pipe coating industry. Also, located in Onne, Pipe Coaters Nigeria supplies a wide variety of products and services for the oil and gas industry, such as internal, anticorrosion, concrete and thermal insulation coatings for deepwater applications.

### *Asia Pacific*

Our seamless pipe manufacturing facility in Asia, operated by NKKTubes, is located in Kawasaki, Japan, in the Keihin steel complex owned by JFE, the successor company of NKK that resulted from the business combination of NKK with Kawasaki Steel Corporation, or Kawasaki Steel. The facility includes a floating mandrel mill, a plug mill and heat treatment and upsetting and threading facilities producing seamless pipe products with an outside diameter range of 1 to 17 inches. The effective annual production capacity of the facility is approximately 260,000 tons. The plant was operated by NKK until its acquisition by NKKTubes in 2000. Steel bars and other essential inputs and services are supplied by JFE, which retains a 49% interest in NKKTubes through its subsidiary JFE Engineering. The NKKTubes facility produces a wide range of carbon, alloy and stainless steel pipes for the local market and high value-added products for export markets.

We own a facility for the production of premium joints and couplings in Qingdao, on the east coast of China. The facility has an annual production capacity of approximately 40,000 tons of premium joints. Additionally, in 2016 we opened a components facility for processing pipes for use in airbags for automotives.

In addition, in Indonesia we have a premium joints threading facility in the state of Batam, which we integrated to our operations following the acquisition of Hydril. We also hold 77.45% of SPIJ, an Indonesian OCTG processing business with heat treatment, premium connection threading facilities, coupling shop and a quality-testing laboratory, including an ultrasonic testing machine, which has an annual processing capacity of approximately 120,000 tons.

### *Production Facilities – Others*

We have four facilities for the manufacture of sucker rods in Villa Mercedes, San Luis, Argentina, in Moreira Cesar, São Paulo, Brazil, in Veracruz, Mexico and in Campina, Romania. In 2013, we finalized a capacity expansion investment at our sucker rods mill in Veracruz, to meet the growing demand of our customers in North America, with flexible and optimized delivery times. This investment strengthens our total annual manufacturing capacity of sucker rods to 3 million units.

In Moreira Cesar, São Paulo, Brazil, we also have facilities for the manufacture of industrial equipment. In many cases, we also provide the assembly service of this equipment at the client's site.

In addition, we have specialized facilities in the Houston area producing coiled tubing and umbilical tubing:

- A coiled tubing facility of approximately 150,000 square feet of manufacturing space on 4 hectares. The plant consists of two mills and coating operations capable of producing coiled tubing products in various grades, sizes and wall thicknesses. A new continuous heat treatment line has been recently installed.
- An umbilical tubing facility of approximately 85,000 square feet of manufacturing space on 6 hectares. The facility is capable of producing stainless or carbon steel tubing in various grades, sizes and wall thickness.

## Sales and Marketing

*Net Sales*

Our total net sales amounted to $4,294 million in 2016, compared to $6,903 million in 2015 and $10,141 million in 2014. For further information on our net sales see Item 5.A. "Operating and Financial Review and Prospects – Results of Operations."

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

| *Millions of U.S. dollars* | For the year ended December 31, 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| Tubes | 4,015 | 94% | 6,444 | 93% | 9,582 | 94% |
| Others | 278 | 6% | 459 | 7% | 560 | 6% |
| **Total** | **4,294** | **100%** | **6,903** | **100%** | **10,141** | **100%** |

***Tubes***

The following table indicates, for our Tubes business segment, net sales by geographic region:

| *Millions of U.S. dollars* | For the year ended December 31, 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| **Tubes** | | | | | | |
| - North America | 1,265 | 31% | 2,538 | 39% | 4,609 | 48% |
| - South America | 1,032 | 26% | 1,858 | 29% | 1,823 | 19% |
| - Europe | 542 | 14% | 695 | 11% | 924 | 10% |
| - Middle East & Africa | 1,041 | 26% | 1,082 | 17% | 1,817 | 19% |
| - Asia Pacific | 136 | 3% | 272 | 4% | 408 | 4% |
| **Total Tubes** | **4,015** | **100%** | **6,444** | **100%** | **9,582** | **100%** |

*North America*

Sales to customers in North America accounted for 31% of our sales of tubular products and services in 2016, compared to 39% in 2015 and 48% in 2014.

We have significant sales and production facilities in each of the United States, Canada and Mexico, where we provide customers with an integrated product and service offering based on local production capabilities supported by our global industrial system. In the past year, we have extended our integrated product and service model, which we call Rig Direct™, throughout North America. Under Rig Direct™, we manage the whole supply chain from the mill to the rig for customers under long-term agreements, integrating mill production with customer drilling programs, reducing overall inventory levels and simplifying operational processes. We first introduced the Rig Direct™ model to Pemex in Mexico in 1994, and since then we have supplied them with pipes on a just-in-time basis. At the end of 2016, we supplied more than half of our U.S. and Canadian customers for OCTG products with Rig Direct™ services.

Sales to our oil and gas customers in the United States and Canada are highly sensitive to oil prices and natural gas prices in that region. In the past few years, the drilling of productive shale gas and tight oil reserves, made possible by new drilling technology, has transformed drilling activity and oil and gas production in the United States and Canada. Following 25 years of declining production, U.S. crude oil production began to increase in 2009 and has risen significantly, from 5.6 million b/d in 2011 to 9.4 million b/d in 2015. Production of natural gas liquids, or NGLs, has also increased significantly in the past few years in North America. This rapid increase in production, however, contributed to an excess of supply in the global oil market and a consequent collapse in the price of oil, as other producers, notably Saudi Arabia, were unwilling to adjust their production levels to balance the market. Natural gas production has also increased in the United States in four of the last five years, resulting in a reduction in net imports of natural gas into the United States and prices maintaining levels significantly below natural gas prices in Asia and Europe. In Canada, there has been a similar shift towards drilling of shale gas and tight oil reserves. The drop in oil prices since the second half of 2014, however, led to a drastic reduction in drilling activity throughout North America until the second half of 2016 when activity began to recover in the United States and Canada based on sharply lower production costs and an improvement in the outlook for oil prices following the decision by OPEC and other producers to cut production levels temporarily to facilitate market supply and demand rebalancing and reduce accumulated excess inventories.

Demand for, and our sales of, OCTG products in the United States and Canada plummeted in 2015 and 2016, to less than a quarter of the high level reached in 2014, affected by high inventory levels as well as collapsing drilling activity. Going into 2017, demand and sales are recovering strongly as drilling activity recovers and inventory levels have returned to more normal levels.

Our sales in the United States are also affected by the level of investment of oil and gas companies in exploration and production in offshore projects. The blow-out at the Macondo well in the Gulf of Mexico and the subsequent spillage of substantial quantities of oil resulted in a moratorium that halted drilling activity. The drilling moratorium was lifted in October 2010, when new regulations affecting offshore exploration and development activities were announced. Since then, drilling activity recovered but, with the fall in oil prices, drilling activity has declined and major projects are being postponed.

Oil and gas drilling in Canada is subject to strong seasonality, with the peak drilling season in Western Canada being during the winter months when the ground is frozen. During the spring, as the ice melts, drilling activity is severely restricted by the difficulty of moving equipment in muddy terrain.

In Mexico, we have enjoyed a long and mutually beneficial relationship with Pemex, the Mexican state-owned oil company, and one of the world's largest crude oil and condensates producers. In 1994, we began supplying Pemex with Rig Direct™ services. In January 2012, we renewed our JIT agreement with Pemex for a five-year period. During December 2016 we extended the contract until June 2017 while we negotiate the renewal of the contract.

At the end of 2013, Mexico reformed its constitution to permit increased private and foreign investment in the energy industry. Under the reforms, foreign and private investors will be allowed to participate in profit and production sharing contracts and licenses and Pemex has been transformed into a state-owned production company without its previous monopoly on production. A new regulatory framework has been developed and contracts with foreign and private investors are gradually being awarded.

Following the decline in oil prices, drilling activity in Mexico and demand for our OCTG products has plummeted as the financial condition of Pemex has deteriorated and the impact of investments from the energy reform process in Mexico have yet to take effect. Drilling activity at Pemex is at historically low levels and recovery is not anticipated before 2018.

*South America*

Sales to customers in South America accounted for 26% of our sales of tubular products and services in 2016, compared to 29% in 2015 and 19% in 2014.

Our largest markets in South America are Argentina and Brazil. We also have significant sales in Colombia, Ecuador and Venezuela.

We have manufacturing subsidiaries in Argentina, Brazil and Colombia. Our seamless pipe manufacturing facility in Venezuela was nationalized in 2009.

Our sales in South America are sensitive to the international price of oil and its impact on the drilling activity of participants in the oil and gas sectors, as well as to general economic conditions in these countries. In addition, sales in Argentina, as well as export sales from our manufacturing facilities in Argentina, are affected by governmental actions and policies, such as the taxation of oil and gas exports, measures affecting gas prices in the domestic market, restrictions on transfers of currency abroad, mandatory repatriation of export revenues and other matters affecting the investment climate. Sales in Brazil are also affected by governmental actions and policies and their consequences, such as measures relating to the taxation and ownership of oil and gas production activities and the operations of Petrobras.

A principal component of our marketing strategy in South American markets is the establishment of long-term supply agreements and Rig Direct™ services with local and international oil and gas companies operating in those markets.

In Argentina, we have a significant share of the market for OCTG products. We have longstanding business relationships with YPF S.A., or YPF, the Argentine state-controlled company, and with other operators in the oil and gas sector. We strengthened our relationship with YPF in 2013 through a long-term business alliance under which we provide Rig Direct™ services with the objective of reducing YPF's operational costs as it aims to increase production through investments in Argentina's shale oil and gas reserves. In spite of the drop in international oil prices, drilling activity was sustained for most of 2015 and 2016 before falling significantly at the end of the year, when drilling in the southern part of the country came to a halt. The change in the Argentine government that occurred in December 2015 is resulting in significant changes in domestic energy policies, including the gradual normalization of domestic gas and energy prices. The new policies are likely to encourage investment in the Vaca Muerta shale play, which is considered to be one of the world's most promising unconventional reserves. However, the gradual liberalization of policies has resulted in a reduction in drilling activity in some of the more mature plays where the costs of maintaining production levels are high.

In Brazil, we have a longstanding business relationship with Petrobras. We supply Petrobras with casing (including premium connections) and line pipe products, most of which are produced in our Brazilian welded pipe facility, for both offshore and onshore applications. With the development of Brazil's deepwater pre-salt complex, our mix of products sold in Brazil has evolved from one including mainly line pipe for onshore pipeline projects to one which includes large diameter conductor and surface casing and line pipe for use in deepwater applications. Consumption of OCTG products in Brazil has fallen in the past three years, and is expected to stabilize at the current low level in 2017, as Petrobras continues to reduce its investments in response to budgetary constraints, concentrating on developing its most productive reserves in the pre-salt fields and halting other investments. Demand for line pipe for pipeline projects has declined to very low levels with only one major project implemented in the past three years. Due to the lack of activity elsewhere in Brazil, our sales in the local market are currently concentrated on large diameter conductor and surface casing with connectors for the pre-salt and other offshore developments.

In Colombia, we have established a leading position in the market for OCTG products since 2006, following our acquisition of Tubocaribe, a welded pipe manufacturing facility located in Cartagena. Although the market grew rapidly when oil prices were high as the country encouraged investment in its hydrocarbon industry and opened its national oil company to private investment, drilling activity in Colombia has been deeply affected by the collapse in oil prices and fell to a very low level in 2016. However, activity has started to recover in 2017 in response to the increase in oil prices. Our principal customer in Colombia is Ecopetrol S.A., which we supply with Rig Direct™ services. We have recently strengthened our industrial position in Colombia through investing in the installation of modern heat treatment, pipe threading and processing facilities which enables us to serve this market with more local industrial content and our customers with more efficient Rig Direct™ services.

We have been present in the Venezuelan OCTG market for many years and we maintain ongoing business relationships with PDVSA and the joint venture operators in the oil and gas sector. In the past three years, our sales in Venezuela have been negatively affected as PDVSA delayed payments to suppliers. See Item 3.D. "Key Information – Risk Factors – 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 note 31 "Nationalization of Venezuelan Subsidiaries" to our audited consolidated financial statements included in this annual report.

*Europe*

Sales to customers in Europe accounted for 14% of our sales of tubular products and services in 2016, compared to 11% in 2015 and 10% in 2014.

Our single largest country market in Europe is Italy. The market for steel pipes in Italy (as in most of the European Union) is affected by general industrial production trends, especially in the mechanical and automotive industry, and by investment in power generation, petrochemical and oil refining facilities. Sales to the mechanical and automotive industries and for HPI and power generation projects in Italy and the rest of Europe over the past three years have been affected by lower prices reflecting increased competitive pressures, but volumes have been relatively stable.

In Europe, we also have significant sales to the oil and gas sector, which has grown in recent years, with exploration activity taking place in new areas such as unconventional shale plays in Eastern Europe and offshore drilling in the Black Sea, the Eastern Mediterranean and the Barents Sea, together with ongoing investment in the more traditional areas of the North Sea, Romania, Turkey and Russia. Demand from these markets is affected by oil and gas prices in the international markets and their consequent impact on oil and gas drilling activities in these areas. In addition, U.S. and European sanctions are affecting demand for our premium pipe products in Russia and limited exploration success in unconventional shale plays in Eastern Europe has led international operators to cut back on their investments in this area.

*Middle East and Africa*

Sales to customers in the Middle East and Africa accounted for 26% of our sales of tubular products and services in 2016, compared to 17% in 2015 and 19% in 2014.

Our sales in the region remain sensitive to international prices of oil and gas and their impact on drilling activities as well as to the production policies pursued by OPEC, many of whose members are located in this region. In the past few years, oil and gas producing countries in the Middle East, led by Saudi Arabia, have increased investments to develop gas reserves to fuel regional gas-based industrial development, which have positively affected their consumption of premium OCTG products. Saudi Arabia, in particular, has shown strong growth in sour and high pressure gas field drilling activity. They have also maintained and, in some cases, increased investments to offset decline and add oil production capacity. In Africa, international oil companies increased investments in exploration and production in offshore projects in 2012 and 2013 but began to postpone or reduce their investment commitments in 2014 due to the high cost of offshore project developments and a lower success rate in exploration activity. Since 2015, following the oil price collapse, exploration activity has been sharply cut back and major project commitments have been postponed. The effect on demand has been compounded by the high inventory levels held in the region.

In the past three years, uprisings affected drilling activity in countries such as Syria, Libya and Yemen and, in the case of Libya, the oil and gas industry was effectively shut down in 2011. In addition, in recent years, U.S. and E.U. sanctions have affected production and exports in Iran.

Our sales in the Middle East and Africa could be adversely affected by political and other events in the region, such as armed conflicts, terrorist attacks and social unrest, that could materially impact the operations of companies active in the region's oil and gas industry. Our sales in the region can also be affected by the levels of inventories held by the principal national oil companies in the region and their effect on purchasing requirements. For example, Saudi Aramco, after purchasing pipes in excess of its consumption requirements in 2013 and the first half of 2014, subsequently substantially reduced purchases during the second half of 2014 and throughout 2015, notwithstanding increased drilling activity, as it reduced inventory levels.

Over the past two years, our sales in the region have been affected by the lack of offshore exploration and development activity in Africa and the impact of increased competitive pressures on prices. In the Middle East, consumption of OCTG products has increased moderately over the past three years but inventory adjustments impacted demand for these products in 2015.

*Asia Pacific*

Sales to customers in the Asia Pacific accounted for 3% of our sales of tubular products and services in 2016, compared to 4% in 2015 and 4% in 2014.

We have a significant presence in the region with local production facilities in Indonesia, China and Japan and, in recent years, we have established service centers in Australia and Thailand.

Sales to Indonesia and other markets in South East Asia and Oceania are mainly affected by the level of oil and gas drilling activity, particularly offshore drilling activity. The collapse in the price of oil has deeply affected drilling activity and our sales throughout the region, where drilling is mainly onshore. In 2016, however, we won a significant long-term agreement to provide pipes with Rig Direct™ services in Thailand which will establish us as a leading supplier in that country over the next years.

Our sales in China are concentrated on premium OCTG products used in oil and gas drilling activities. Over the past three years, China has significantly reduced its imports of OCTG products as local producers compete ferociously in an oversupplied market. We continue, however, to seek new markets in niche applications and in 2016 we opened a components facility for processing pipes for use in airbags for automotives.

In Japan, our subsidiary, NKKTubes, competes against other domestic producers. The market for steel pipe products in Japan is mostly industrial and depends on general factors affecting domestic investment, including production activity.

***Others***

Our other products and services include sucker rods used in oil extraction activities, coiled tubes used in oil and gas extraction activities, industrial equipment of various specifications and for diverse applications, including liquid and gas storage equipment and sales of raw materials that exceed our internal requirements. In January 2017, we sold our electrical conduit pipes business in the United States. Net sales of other products and services decreased 39% in 2016 compared to 2015, mainly due to lower sales of sucker rods and coiled tubes.

**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 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 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.

In recent years, substantial investments have been made, especially in China, to increase production capacity of seamless steel pipe products. Capacity for the production of more specialized product grades has also increased. With the recent downturn in the price of oil and demand for tubes for oil and gas drilling, the overcapacity in 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, a French company, has mills in Brazil, China, France, 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, 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 with Nippon Steel & Sumitomo Metal Corporation, or NSSMC. Prior to the recent collapse in oil prices, Vallourec increased its production capacity through building a new mill in Brazil jointly with NSSMC, which is aimed primarily at export markets and was commissioned in 2011, and a second seamless pipe rolling mill at its existing facility in Youngstown, Ohio, which began commercial production at the end of 2012. In addition to the construction of the new Youngstown mill, it has reinforced its positioning in the United States through the acquisition of three tubular businesses from Grant Prideco: Atlas Bradford ® Premium Threading & Services, TCA ® and Tube-Alloy. Vallourec has also strengthened its position in the Middle East through the acquisition of heat treatment and threading facilities in Saudi Arabia in 2011 and, in 2010, it concluded an agreement with a Chinese seamless steel producer, Tianda Oil Pipe Company, or Tianda, under which it distributes 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, 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.
- NSSMC and JFE (the seamless pipe business of the former Kawasaki Steel) 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. On September 27, 2002, Kawasaki Steel and NKK, our partner in NKKTubes, consummated a business combination and merger, through which they became subsidiaries of JFE. JFE continues to operate the former Kawasaki Steel’s seamless steel pipe business in competition with NKKTubes. 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 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 comprising both seamless and welded pipe mills and the Ultra family of connections. 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, a welded pipe producer in Oman.
- Also in recent years, Chinese producers have 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, TPCO, announced in 2009 its intention 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 experienced a significant consolidation process several years ago. Following the acquisitions of Maverick and Hydril by Tenaris, US Steel Corporation acquired Lone Star Steel Technologies. In 2008, Evraz Group S.A. and TMK, two Russian companies, acquired IPSCO’s Tubular

division which has both seamless and welded mills in the United States and Canada. Evraz retained IPSCO's operations in Canada while TMK acquired IPSCO's operations in the United States, as mentioned above. More recently, however, new players have built, or announced plans to build, pipe mills in the United States. These include, in addition to TPCO, who is constructing a mill, Boomerang LLC, a company formed by a former Maverick executive, which opened a welded pipe mill in Liberty, Texas, in 2010, and Benteler, a European seamless pipe producer, which has built a new seamless pipe mill in Louisiana, which opened in September 2015. North American pipe producers are largely focused on supplying the U.S. and Canadian markets, where they have their production facilities.

- 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.
- Tubos Reunidos S.A. of Spain, Benteler A.G. of Germany and Voest Alpine AG 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 international OCTG market, and in 2016, Tubos Reunidos S.A. opened an OCTG threading facility targeting international markets. In 2006, 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.

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 2016, our capital expenditures, including investments at our plants and investments in information systems, amounted to $787 million, compared to $1,132 million in 2015 and $1,089 million in 2014. Of these capital expenditures, investment at our plants amounted to $757 million in 2016, compared to $1,066 million in 2015 and $1,008 million in 2014.

In 2016, in addition to capacity expansion in the United States, we focused on improving our finishing capabilities, mainly heat treatment and threading facilities, including premium products lines and investments at our R&D centers. The major highlights of our capital spending program during 2016 included:

- continued construction of our new greenfield seamless facility in Bay City, Texas, in the United States;
- completion of a new facility for the production of sucker rods in Conroe, Texas, in the United States;
- completion of new premium threading lines in Kazakhstan;
- continued construction of a new state-of-the-art threading line for premium products and new heat treatment line at our Veracruz facility in Mexico;
- construction of an airbag finishing facility in China;
- construction of a new coupling facility in Colombia;
- completed the new heat treatment and finishing lines for seamless OCTG in Colombia;
- created logistic yards in Argentina and the United States;
- completion of a school rig for training on field services in Veracruz, Mexico;
- completion of a new central laboratory and sample preparation at our Hickman facility in Arkansas, in the United States; *and*
- completed the expansion of the steel shop continuous casting line at our Veracruz facility in Mexico.

Capital expenditures in 2017 are expected to be lower than the level reached in 2016, even when accounting for the continuous investments at the greenfield seamless mill in Bay City, Texas. The new facility will include a state-of-the-art rolling mill as well as finishing and heat treatment lines. We plan to bring the 600,000 tons per year capacity mill and logistics center into operation in 2017 within a budget of approximately $1.8 billion. As of December 31, 2016, approximately $1.3 billion had already been invested and an additional $0.2 billion had been committed.

In addition to the capacity expansion in the United States, we expect our investments during 2017 to be spread among our global industrial system, in line with what already occurred during 2016. These investments will mainly aim at enhancing product differentiation, increasing local finishing capabilities, improving the efficiency of our process, enhancing plant's safety and minimizing environmental impact, as well as increasing the infrastructure for training. Major projects for 2017 include:

- expansion of production capacity of cold drawn pipes and in the auto-components center in Veracruz, Mexico;
- new scrap processing equipment in Veracruz, Mexico;
- improvement of fumes exhaust systems at the steel shops in Veracruz, Mexico and Campana, Argentina;
- increase coupling production capacity in Veracruz, Mexico and Campana, Argentina;
- new automated coating & finishing line for couplings in Veracruz, Mexico;
- completion of the new facility for the production of sucker rods in the United States;
- continuing expansion of the North America yard network;
- expansion of heat treatment capacity at Dalmine mill in Italy;
- debottlenecking of the steel shop in Calarasi, Romania; *and*
- construction of a water treatment plant at our Campana facility in Argentina.

In addition to capital expenditures at our plants, we have invested in information systems for the integration of our production, commercial and managerial activities. 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 $29 million in 2016, compared to $65 million in 2015 and $80 million in 2014.

**Raw Materials and Energy**

The majority of our seamless steel pipe products are manufactured in integrated steelmaking operations using the electric arc furnace route, with the principal raw materials being steel scrap, DRI, HBI, pig iron and ferroalloys. In Argentina, we produce our own DRI from iron ore using natural gas as a reductant. Our integrated steelmaking operations consume significant quantities of electric energy, a significant portion of which we generate in our own facilities. Our welded steel pipe products are processed from purchased steel coils and plates. Although the weight of the different steelmaking raw materials and steel, vary among the different production facilities in our industrial system, depending on the specifications of the final products and other factors, on average steel scrap, pig iron, HBI and DRI represent approximately 20% of our steel pipe products' costs, while steel in the form of billets or coils represents approximately 15%, with direct energy accounting for approximately 5%.

The aforementioned inputs of raw material are subject to price volatility caused by supply, political and economic situations, financial variables and other unpredictable factors. For further information on price volatility, see Item 3.D. "Key Information – Risk Factors – Risks Relating to Our Industry – 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 costs of steelmaking raw materials and of steel coils and plates increased during 2016 with high levels of volatility.

*Steel scrap, pig iron and HBI*

Steel scrap, pig iron and HBI for our steelmaking operations are sourced from local, regional and international sources. In Argentina, we produce our own DRI and source ferrous scrap domestically through a wholly owned scrap collecting and processing subsidiary. In Italy, we purchase pig iron and ferrous scrap from local and regional markets. In Mexico, we import our pig iron and HBI requirements and purchase scrap from domestic and international markets. In Romania, we source ferrous scrap from the domestic market.

International prices for steel scrap, pig iron and HBI can vary substantially in accordance with supply and demand conditions in the international steel industry. Overall costs for these materials declined slightly in 2016, following the political and economic turmoil in Turkey, the world's largest scrap importer. However, beginning of 2016, scrap prices experienced some recovery from the minimum values reached in late 2015, reached a peak in May 2016 and then declined in the second half of 2016. As a reference, prices for Scrap Shredded FAS U.S. East Coast, published by CRU, averaged $230 per ton in 2015 and $218 per ton in 2016.

*Iron ore*

We consume iron ore, in the form of pellets and lump ore, for the production of DRI in Argentina. Our annual consumption of iron ore in Argentina is close to 1 million tons, although in 2016 consumption was significantly lower due to the reduction in steel production and temporary mill shut down. Iron ore is supplied from Brazil primarily by *Vale S.A* . Prices showed highly volatility during 2016 and reached a high point towards the end of the year, following the upward trend of the steel prices. As a reference, prices for Iron Ore IODEX 62% Fe (CFR North China), published by Platts, averaged $56 per metric ton in 2015 and $58 per metric ton in 2016, reaching $80 per metric ton at December 2016.

*Round steel bars*

We purchase round steel bars and ingots for use in our seamless steel pipe facilities in Canada, Japan and Mexico.

In Japan, we purchase these materials from JFE, our partner in NKKTubes. These purchases are made under a supply arrangement pursuant to which the purchase price varies in relation to changes in the cost of production. As a result of their location within a larger production complex operated by the supplier, our operations in Japan are substantially dependent on these contracts for the supply of raw materials and energy. JFE uses imported iron ore, coal and ferroalloys as principal raw materials for producing steel bars at Keihin.

In Canada, we purchase these materials from Rio Tinto Fer et Titane, Inc., a Canadian producer of titanium dioxide and high purity iron. We also use steel bars produced in our integrated facilities in Romania, Italy, Mexico and Argentina for the remainder of our round steel bar requirements.

In Mexico, we have been sourcing steel bars from Ternium's Mexican facilities since 2011, under a long term contract that grants us, during an eight-year period, preferential right to purchase up to 250,000 tons of round steel bars per year.

*Steel coils and plates*

For the production of welded steel pipe products, we purchase steel coils and steel plates principally from domestic producers for processing into welded steel pipes. We have welded pipe operations in Argentina, Brazil, Canada, Colombia and the United States.

Steel coil market prices increased in 2016. As a reference, prices for hot rolled coils, HRC Midwest USA Mill, published by CRU, averaged $506 per ton in 2015 and $571 per ton in 2016, reaching $695 per ton in March 2017.

For our welded pipe operations in the United States, a significant part of our requirements for steel coils are supplied by Nucor Steel and ArcelorMittal. Our principal supplier in the United States is Nucor Steel, which has a steel coil manufacturing facility in Hickman, Arkansas, near to our principal welded pipe facility in the United States. To secure a supply of steel coils for our U.S. facilities, in May 2013 we entered into a long-term purchase agreement with Nucor Steel which is due to expire at the end of 2017. In December 2014 we reached an agreement with Nucor that temporarily allows us to purchase only the steel volumes that we need.

In Canada, we have long-term agreements with our main steel suppliers for our welded pipe operations with prices referenced to market levels in U.S. dollars (i.e., CRU HRC index). These main suppliers are: ArcelorMittal Dofasco, which has steel coil manufacturing facilities in Hamilton, Ontario, and Essar Steel Algoma ("Essar"), which has steel coil manufacturing facilities in Sault Ste. Marie, Ontario. In the case of Essar, the contract expired in March 2015 and since then we buy from Essar on a spot basis.

We also purchase steel coils and plates for our welded pipe operations in South America (Colombia, Brazil and Argentina) principally from Usiminas and ArcelorMittal in Brazil, from Siderar S.A.I.C., or Siderar, a subsidiary of Ternium S.A. in Argentina, and from Ternium's facilities in Mexico. In addition, in Brazil we also source plates and coils from international suppliers when not produced domestically.

*Energy*

We consume substantial quantities of electric energy at our electric steel shops in Argentina, Italy, Mexico and Romania. In Argentina, we have a 160 megawatt power generation plant located at San Nicolás, approximately 150 kilometers from Campana, which together with a smaller thermo-electric power generating plant located within the Campana facility, is sufficient to supply the requirements of our steelmaking facility at Campana. In Dalmine, Italy, we have a 120 megawatt power generation facility, which is designed to have sufficient capacity to meet the electric power requirements of the operations at peak load, and excess power is sold to third-party consumers and heat is sold for district heating. In Mexico, our electric power requirements are currently furnished by the Mexican government-owned *Comisión Federal de Electricidad* , or the Federal Electric Power Commission, and in Romania, we source power from the local market.

In order to supply our Mexican operations with energy, we have entered into certain arrangements to build and operate a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico. The power plant, operated by Techgen, a Mexican company in which Ternium owns a 48% interest, Tecpetrol owns a 30% interest and Tenaris owns a 22% interest, became fully operational during 2016. Ternium and Tenaris currently contract 78% and 22%, respectively, of Techgen's power capacity of between 850 and 900 megawatts.

We consume substantial volumes of natural gas in Argentina, particularly in the generation of DRI and to operate our power generation facilities. YPF and Metroenergía are our principal suppliers of natural gas in Argentina. The balance of our natural gas requirements is supplied by several companies, including Tecpetrol, a subsidiary of San Faustin, which supplies us under market conditions and according to local regulations.

We have transportation capacity agreements with Transportadora de Gas del Norte S.A., or TGN, a company in which San Faustin holds a significant but non-controlling interest, corresponding to capacity of 1,000,000 cubic meters per day until April 2018. In order to meet our transportation requirements for natural gas above volumes contracted with TGN, we also have agreements with Gas Natural Ban S.A., or Gasban, for interruptible transportation capacity currently corresponding to approximately 970,000 cubic meters per day. For the final transportation phase, we have a supply contract with Gasban that will be in force until April 2019.

In addition to the normal amount of gas consumed at our Italian plants, we also consume substantial quantities of natural gas in connection with the operation of our power generation facility in Italy. Our natural gas requirements in Italy are supplied by various suppliers.

Our costs for electric energy and natural gas vary from country to country. While in the last few years energy costs showed an upward trend, in 2015 and 2016 costs declined following the collapse in oil prices. However, energy costs in Argentina did not decline and over the course of the last several years, demand for electricity has increased substantially, resulting in shortages of electricity to residential and industrial users during periods of high demand. Similarly, the cost of natural gas for industrial use in Argentina increased significantly during the last years driven by increased local demand, changes in governmental policies and higher gas prices. The demand for natural gas continues to outpace supply, therefore supply to industrial users has often been restricted during the Argentine winter. See Item 3.D. "Key Information – Risk Factors – Risks Relating to Our Industry – 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" and Item 3.D. "Key Information – Risk Factors – 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."

*Ferroalloys*

For each of our steel shops we coordinate our purchases of ferroalloys worldwide. The international costs of ferroalloys can vary substantially, within a short period. Our average costs of ferroalloys decreased in 2016 compared to 2015. However, a rebound was experienced in some ferroalloys and base metals prices by the end of year 2016 compared to 2015.

**Product Quality Standards**

Our steel pipes are manufactured in accordance with the specifications of API, the American Society for Testing and Materials, or ASTM; the International Standardization Organization, or ISO, and the Japan Industrial Standards, or JIS, 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 pipe manufacturing facilities, the Quality Management System Certification ISO 9001:2008 granted by Lloyd's Register Quality Assurance, and the API product licenses granted by API-U.S., which are requirements for selling to the major oil and gas companies, which have rigorous quality standards. Our quality management system, based on the ISO 9001 and API Q1 specifications assures that products comply with customer requirements from the acquisition of raw materials to the delivery of the final product, and are designed to ensure the reliability and improvement of both the product and the processes associated with the manufacturing operations.

All our mills involved in the manufacturing of material for the automotive market are certified according to the standard ISO/TS 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 specialized research facilities located at Campana in Argentina, at Ilha do Fundao, Rio de Janeiro, Brazil, at Veracruz in Mexico, at Dalmine in Italy and at the product testing facilities of NKKTubes in Japan. 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 development and research currently being undertaken are focused on the increasingly challenging energy markets and include:

- proprietary premium joint products including Dopeless ® technology;
- heavy wall deep water 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; *and*
- coatings.

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

We spent $69 million for R&D in 2016, compared to $89 million in 2015 and $107 million in 2014.

**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.

The ultimate impact of complying with existing laws and regulations is 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 from potential environmental liabilities, 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.

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 (including employer's, third-party and product liability) and certain other insurance coverage in line with industry practice. 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 program has indemnification caps up to $250 million for direct damage, depending on the different plants. In February 2015 the Company decided to increase the deductible on the property damage insurance to $100 million.

**Disclosure Pursuant to Section 13(r) of the Exchange Act**

*Tenaris*

The Iran Threat Reduction and Syria Human Rights Act of 2012, or ITRA, created a new subsection (r) in Section 13 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), which requires a reporting issuer to provide disclosure if the issuer or any of its affiliates engaged in certain enumerated activities relating to Iran, including activities involving the Government of Iran. Tenaris is providing the following disclosure pursuant to Section 13(r).

Previous pending payments :

- In January 2010, Tenaris Global Services S.A., or TGS, a Tenaris subsidiary, entered into an agreement with the National Iranian Drilling Company, or NIDC, a company controlled by the Government of Iran, for a total value of EUR9.4 million (approximately $10.1 million). TGS made all deliveries and collected most of its account receivables under the NIDC agreement prior to 2012. In 2012, TGS collected an amount of EUR0.75 million (approximately $0.8 million) for products delivered to NIDC in prior years. As of December 31, 2016, an outstanding balance of EUR0.172 million (approximately $0.184 million) is still due to TGS. In addition, as of December 31, 2016, TGS has not yet fully performed its obligation to allow technical visits to Tenaris's mills by NIDC experts at TGS's cost. Tenaris expects to fulfill these pending obligations and collect all or part of the outstanding amounts during 2017.
- TGS is also a party to an April 2011 agreement with Global Procurement General Trading FZE, or Global FZE, a company incorporated in United Arab Emirates, for the provision of OCTG for an amount of AED16.5 million (approximately $4.5 million). TGS has been informed by Global FZE that the end users of the products delivered under this agreement are Oil Industries Engineering and Construction Group and Pars Oil and Gas Company, which are controlled by the Government of Iran. In 2012, TGS delivered products under the Global FZE agreement for a total value of AED16.3 million (approximately $4.4 million), and collected a total amount of AED15.4 million (approximately $4.2 million). All sales of goods and services to Iran under the agreement with Global FZE have ceased. As of December 31, 2016, a balance of AED0.862 million (approximately $0.2 million) was owed to Tenaris. Tenaris expects to collect all or part of the outstanding amounts during 2017.

Tenaris recorded no sales revenue or profit in 2016 related to the activities described above.

2016 transactions and related activities:

Following the partial lifting and suspension of several international sanctions and restrictions against Iran in mid-January 2016 (in particular, the lifting of most U.S. secondary sanctions against such country under the Joint Comprehensive Plan of Action or 'JCPOA' entered into by the P5+1 and the Islamic Republic of Iran), Tenaris's non-U.S. affiliates considered commercial opportunities in Iran during the year ended December 31, 2016 and engaged in certain transactions or dealings involving Iran or nationals of such country (as more particularly described below). Tenaris intends to continue exploring commercial opportunities in Iran in compliance with applicable U.S. and other international export control and economic sanctions laws and regulations.

- In 2016, TGS participated in several tenders issued by the National Iranian Oil Company, or NIOC, and its subsidiaries for the supply of OCTG Casing, Tubing and Accessories for oil and gas projects in Iran. Moreover, during 2016 TGS and other non-U.S. affiliates of Tenaris have issued offers to NIOC and other Iranian companies for the provision of goods and/or services. Except as otherwise specified below, none of such tenders or offers were accepted as of December 31, 2016. Tenaris intends to continue participating in tenders and issuing offers to NIOC, its subsidiaries or other Iranian companies through TGS or other of its non-U.S. affiliates, in compliance with applicable law.

- In October 2016, TGS entered into an agreement for the provision of technical field service assistance to Petropars Ltd, or Petropars, for its project located in the Salman gas field in Iran, for a total value of EUR0.039 million (approximately $0.041 million). Tenaris has been informed that Petropars operates the Salman project pursuant to a service contract with Iranian Offshore Oil Company, a subsidiary of NIOC. All services required to be performed by Tenaris for the benefit of Petropars were completed during October 2016. As of December 31, 2016, the payment amount has not yet been collected. TGS intends to collect all or part of the outstanding amounts during 2017.
- In May 2016, TGS was awarded by Toos Payvand Co., a Tehran-based company, a spot purchase order for carbon steel pipes for the Isfahan Refinery project, for a total value of EUR3.5 million (approximately $3.71 million). As of December 31, 2016, certain amounts were pending collection. TGS intends to collect all or part of the outstanding amounts and to continue performing its obligations under this contract during 2017.
- In December 2016, TGS entered into a distribution agreement with Petrochemical Transportation Engineering Company, or PTEC, a private Iranian company, for pipes used in downstream activities, such as refineries, petrochemical and gas processing. On December 21, 2016, PTEC placed one purchase order for a total value of EUR2.2 million (approximately $2.3 million). Tenaris made no shipments and recorded no revenues in connection with this agreement for the year ended December 31, 2016. TGS intends to fulfill its obligations and collect all or part of the outstanding amounts during 2017.
- During the course of the year ended December 31, 2016, TGS entered into several confidentiality agreements for the purpose of sharing information with potential Iranian business partners, some of which were companies controlled by the Government of Iran, with the aim of exploring commercial opportunities relating to the supply of goods and services to NIOC or its subsidiaries. No revenues were attributable to these activities. TGS intends to continue to explore commercial opportunities with such potential Iranian business partners in compliance with applicable law.
- In June 2016, TGS entered into an Agency Agreement, expiring on June 12, 2017, with Industrials SGC Ltd., or SGC, (a U.K.-based company) for the purposes of promoting and marketing certain products manufactured by non-U.S. affiliates of Tenaris in the territory of Iran. As of December 31, 2016, no revenues or net profits were attributable to the Agency Agreement. TGS intends to continue promoting and marketing Tenaris products in Iran under the Agency Agreement with SGC.
- During 2016, certain non-U.S. employees of some non-U.S. affiliates of Tenaris visited Iran in order to discuss potential commercial opportunities with Iranian public and private entities. Moreover, during May 2016, certain of the above-referred employees attended trade shows in Iran. These included an oil & gas industry trade show (the *Iran Oil Show* ) organized by NIOC and a conference (“ *Iran Pipe & Tube* ”) organized by Metal Bulletin, at which a technical presentation was given on behalf of a non-U.S. affiliate of Tenaris. No fees were paid to NIOC or other Iranian state-owned companies in connection with such activities, other than routine amounts such as travel-related taxes and fees. No revenues were attributable to the above-referred activities. Certain of Tenaris’s non-U.S. affiliates intend to continue visiting Iran in order to develop further commercial opportunities in the country in compliance with applicable law.

Tenaris’s total sales revenue for 2016 with regard to the foregoing transactions amounted to approximately $1.5 million. The estimated net profits from such transactions, after internal cost allocation and taxes, were in the range of $0.3 million.

Tenaris believes that its activities concerning Iran do not violate any U.S. or foreign law, and has procedures in place designed to ensure that such activities comply with all applicable U.S. and foreign laws.

*Tenaris’s Affiliates*

Pursuant to Section 13(r) of the Exchange Act, Tenaris is also required to disclose whether any of its affiliates have engaged in certain Iran-related activities and transactions. Tenova S.p.A., or Tenova, an Italian supplier of equipment for the mining and the steelmaking industry, is indirectly controlled by San Faustin and, accordingly, is deemed an “affiliate” of Tenaris, as that term is defined in Exchange Act Rule 12b-2.

In response to our inquiry, Tenova informed us that:

- During 2016, Tenova or its subsidiaries supplied equipment and performed engineering services for the steel-making and raw material handling industries to companies believed by Tenova to be subsidiaries of development agencies of the Government of Iran. Tenova or its subsidiaries also issued offers to Iranian counterparties, none of which were accepted as of December 31, 2016. Moreover, certain employees of Tenova visited Iran during 2016 in order to discuss prospective commercial opportunities with potential Iranian business partners.

- None of the activities performed is connected to the activities described in Sections 5(a) or (b) of the Iran Sanctions Act of 1996, or Section 105A(b)(2) of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, nor were any such activities performed in favor of persons whose property and interests in property are blocked pursuant to Executive Order 13224 (terrorists and terrorist supporters) or 13382 (weapons of mass destruction proliferators and supporters).
- All of these sales and activities, when required by applicable E.U. regulations, were authorized by the *Comitato di Sicurezza Finanziaria - CSF* , an Italian governmental committee established pursuant to Italian Decree n. 369 of October 12, 2001 (as amended by Italian Law n. 431 of December 14, 2001) under the supervision of the Italian Ministry of Economy.
- Tenova's Iran-related contracts that were signed before 2016, are still currently being performed; any future contract between Tenova or its subsidiaries and customers controlled by the Government of Iran will continue to be made in compliance with all laws applicable to Tenova or its relevant subsidiaries.

Tenova informed us that its total sales revenue for 2016 with regard to the foregoing transactions amounted to $14.7 million, compared to $25 million in 2015. Tenova also estimated that its net profits from such transactions, after internal cost allocation and taxes, were in the range of $4 million.

### C. Organizational Structure and Subsidiaries

We conduct all our operations through subsidiaries. The following table shows the significant operating subsidiaries of the Company and its direct and indirect ownership in each subsidiary as of December 31, 2016, 2015 and 2014.

| | | | Percentage of ownership | | |
|---|---|---|---|---|---|
| **Company** | **Country of Organization** | **Main activity** | **2016** | **2015** | **2014** |
| ALGOMA TUBES INC. | Canada | Manufacturing of seamless steel pipes | 100% | 100% | 100% |
| CONFAB INDUSTRIAL S.A. | Brazil | Manufacturing of welded steel pipes and capital goods | 100% | 100% | 100% |
| DALMINE S.p.A. | Italy | Manufacturing of seamless steel pipes | 100% | 99% | 99% |
| EXIROS B.V. | Netherlands | Procurement of raw materials and other products or services | 50% | 50% | 50% |
| HYDRIL COMPANY | USA | Manufacturing and marketing of premium connections | 100% | 100% | 100% |
| MAVERICK TUBE CORPORATION | USA | Manufacturing of welded steel pipes | 100% | 100% | 100% |
| METALMECANICA S.A. | Argentina | Manufacturing of sucker rods | 100% | 100% | 100% |
| NKKTUBES | Japan | Manufacturing of seamless steel pipes | 51% | 51% | 51% |
| PT SEAMLESS PIPE INDONESIA JAYA | Indonesia | Manufacturing of seamless steel products | 77% | 77% | 77% |
| PRUDENTIAL STEEL ULC | Canada | Manufacturing of welded steel pipes | 100% | 100% | 100% |
| S.C. SILCOTUB S.A. | Romania | Manufacturing of seamless steel pipes | 100% | 100% | 100% |
| SIAT SOCIEDAD ANONIMA | Argentina | Manufacturing of welded and seamless steel pipes | 100% | 100% | 100% |
| SIDERCA S.A.I.C. | Argentina | Manufacturing of seamless steel pipes | 100% | 100% | 100% |
| TENARIS COILED TUBES LLC (and predecessors) | USA | Manufacturing of coiled tubing | 100% | 100% | 100% |
| TENARIS CONNECTIONS B.V. | Netherlands | Ownership and licensing of technology | 100% | 100% | 100% |
| TENARIS FINANCIAL SERVICES S.A. | Uruguay | Financial company | 100% | 100% | 100% |
| TENARIS GLOBAL SERVICES S.A. | Uruguay | Holding company and marketing of steel products | 100% | 100% | 100% |
| TUBOS DE ACERO DE MEXICO S.A. | Mexico | Manufacturing of seamless steel pipes | 100% | 100% | 100% |
| TENARIS TUBOCARIBE LTDA. | Colombia | Manufacturing of welded and seamless steel pipes | 100% | 100% | 100% |

***Other Investments***

***Ternium***

We have a significant investment in Ternium, one of the leading steel producers of the Americas with production facilities in Latin America. Ternium is a Luxembourg company controlled by San Faustin and its securities are listed on the New York Stock Exchange, or NYSE. As of March 31, 2017, 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.àr.l., or Techint Holdings, a wholly owned subsidiary of San Faustin, pursuant to which Techint Holdings will take all actions in 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 only be removed pursuant to written instructions by 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 as 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 as a director of Ternium pursuant to this 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.

This acquisition was part of a larger transaction pursuant to which Confab and Ternium and certain of Ternium's subsidiaries 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, Confab and Ternium and certain of Ternium's subsidiaries entered into an amended and restated Usiminas shareholders' agreement with NSSMC, Mitsubishi, Metal One and Caixa de Previdência dos Funcionários do Banco do Brasil—PREVI, an Usiminas employee fund, governing the parties' rights within the Usiminas control group.

In April and May 2016 Tenaris's subsidiary Confab subscribed, in the aggregate, to 1.3 million preferred shares and 11.5 million ordinary shares. The preferred and ordinary shares were issued in June and July 2016, respectively. Consequently, as of December 31, 2016 Tenaris owns 36.5 million ordinary shares and 1.3 million preferred shares of Usiminas, representing 5.2% of Usiminas' total voting capital and 3.1% of Usiminas' total share capital. Of these, 25.0 million ordinary shares are subject to the Usiminas shareholders' agreement, the remaining 12.8 million shares are not subject to the shareholders' agreement.

Following the capital increase described above, Usiminas' control group, holds 541.7 million ordinary shares representing approximately 76.8% of Usiminas' voting capital. Of these, 322.7 million ordinary shares are subject to the Usiminas shareholders' agreement, and 219.0 million ordinary shares are not subject to the shareholders agreement, although during the term of the shareholders' agreement all members of Usiminas' control group are required to vote such shares in accordance with the control group's decisions.

The rights and obligations of Confab and Ternium and its subsidiaries within the Ternium/Tenaris Group are governed under a separate shareholders' agreement.

***Techgen***

Techgen is a joint venture company owned 48% by Ternium, 30% by Tecpetrol International S.A. (a wholly-owned subsidiary of San Faustin S.A., the controlling shareholder of both Tenaris and Ternium) and 22% by Tenaris. Techgen built a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico. The plant became fully operational in December 2016 producing and providing energy to Tenaris's and Ternium's Mexican facilities.

**D. Property, Plants and Equipment**

For a description of our property, plants and equipment, please see B. "– Business Overview – Production Process and Facilities" and "– Business Overview – Capital Expenditure Program."

**Item 4A. Unresolved Staff Comments**

None.

**Item 5. 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. IFRS differ in certain significant respects from U.S. GAAP.

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 Item 3.D. "Key Information – Risk Factors", 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 most of the world's leading oil and gas companies as well as engineering companies engaged in constructing oil and gas gathering and processing facilities and power facilities. 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 sales. 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, then rose to above $50 per barrel at the end of 2016. Such price increase was mainly due to an agreement between OPEC and some non-OPEC countries to cut production in order to accelerate the rebalancing of supply and demand and to reduce excess inventory levels. Natural gas prices (Henry Hub) have also fallen from $4.6 per million BTU in June 2014 to less than $2 per million BTU at the beginning of 2016 and recovered to levels above $3 per million BTU at the end of 2016.

In 2016, worldwide drilling activity declined 32% compared to the level of 2015. In the United States the rig count in 2016 declined by 48%. In May 2016, approximately 400 rigs were active; however, a subsequent increase in activity resulted in more than 700 active rigs at the beginning of 2017. When compared to 2015, in Canada the rig count in 2016 declined by 34%, while in the rest of the world, it declined by 18%.

A growing proportion of exploration and production spending by oil and gas companies has 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. Technological advances in drilling techniques and materials are opening up new areas for exploration and development. More complex drilling conditions are expected to continue to demand new and high value products and services in most areas of the world. However, as a result of the decline in oil prices in 2015 and for much of 2016, the level of investment by oil and gas companies in such complex projects decreased, as some of these projects were cancelled or postponed.

*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. Competition in markets worldwide has been increasing, particularly for products used in standard applications, as producers in countries like China and Russia increase production capacity and enter export markets.

In addition, there is an increased risk of unfairly-traded steel pipe imports in markets in which we produce and sell our products. For example, in the United States, South Korean welded pipe producers have gained a relevant market position, despite the application of anti-dumping duties for unfair trading practices.

*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 plate 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 increased during 2016. As a reference, prices for hot rolled coils, HRC Midwest USA Mill, published by CRU, averaged $571 per ton in 2016 and $506 per ton in 2015, with an increase of more than 50% between the beginning and the end of 2016.

*Sale of North American Electric Conduit Business to Nucor*

On January 20, 2017, we collected $328 million from the sale of our steel electric conduit business in North America, known as Republic Conduit. The after tax gain from this sale amounted to $90 million and was recorded in the first quarter of 2017. As of December 31, 2016 the conduit business was classified as a discontinued operation.

*Summary of results*

In 2016, our net sales declined 38% compared to 2015, affected by continued adverse market conditions. Sales of Tubes were down 38%, reflecting lower drilling activity in North and South America and in offshore regions worldwide, declines in selling prices and the completion of shipments for pipeline projects in Brazil and Argentina after the first quarter of the year. EBITDA declined 51% year on year, reflecting lower sales and a reduction in gross margins on lower average selling prices and lower absorption of fixed costs. Net income amounted to a gain of $59 million in 2016 compared to a loss of $74 million in 2015, which included an impairment charge of $400 million.

In spite of capital expenditures of $787 million, mainly related to the construction of our greenfield project in Bay City, we reached a positive free cash flow of $77 million in 2016. After dividend payments of $508 million, our net cash position reached $1.4 billion at December 31, 2016, compared with $1.8 billion at December 31, 2015.

*Outlook*

As we enter 2017, a rapid recovery is taking place in shale drilling activity in the United States and Canada, as oil and gas companies increase investment following two consecutive years of declining expenditures. The recovery is supported by oil prices of around $50/bbl and natural gas prices (Henry Hub) of around $3 per million BTU, drilling efficiencies and the relatively low cost of drilling materials, equipment and services. In addition, the late 2016 agreement between OPEC and some non-OPEC countries to cut production to accelerate the rebalancing of supply and demand and reduce excess inventory levels has reinforced confidence that the current level of oil prices can be sustained.

In the rest of the world, exploration and production spending plans are more subdued. In offshore areas, operators have begun to move forward with selected projects but the overall level of spending is expected to decline for a third successive year as the previous backlog of investments sanctioned prior to 2015 are completed. Onshore spending is expected to be more stable and can be expected to recover in regions such as Colombia.

We expect our sales to rise steadily through the year based on higher demand from Rig Direct™ customers in North America and a strong backlog of orders for the Eastern Hemisphere. Although prices have begun to rise in North America, increases in our average selling prices will be held back by the prices fixed in our Eastern Hemisphere backlog. Our EBITDA should rise through the year with margins improving in the second half as a result of better absorption of fixed costs.

**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 considers 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 the 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. IFRS differs in certain significant respects from U.S. GAAP.

The preparation of these 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; obsolescence of inventory; doubtful accounts 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 purchase 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 acquisition cost over the fair value of the identifiable net assets acquired is allocated to goodwill.

***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 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, competitive environment, 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 of the asset's value in use and fair value less costs to sell. 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 to sell, 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 to sell 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 impairment-reversal at each reporting date.

In 2015, we recorded an impairment charge of $400 million on the goodwill of our welded pipe assets in the United States, reflecting the decline in oil prices and their impact on drilling activity and the demand outlook for welded pipe products in the United States. In 2014, we recorded an impairment charge of $206 million on the value of our welded pipe assets in Colombia and Canada, reflecting the severe decline in oil prices, and its impact on drilling activity and the demand outlook for welded pipe products in the regions served by these facilities.

*2014 and 2015 Impairment on non-consolidated companies – Usiminas*

The Company reviews periodically the recoverability of its investment in Usiminas. To determine the recoverable value, the Company estimates the value in use of the investment by calculating the present value of the expected cash flows. There is a significant interaction among the principal assumptions made in estimating Usiminas' cash flow projections, which include iron ore and steel prices, foreign exchange and interest rates, Brazilian GDP and steel consumption in the Brazilian market.

In 2015 and following the conclusion of discussions with the SEC Staff regarding their comments related to the carrying value of our investment in Usiminas under IFRS as of September 30, 2014 and subsequent periods, the Company re-evaluated and revised the assumptions used to calculate the carrying value of the Usiminas investment at September 30, 2014 and wrote down its investment in Usiminas by $161.2 million in 2014.

Additionally, Usiminas' financial statements as of December 31, 2015 described a downgraded economic scenario for the company that caused a significant impact on its financial leverage and cash generation. In addition, KPMG, Usiminas' external auditors, included in their report on these financial statements an emphasis of matter paragraph which, without qualifying their opinion, indicated the existence of "a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern" as a result of the risk of not achieving an action plan defined by Usiminas' management to equalize its financial obligations with cash generation. Consequently, Tenaris, considering the guidance of IAS 36, assessed the recoverable value of its investment in Usiminas based on Usiminas ordinary shares average market price for December 2015, and impaired its investment by $29 million.

See note 12 "Investments in non-consolidated companies – b) Usiminas S.A.", to our audited consolidated financial statements included in this annual report. For more information on the investment in Usiminas, see "Item 4. Information on the Company—C. Organizational Structure and Subsidiaries—Other Investments—Usiminas."

### *Reassessment of Plant and Equipment Asset 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 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), is done using the straight-line method, to depreciate the cost of the asset to its residual value over its estimated useful life. 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 No. 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 ("Property, plant and equipment") did not materially affect depreciation expense for 2016. 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 and IAS 38, Tenaris has recognized the value of customer relationships separately from goodwill attributable to the acquisition of Maverick and Hydril groups. 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 expected life of approximately 14 years for Maverick and 10 years for Hydril. In 2015 the Company reviewed the useful life of Prudential's customer relationships, related to Maverick's acquisition, and decided to reduce the remaining amortization period from 5 years to 2 years. As of December 2016 the residual values of Maverick and Hydril customer relationships amount to $308 million and $17 million and the residual useful lives are 4 years and 1 year respectively.

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

We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the net realizable value taking into consideration assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

In relation to finished goods, we make an allowance for slow-moving inventory based on management's analysis of their ageing and market conditions. For this purpose, stocks of finished goods produced by us, more than one year prior to the reporting date, are valued at their estimated recoverable value.

In addition, we estimate the recoverability of inventories of supplies and spare parts, based in part on the following criteria:

- analysis of the ageing of the supplies and spare parts; *and*
- analysis of the potential of materials to be used as intended based on their state of condition and of their potential obsolescence due to technological changes in the mills.

Historically, losses due to obsolescence and scrapping of inventory have been within expectations and the allowances established. If, however, circumstances were to materially change, such as significant changes related to the technology used in the mills, management's estimates of the recoverability of the value of aged inventories could be materially affected. In this case, our results of operations, financial condition and net worth could be materially and adversely affected.

***Allowances for Doubtful Accounts and Customer Claims***

Management estimates the ultimate collectability of accounts receivable. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, negatively impacting their ability to make payments, additional allowances may be required.

Trade account receivables are analyzed on a regular basis and when we become aware of a customer's inability to meet its financial commitments to us, the value of the receivable is reduced through a charge to an allowance for doubtful accounts. In addition, we also record a charge to the allowance for doubtful accounts upon receipt of customer claims in connection with sales that management estimates are unlikely to be collected in full.

In addition, our allowance for doubtful accounts is adjusted periodically in accordance with the ageing of overdue accounts. For this purpose, trade accounts receivable overdue by more than 180 days, and which are not covered by a credit collateral, guarantee, insurance or similar surety, are fully provisioned.

Historically, losses from uncollectible accounts receivables have been low and within the allowances established. If, however, circumstances were to materially change, such as higher than expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligation to us, management's estimates of the recoverability of amounts due could be materially reduced. In this case, our results of operations, financial condition, net worth and cash flows could be materially and adversely affected.

***Contingencies***

We are 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. Our potential liability with respect to 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 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 our litigation and settlement strategies. These estimates are primarily constructed with the assistance of legal counsel. 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.

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**A. Results of Operations**

The following discussion and analysis of our financial condition and results of operations are based on our audited consolidated financial statements included elsewhere in this annual report. Accordingly, this discussion and analysis present our financial condition and results of operations on a consolidated basis. See "– Presentation of Certain Financial and Other Information – Accounting Principles" and II. Accounting Policies A."Basis of presentation" and B. "Group accounting" to our audited consolidated financial statements included in this annual report. The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes included in this annual report.

| *Thousands of U.S. dollars (except number of shares and per share amounts)* | For the year ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| **Selected consolidated income statement data** | | | |
| **Continuing operations** | | | |
| Net sales | 4,293,592 | 6,903,123 | 10,141,459 |
| Cost of sales | (3,165,684) | (4,747,760) | (6,140,415) |
| Gross profit | 1,127,908 | 2,155,363 | 4,001,044 |
| Selling, general and administrative expenses | (1,196,929) | (1,593,597) | (1,932,778) |
| Other operating income (expenses), net (1) | 9,964 | (395,971) | (187,734) |
| Operating (loss) income | (59,057) | 165,795 | 1,880,532 |
| Finance income | 66,204 | 34,574 | 38,211 |
| Finance cost | (22,329) | (23,058) | (44,388) |
| Other financial results | (21,921) | 3,076 | 39,575 |
| (Loss) income before equity in earnings (losses) of non-consolidated companies and income tax | (37,103) | 180,387 | 1,913,930 |
| Equity in earnings (losses) of non-consolidated companies (2) | 71,533 | (39,558) | (164,616) |
| Income before income tax | 34,430 | 140,829 | 1,749,314 |
| Income tax | (17,102) | (234,384) | (580,431) |
| Income (loss) for the year for continuing operations | 17,328 | (93,555) | 1,168,883 |
| Discontinued operations | | | |
| Result for discontinued operations | 41,411 | 19,130 | 12,293 |
| Income (loss) for the year (3) | 58,739 | (74,425) | 1,181,176 |
| Income (loss) attributable to (3) : | | | |
| Owners of the parent | 55,298 | (80,162) | 1,158,517 |
| Non-controlling interests | 3,441 | 5,737 | 22,659 |
| Income (loss) for the year (3) | 58,739 | (74,425) | 1,181,176 |
| Depreciation and amortization for continuing operations | (657,109) | (653,313) | (609,647) |
| Weighted average number of shares outstanding | 1,180,536,830 | 1,180,536,830 | 1,180,536,830 |
| Basic and diluted earnings (losses) per share for continuing operations | 0.01 | (0.08) | 0.97 |
| Basic and diluted earnings (losses) per share | 0.05 | (0.07) | 0.98 |
| Dividends per share (4) | 0.41 | 0.45 | 0.45 |

(1) Other operating income (expenses), net in 2015 includes an impairment charge of $400 million on our North American welded pipe operations and in 2014 includes an impairment charge of $206 million on our welded pipe operations in Colombia and Canada.

(2) Equity in earnings (losses) of non-consolidated companies includes impairment charges on the Usiminas investment of $29 million in 2015 and $161 million in 2014.

(3) International Accounting Standard No. 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.

(4) 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, 2016 | 2015 | 2014 |
|---|---|---|---|
| **Selected consolidated financial position data** | | | |
| Current assets | 4,817,154 | 5,743,031 | 7,396,322 |
| Property, plant and equipment, net | 6,001,939 | 5,672,258 | 5,159,557 |
| Other non-current assets | 3,032,765 | 3,471,685 | 3,954,799 |
| Assets of disposal group classified as held for sale | 151,417 | — | — |
| Total assets | 14,003,275 | 14,886,974 | 16,510,678 |
| Current liabilities | 1,713,036 | 1,754,775 | 2,602,829 |
| Non-current borrowings | 31,542 | 223,221 | 30,833 |
| Deferred tax liabilities | 550,657 | 750,325 | 714,123 |
| Other non-current liabilities | 276,874 | 292,597 | 356,579 |
| Liabilities of disposal group classified as held for sale | 18,094 | — | — |
| Total liabilities | 2,590,203 | 3,020,918 | 3,704,364 |
| Capital and reserves attributable to the owners of the parent | 11,287,417 | 11,713,344 | 12,654,114 |
| Non-controlling interests | 125,655 | 152,712 | 152,200 |
| Total equity | 11,413,072 | 11,866,056 | 12,806,314 |
| Total liabilities and equity | 14,003,275 | 14,886,974 | 16,510,678 |
| 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 |

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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, 2016 | 2015 | 2014 |
|---|---|---|---|
| **Continuing Operations** | | | |
| Net sales | 100.0 | 100.0 | 100.0 |
| Cost of sales | (73.7) | (68.8) | (60.5) |
| Gross profit | 26.3 | 31.2 | 39.5 |
| Selling, general and administrative expenses | (27.9) | (23.1) | (19.1) |
| Other operating income (expenses), net | 0.2 | (5.7) | (1.9) |
| Operating (loss) income | (1.4) | 2.4 | 18.5 |
| Finance income | 1.5 | 0.5 | 0.4 |
| Finance cost | (0.5) | (0.3) | (0.4) |
| Other financial results | (0.5) | 0.0 | 0.4 |
| (Loss) income before equity in earnings (losses) of non-consolidated companies and income tax | (0.9) | 2.6 | 18.9 |
| Equity in earnings (losses) of non-consolidated companies | 1.7 | (0.6) | (1.6) |
| Income before income tax | 0.8 | 2.0 | 17.2 |
| Income tax | (0.4) | (3.4) | (5.7) |
| Income (loss) for the year for continuing operations | 0.4 | (1.4) | 11.5 |
| Discontinued operations | | | |
| Result for discontinued operations | 1.0 | 0.3 | 0.1 |
| Income (loss) for the year | 1.4 | (1.1) | 11.6 |
| Income (loss) attributable to: | | | |
| Owners of the parent | 1.3 | (1.2) | 11.4 |
| Non-controlling interests | 0.1 | 0.1 | 0.2 |

***Fiscal Year Ended December 31, 2016, Compared to Fiscal Year Ended December 31, 2015***

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, 2016 | | 2015 | | Increase / (Decrease) |
|---|---|---|---|---|---|
| Tubes | 4,015 | 94% | 6,444 | 93% | (38%) |
| Others | 278 | 6% | 459 | 7% | (39%) |
| Total | 4,294 | 100% | 6,903 | 100% | (38%) |

*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, 2016 | 2015 | Increase / (Decrease) |
|---|---|---|---|
| Seamless | 1,635 | 2,028 | (19%) |
| Welded | 355 | 605 | (41%) |
| Total | 1,990 | 2,633 | (24%) |

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, 2016 | 2015 | Increase / (Decrease) |
|---|---|---|---|
| Net sales | | | |
| - North America | 1,265 | 2,538 | (50%) |
| - South America | 1,032 | 1,858 | (44%) |
| - Europe | 542 | 695 | (22%) |
| - Middle East & Africa | 1,041 | 1,082 | (4%) |
| - Asia Pacific | 136 | 272 | (50%) |
| **Total net sales** | 4,015 | 6,444 | (38%) |
| **Operating (loss) income (1)** | (71) | 138 | (152%) |
| **Operating (loss) income (% of sales)** | (1.8%) | 2.1% | |

(1) Tubes operating income includes severance charges of $67 million in 2016 and $164 million in 2015. Additionally, Tubes operating income in 2015 also includes an impairment charge of $400 million on our welded pipe operations in the United States.

*Net sales of tubular products and services* decreased 38% to $4,015 million in 2016, compared to $6,444 million in 2015, reflecting a 24% decline in volumes and an 18% decrease in average selling prices. Sales were negatively affected by the adjustment in oil and gas drilling activity in response to the collapse in oil and gas prices, inventory adjustments and price declines, together with a decline of shipments to line pipe projects in South America. In North America, our sales decreased 50%, due to the downturn in activity, inventory adjustments and lower prices. In South America, sales declined 44% due to the downturn in drilling activity in Argentina and Colombia, price declines and the lack of shipments to line pipe projects in Argentina and Brazil following the first quarter sales. In Europe, sales declined 22% due to lower drilling activity and price declines but sales of industrial products and to hydrocarbon processing industry and power generation customers were maintained at similar levels to those of 2015. In the Middle East and Africa sales declined 4% as shipments to Middle East customers and sales of offshore line pipe and coating services in Africa increased strongly but sales were affected by price declines and severely reduced offshore drilling activity and inventory adjustments in Africa. In Asia Pacific, sales were affected by lower drilling activity in the region, principally in Indonesia, price declines, and lower sales of non-OCTG products.

*Operating (loss) income* from tubular products and services, amounted to a loss of $71 million, compared to a $138 million gain in 2015. The decline in Tubes operating income was due to lower sales and a reduction in gross margin from 32% in 2015 to 27% in 2016. Additionally, our selling, general and administrative expenses, or SG&A, as a percentage of sales increased from 24% in 2015 to 29% in 2016, due to the negative effect of fixed and semi-fixed expenses on lower sales.

*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, 2016 | 2015 | Increase / (Decrease) |
|---|---|---|---|
| Net sales | 278 | 459 | (39%) |
| Operating income | 12 | 28 | (57%) |
| Operating income (% of sales) | 4.3% | 6.1% | |

*Net sales of other products and services* decreased 39% to $278 million in 2016, compared to $459 million in 2015, due to lower sales of industrial equipment in Brazil and lower sales of energy related products, i.e., sucker rods and coiled tubing.

*Operating income* from other products and services, decreased 57% to $12 million in 2016, from $28 million in 2015, mainly due to lower operating income from our sucker rods business.

**Selling, general and administrative expenses** , **or SG&A** , decreased by $397 million (25%) in 2016 from $1,594 million in 2015 to $1,197 million in 2016, mainly due to lower labor costs and selling expenses. However, SG&A expenses increased as a percentage of net sales to 27.9% in 2016 compared to 23.1% in 2015, mainly due to the effect of fixed and semi fixed expenses on lower sales (e.g., depreciation and amortization and labor costs).

**Other operating income and expenses** resulted in a gain of $10 million in 2016, compared to a loss of $396 million in 2015, mainly due to asset impairment charges in our Tubes segment, related to our welded pipe operations in the United States, amounting to $400 million in 2015.

**Financial results** amounted to a gain of $22 million in 2016, compared to a gain of $15 million in 2015. The increase was due to higher interest income partially offset by negative other financial results, mostly foreign exchange derivatives contracts results.

**Equity in earnings (losses) of non-consolidated companies** generated a gain of $72 million in 2016, compared to a loss of $40 million in 2015. During 2015 we recorded an impairment charge of $29 million on our direct investment in Usiminas. Apart from the impairment result in 2015, these results were mainly derived from our equity investment in Ternium (NYSE:TX).

**Net income for the year** amounted to $59 million in 2016, including a gain from discontinued operations of $41 million, compared with a loss of $74 million in 2015, including a gain from discontinued operations of $19 million. Net income from continuing operations amounted to a gain of $17 million in 2016, which compares with a loss of $94 million in 2015. The loss in 2015 included an impairment charge of $400 million. Results in 2016 and 2015 reflect a challenging operating environment affected by a reduction in drilling activity and in the demand for OCTG products, deriving in lower shipments and prices, inefficiencies associated with low utilization of production capacity and severance costs to adjust the workforce to the new market conditions.

**Income attributable to non-controlling interests** was $3 million in 2016, compared to $6 million in 2015.These results are mainly attributable to NKKTubes, our Japanese subsidiary.

***Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014***

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, | | | | Increase / (Decrease) |
|---|---|---|---|---|---|
| | 2015 | | 2014 | | |
| Tubes | 6,444 | 93% | 9,582 | 94% | (33%) |
| Others | 459 | 7% | 560 | 6% | (18%) |
| Total | 6,903 | 100% | 10,141 | 100% | (32%) |

*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, | | Increase / (Decrease) |
|---|---|---|---|
| | 2015 | 2014 | |
| Seamless | 2,028 | 2,790 | (27%) |
| Welded | 605 | 885 | (32%) |
| Total | 2,633 | 3,675 | (28%) |

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, 2015 | 2014 | Increase / (Decrease) |
|---|---|---|---|
| Net sales | | | |
| - North America | 2,538 | 4,609 | (45%) |
| - South America | 1,858 | 1,823 | 2% |
| - Europe | 695 | 924 | (25%) |
| - Middle East & Africa | 1,082 | 1,817 | (40%) |
| - Asia Pacific | 272 | 408 | (33%) |
| **Total net sales** | 6,444 | 9,582 | (33%) |
| **Operating (loss) income (1)** | 138 | 1,866 | (93%) |
| **Operating (loss) income (% of sales)** | 2.1% | 19.5% | |

(1) Tubes operating income includes severance charges of $164 million in 2015. Additionally, in 2015 includes a goodwill impairment charge of $400 million on our welded pipe operations in the United States and in 2014 includes an impairment charge of $206 million on our welded pipe operations in Colombia and Canada.

*Net sales of tubular products and services* decreased 33% to $6,444 million in 2015, compared to $9,582 million in 2014, reflecting a 28% decline in volumes and a 6% decrease in average selling prices. Sales were negatively affected by the adjustment in oil and gas drilling activity in response to the collapse in oil and gas prices and inventory adjustments taking place particularly in the Middle East and Africa and in the United States. We estimate that demand for OCTG products in 2015 declined 34% when compared to 2014. In North America, sales decreased 45%, mainly due to lower sales in the U.S. onshore and Canada, reflecting a decline in average drilling activity and pricing pressures due to inventory adjustments. In South America, sales remained stable as higher sales of tubular products for pipeline projects in Brazil and Argentina were offset by lower shipments of OCTG products in the region. In Europe, sales decreased mainly due to a lower level of sales of OCTG and line pipe products in continental Europe. In the Middle East and Africa, sales decreased mainly due to lower sales in the Middle East reflecting OCTG destocking and lower sales to offshore projects in sub-Saharan Africa. In Asia Pacific sales decreased due to lower activity in the region.

*Operating income* from tubular products and services decreased 93% to $138 million in 2015, from $1,866 million in 2014. Operating income in 2015 includes an impairment charge of $400 million on our welded pipe operations in the United States, while in 2014 it includes an impairment charge of $206 million on our welded pipe operations in Colombia and Canada. Additionally, in 2015 we had severance costs in the Tubes segment to adjust the workforce to current market conditions, which amounted to $164 million. Excluding these non-recurring events, Tubes operating income declined 66%, as it was negatively affected by a decline in sales of 33% and a decline in operating margins of 10 percentage points, mostly due to industrial inefficiencies associated with low levels of capacity utilization.

*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, 2015 | 2014 | Increase / (Decrease) |
|---|---|---|---|
| Net sales | 459 | 560 | (18%) |
| Operating income | 28 | 15 | 90% |
| Operating income (% of sales) | 6.1% | 2.7% | |

*Net sales of other products and services* decreased 18% to $459 million in 2015, compared to $560 million in 2014, mainly due to lower sales of energy related products, e.g., sucker rods and coiled tubing, following the decline in oil and gas drilling activity in response to the collapse in oil and gas prices.

*Operating income from other products and services,* increased 90% to $28 million in 2015, from $15 million in 2014, mainly reflecting an improved operating performance and margins at our industrial equipment business in Brazil.

**Selling, general and administrative expenses** , or SG&A, decreased by $339 million (18%) in 2015 from $1,933 million in 2014 to $1,594 million in 2015, mainly reflecting lower selling expenses due to the decline in sales. However, SG&A expenses increased as a percentage of net sales to 23.1% in 2015 compared to 19.1% in 2014, mainly due to the effect of fixed and semi fixed expenses on lower sales (e.g., depreciation and amortization and labor costs). During 2015, SG&A labor costs include $73 million of severance charges related to workforce adjustments to the difficult market conditions.

**Other operating income and expenses** resulted in losses of $396 million in 2015, compared to losses of $188 million in 2014, mainly due to asset impairment charges amounting to $400 million in 2015 and $206 million in 2014. These impairment charges mainly reflect the decline in oil prices, and its impact on drilling activity and therefore on the expected demand for OCTG products, particularly on our welded pipe operations in the United States, Colombia and Canada.

**Financial results** amounted to a gain of $15 million in 2015, compared to a gain of $33 million in 2014.

**Equity in (losses) earnings of non-consolidated companies** generated a loss of $40 million in 2015, compared to a loss of $165 million in 2014. During 2015 we recorded an impairment charge of $29 million on our direct investment in Usiminas, while during 2014 we recorded an impairment charge of $161 million related to our direct investment in Usiminas. Apart from the impairment result, these results were mainly derived from our equity investment in Ternium (NYSE:TX).

**Income tax** charges totaled $234 million in 2015, including a deferred tax charge of $152 million on the effect of currency translation on tax base.

**Net loss for the year** amounted to $74 million in 2015, compared to a gain of $1,181 million in 2014. The decline in net income mainly reflects a challenging operating environment affected by lower shipments and prices, inefficiencies associated with low utilization of production capacity, severance costs to adjust the workforce to current market conditions, impairments and a high deferred-tax charge affected by the effect of currency translation on tax base.

**Income attributable to non-controlling interest** was $6 million in 2015, compared to $23 million in 2014. These results are mainly attributable to NKKTubes, our Japanese subsidiary.

### B. 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,** | | |
|---|---|---|---|
| | **2016** | **2015** | **2014** |
| Net cash provided by operating activities | 864 | 2,215 | 2,044 |
| Net cash used in investing activities | (98) | (1,774) | (1,786) |
| Net cash used in financing activities | (653) | (535) | (424) |
| Increase (decrease) in cash and cash equivalents | 113 | (94) | (165) |
| Cash and cash equivalents at the beginning of year (excluding overdrafts) | 286 | 416 | 598 |
| Effect of exchange rate changes | (0) | (37) | (16) |
| Increase (decrease) in cash and cash equivalents | 113 | (94) | (165) |
| Cash and cash equivalents at the end of year (excluding overdrafts) | 399 | 286 | 416 |
| Cash and cash equivalents at the end of year (excluding overdrafts) | 399 | 286 | 416 |
| Bank overdrafts | 1 | 0 | 1 |
| Other current investments | 1,633 | 2,141 | 1,838 |
| Non-current fixed income investments held to maturity | 248 | 393 | — |
| Borrowings | (840) | (972) | (999) |
| Net cash | 1,441 | 1,849 | 1,257 |

Our financing strategy aims at maintaining adequate financial resources and access to additional liquidity. During 2016 we generated $864 million of operating cash flow, our capital expenditures amounted to $787 million and we paid dividends amounting to $508 million. At the end of the year we had a net cash position of $1.4 billion, compared to $1.8 billion 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 foreseeable future and to address short-term changes in business conditions.

We have a conservative approach to the management of our liquidity, which consists mainly of cash and cash equivalents and other current investments, comprising cash in banks, liquidity funds and highly liquid short and medium-term securities. These assets are carried at fair market value, or at amortized cost which approximates fair market value.

At December 31, 2016, liquid financial assets as a whole (i.e., cash and cash equivalents, other current investments and non-current fixed income investments held to maturity) were 16% of total assets compared to 19% at the end of 2015.

We hold primarily investments 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, 2016, U.S. dollar denominated liquid assets represented 95% of total liquid financial assets compared to 87% at the end of 2015.

***Fiscal Year Ended December 31, 2016, Compared to Fiscal Year Ended December 31, 2015***

*Operating activities*

Net cash provided by operations during 2016 was $864 million, compared to $2.2 billion during 2015. This 61% decrease was mainly attributable to a smaller reduction in working capital. During 2016 the reduction in working capital amounted to $348 million, while during 2015 it amounted to $1.4 billion. The main yearly variation was related to a reduction of $245 million in inventories during 2016, which compares with a reduction in inventory of $936 million in 2015, reflecting the decline in production and shipments. Additionally, during 2016 trade receivables and trade payables decreased $147 million and $60 million respectively, partially offset by a decrease of $79 million in other liabilities and of $95 million in customer advances. For more information on cash flow disclosures and changes to working capital, see note 27 “Cash flow disclosures” to our audited consolidated financial statements included in this annual report.

*Investing activities*

Net cash used in investing activities was $98 million in 2016 compared to $1.8 billion in 2015. Capital expenditures decreased to $787 million from $1.1 billion in 2015, mainly related to the construction of the greenfield seamless mill in Bay City, Texas. Additionally, we reduced our financial investments by $653 million in 2016 compared to an increase of $696 million in 2015.

*Financing activities*

Net cash used in financing activities, including dividends paid, proceeds and repayments of borrowings and acquisitions of non-controlling interests, was $653 million in 2016, compared to $535 million in 2015.

Dividends paid during 2016 amounted to $508 million, while $531 million were paid in 2015.

During 2016 we had net repayments of borrowings of $115 million, while in 2015 we had no significant net proceeds from or repayments of borrowings.

Our total liabilities to total assets ratio was 0.18:1 as of December 31, 2016 and 0.20:1 as of December 31, 2015.

***Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014***

*Operating activities*

Net cash provided by operations during 2015 was $2.2 billion, compared to $2.0 billion during 2014. This 8% increase was mainly attributable to a decrease in working capital needs. During 2015 working capital decreased $1.4 billion, while during 2014 it increased $72 million. The main yearly variation was related to a decrease in inventories during 2015, amounting to $936 million, which compares with an increase in inventory of $73 million in 2014. Additionally, during

2015 trade receivables decreased $828 million, partially offset by a decrease in trade payables of $328 million and a decrease in other liabilities of $124 million. For more information on cash flow disclosures and changes to working capital, see note 27 “Cash flow disclosures” to our audited consolidated financial statements included in this annual report.

*Investing activities*

Net cash used in investing activities was $1.8 billion in 2015, similar to 2014. Capital expenditures were also stable at $1.1 billion during each year, as we advanced with the construction of the greenfield seamless mill in Bay City, Texas.

*Financing activities*

Net cash used in financing activities, including dividends paid, proceeds and repayments of borrowings and acquisitions of non-controlling interests, was $535 million in 2015, compared to $424 million in 2014.

Dividends paid during 2015 amounted to $531 million, equal to 2014.

During 2015 we had no significant net proceeds/repayments from borrowings as our short-term facilities were mostly renewed as they became due, while in 2014 we had net proceeds from borrowings of $156 million.

Our total liabilities to total assets ratio was 0.20:1 as of December 31, 2015 and 0.22:1 as of December 31, 2014.

**Principal Sources of Funding**

During 2016, we funded our operations with operating cash flows and bank financing. Short-term bank borrowings were used as needed throughout the year.

*Financial liabilities*

During 2016, borrowings decreased by $131 million, to $840 million at December 31, 2016, from $972 million at December 31, 2015.

Borrowings consist mainly of bank loans. As of December 31, 2016 U.S. dollar-denominated borrowings plus borrowings denominated in other currencies swapped to the U.S. dollar represented 96% 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, 2016, 2015 and 2014:

| *Millions of U.S. dollars* | **2016** | **2015** | **2014** |
|---|---|---|---|
| Bank borrowings | 839 | 971 | 997 |
| Bank overdrafts | 1 | 0 | 1 |
| Finance lease liabilities | 0 | 1 | 1 |
| Total borrowings | 840 | 972 | 999 |

Our weighted average interest rates before tax (considering hedge accounting), amounted to 1.97% at December 31, 2016 and to 1.52% at December 31, 2015.

The maturity of our financial debt is as follows:

| *Millions of U.S. dollars*<br>**At December 31, 2016** | **1 year or less** | **1 - 2 years** | **2 - 3 years** | **3 - 4 years** | **4 - 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|
| Borrowings | 809 | 1 | 4 | 3 | 4 | 20 | 840 |
| Interests to be accrued | 6 | 1 | 1 | 1 | 1 | 0 | 11 |
| **Total** | **815** | **2** | **5** | **5** | **5** | **20** | **852** |

Our current borrowings to total borrowings ratio increased from 0.77:1 as of December 31, 2015 to 0.96:1 as of December 31, 2016. Our liquid financial assets exceeded our total borrowings, we had a net cash position (cash and cash equivalents, other current investments and non-current fixed income investments held to maturity less total borrowings) of $1.4 billion at December 31, 2016, compared to $1.8 billion at December 31, 2015.

For information on our derivative financial instruments, please see Item 11. "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 Item 11. "Quantitative and Qualitative Disclosure About Market Risk."

*Significant Borrowings*

Our most significant borrowings as of December 31, 2016 were as follows:

| *Millions of U.S. dollars*<br>Disbursement date | Borrower | Type | Original & Outstanding | Final maturity |
|---|---|---|---|---|
| 2016 | Tamsa | Bank loans | 391 | 2017 |
| 2015 | TuboCaribe | Bank loan | 200 | Jan-17 |
| 2016 | Siderca | Bank loans | 198 | 2017 |

As of December 31, 2016, Tenaris was in compliance with all of its covenants.

## C. Research and Development, Patents and Licenses, Etc.

See Item 4.B. "Information on the Company – Business Overview – Research and Development."

## D. 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. Liquefied natural gas, or LNG, prices have traditionally been established in relation to international oil prices, particularly in the largest LNG markets in Asia. However, as the market for LNG becomes more global, LNG prices may also be set in relation to 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 over 5% 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, once OPEC confirmed at its November 2014 meeting that it would not cut production to balance demand. Prices reached levels below $30 per barrel in January 2016 before recovering to $50 per barrel at the end of the year once OPEC and other producers agreed to cut production levels for a period of six months to hasten the market rebalancing process. In each of the last three years, global oil supply has exceeded global oil demand leading to an increase in inventories, though this imbalance was less pronounced in 2016 and is expected to revert in 2017 following the agreement to cut production levels. The collapse in oil prices led oil and gas operators to substantially reduce their exploration and production investments in 2015 and 2016 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. Towards the end of 2016, however, oil and gas operators in North America, who have been very successful in reducing production costs in their shale plays, began to increase investments in response to more favorable market conditions.

North American gas prices remained low following the 2008 economic and financial crisis (less than $6 per million BTU) and fell to levels below $2 per million BTU in the 2015-2016 winter heating season, when demand was affected by seasonally warm weather. For several years, production increases, primarily from productive shale gas deposits, have exceeded demand increases, reducing the need for imports. In 2016, however, as gas-directed drilling activity fell to very low levels, production declined even as demand continued to increase, resulting in a recovery of prices above $3 per million BTU and an increase in drilling activity going into 2017. Low prices are encouraging investment in gas consuming industrial facilities and switching from coal to gas for electric power production is taking place particularly with the adoption of new regulations which could force the retirement of older coal-based generating units. Additionally, facilities which had been originally designed to import LNG into the United States are being converted into export facilities to take advantage of low prices to export LNG from the United States.

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 has accelerated at the beginning of 2017. Rig counts plunged to less than a quarter of their former level as operators cut back on investments for two consecutive years as their cash flows declined with low oil and gas prices. At the same time, they reduced drilling costs through increased efficiencies, concentrating drilling on the most productive plays, and negotiated lower supply and service costs. Rig counts are now rapidly recovering and production has started to rise even with oil prices at half the level of those seen in 2014. In the rest of the world, drilling activity began to decline in the second half of 2014 and has continued to decline steadily during 2015 and 2016. Although drilling activity in the Middle East has been relatively stable, drilling in Latin America and offshore drilling has declined significantly.

Prior to the most recent 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. Technological advances in drilling techniques and materials have opened up new areas for exploration and development. More complex drilling conditions, combined with increased regulatory pressures and more stringent industry standards following the blow-out of the Macondo well in the U.S. Gulf of Mexico, demand new and high value products and services in most areas of the world. However, the high cost and long lead times required to develop some of these projects, particularly deepwater and oil sands projects, is leading to a slowdown in new developments of such projects in a context of low and more volatile oil prices, consequently affecting the level of product differentiation. At the same time, the short investment cycles inherent in the development of unconventional shale reserves, and the potential for further efficiency gains, will continue to attract investment interest.

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, Syria and up to June 2012 Iraq) and Worldwide, as published by Baker Hughes Inc., 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**

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| International (*) | 955 | 1,167 | 1,337 | 1,296 | 1,165 |
| Canada | 128 | 193 | 380 | 355 | 365 |
| United States | 510 | 977 | 1,862 | 1,761 | 1,919 |
| Worldwide | 1,593 | 2,337 | 3,579 | 3,412 | 3,449 |

(*) International rig count excludes Syria (discontinued in February 2013) and includes Iraq from 2013 onwards.

**Percentage increase (decrease) over the previous year**

| | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| International (*) | (18%) | (13%) | 3% | 11% |
| Canada | (33%) | (49%) | 7% | (3%) |
| United States | (48%) | (48%) | 6% | (8%) |
| Worldwide | (32%) | (35%) | 5% | (1%) |

(*) International rig count excludes Syria (discontinued in February 2013) and includes Iraq from 2013 onwards.

**E. Off-Balance Sheet Arrangements**

As of year-end 2016, the Company reported the following financial commitments, consisting of guarantees in connection to its participation in the non-consolidated company Techgen:

- A corporate guarantee covering 22% of the obligations of Techgen under a syndicated loan agreement. Proceeds from the syndicated loan were used by Techgen for the construction of the facility. For further information regarding Techgen's facility, see Item 4.C. "Organizational Structure and Subsidiaries—Other investments—Techgen." As of December 31, 2016, the $800 million loan was fully disbursed, making the Company's guaranteed amount approximately $176 million. The main covenants under the corporate guarantee are limitations on the sale of certain assets and compliance with financial ratios (e.g., leverage ratio). As of December 31, 2016, Techgen and the Company were in compliance with all of their covenants under this syndicated loan agreement.
- 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 Tejas Pipeline LLC 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. As of December 31, 2016, the outstanding value of this commitment was approximately $279 million. The Company's exposure under the guarantee in connection with these agreements amounts to $61.3 million, corresponding to 22% of the outstanding value.

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

**F. Contractual Obligations**

The following table summarizes our contractual obligations at December 31, 2016, and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

*Millions of U.S. dollars*

| | 1 year or less | 1 - 2 years | 2 - 3 years | 3 - 4 years | 4 - 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| **At December 31, 2016** | | | | | | | |
| Borrowings | 809 | 1 | 4 | 3 | 4 | 20 | 840 |
| Interests to be accrued(*) | 6 | 1 | 1 | 1 | 1 | 0 | 11 |
| Purchase commitments | 600 | — | — | — | — | — | 600 |
| **Total contractual obligations and commitments** | **1,415** | **2** | **5** | **5** | **5** | **20** | **1,452** |

(*) Includes the effect of hedge accounting.

Purchase commitments as of December 31, 2016, disclosed in the table above, consist of commitments to purchase steel for the production of tubes in North America, amounting to $423 million, and various contracts relating to our new greenfield seamless mill in Bay City, Texas, amounting to $176 million. For more information on our purchase commitments see note 25 “Contingencies, commitments and restrictions on the distribution of profits” to our audited consolidated financial statements included in this annual report.

**G. Recent Developments**

*Annual Dividend Proposal*

On February 22, 2017 the Company’s board of directors proposed, for the approval of the annual general shareholders’ meeting to be held on May 3, 2017, the payment of an annual dividend of $0.41 per share ($0.82 per ADS), or approximately $484 million, which includes the interim dividend of $0.13 per share ($0.26 per ADS) or approximately $153 million, paid in November 2016. If the annual dividend is approved by the shareholders, a dividend of $0.28 per share ($0.56 per ADS), or approximately $331 million will be paid on May 24, 2017, with an ex-dividend date of May 22, 2017 and record date on May 23, 2017.

*Latest developments on CSN claims relating to the January 2012 acquisition of Usiminas’ shares*

In 2013, Confab was notified of a lawsuit filed in Brazil by Companhia Siderúrgica Nacional (CSN) and various entities affiliated with CSN against Confab and the other entities that acquired a participation in Usiminas’ control group in January 2012. The CSN lawsuit alleges that, under applicable Brazilian laws and rules, the acquirers were required to launch a tag-along tender offer to all non-controlling holders of Usiminas’ ordinary shares for a price per share equal to 80% of the price per share paid in such acquisition, or *Brazilian reais* 28.8, and seeks an order to compel the acquirers to launch an offer at that price plus interest. If so ordered, the offer would need to be made to 182,609,851 ordinary shares of Usiminas not belonging to Usiminas’ control group, and Confab would have a 17.9% share in that offer.

On September 23, 2013, the first instance court issued its decision finding in favor of Confab and the other defendants and dismissing the CSN lawsuit. On February 8, 2017, the court of appeals upheld the ruling of the first instance court, holding that Confab and the other defendants did not have the obligation to launch a tender offer. CSN has filed a motion for clarification and may still appeal to the Superior Court of Justice or the Federal Supreme Court.

For more information on the CSN claim in relation to the acquisition of Usiminas’s shares see Item 8. A. “Financial Information – Consolidated Statements and Other Financial Information – Legal Proceedings – Outstanding Legal Proceedings – CSN claims relating to the January 2012 acquisition of Usiminas’ shares.”

*Sale of North American Electric Conduit Business to Nucor*

On January 20, 2017, we collected $328 million from the sale of our steel electric conduit business in North America, known as Republic Conduit. The after tax gain from this sale amounted to $90 million and was recorded in the first quarter of 2017. As of December 31, 2016 the conduit business was classified as a discontinued operation.

## Item 6. Directors, Senior Management and Employees

### A. Directors and Senior Management

### 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 nine directors; however, at the next annual general shareholders' meeting, it will be proposed that the number of members of the board of directors be increased to ten.

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. 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.

Under the Company's articles of association, until 2020, the board of directors is authorized to increase the issued share capital in whole or in part from time to time, through issues of shares within the limits of the authorized share capital against compensation in cash, compensation in kind at a price or if shares are issued by way of incorporation of reserves, at an amount, which shall not be less than the par value and may include such issue premium as the board of directors shall decide. Under the Company's articles of association, however, 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 preferential 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;
- 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 (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).

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. At the next annual general shareholders' meeting, it will be proposed that the number of members of the board of directors be increased to ten by appointing Mr. Yves Speeckaert to the board of directors, and that all of the current members of the board of directors be reappointed, each to hold office until the next annual general shareholders' meeting that will be convened to decide on the Company's 2017 annual accounts.

| Name | Position | Principal Occupation | Years as Director | Age at December 31, 2016 |
|---|---|---|---|---|
| Roberto Bonatti (1) | Director | President of San Faustin | 14 | 67 |
| Carlos Condorelli | Director | Director of Tenaris and Ternium | 10 | 65 |
| Roberto Monti | Director | Member of the board of directors of YPF SA | 12 | 77 |
| Gianfelice Mario Rocca (1) | Director | Chairman of the board of directors of San Faustin | 14 | 68 |
| Paolo Rocca (1) | Director | Chairman and chief executive officer of Tenaris | 15 | 64 |
| Jaime Serra Puche | Director | Chairman of SAI Consultores | 14 | 65 |
| Alberto Valsecchi | Director | Director of Tenaris | 9 | 72 |
| Amadeo Vázquez y Vázquez | Director | Director of Tenaris | 14 | 74 |
| Guillermo Vogel | Director | Vice chairman of Tamsa | 14 | 66 |

(1) Paolo Rocca and Gianfelice Rocca are brothers, and Roberto Bonatti is Paolo and Gianfelice 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. In addition, Mr. Bonatti currently serves as president of Sadma Uruguay S.A. 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 our chief financial officer from October 2002 until September 2007. He is also a board member of Ternium. He began his career within the Techint group in 1975 as an analyst in the accounting and administration department of Siderar S.A.I.C., or Siderar. He has held several positions within Tenaris and other Techint group companies, including finance and administration director of Tamsa and president of the board of directors of Empresa Distribuidora La Plata S.A., or Edelap, an Argentine utilities company. Mr. Condorelli is an Argentine citizen.

Roberto Monti . Mr. Monti is a member of the Company's board of directors. He is a member of the board of directors of YPF S.A. He has served as vice president of Exploration and Production of Repsol YPF and as chairman and chief executive officer of YPF. 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 the chairman of the board of directors of San Faustin, a member of the board of directors of Ternium, the president of the Humanitas Group and the president of Tenova S.p.A. In addition, he sits on the board of directors or executive committees of several companies, including Allianz S.p.A., Brembo and Buzzi Unicem. He is president of Assolombarda, the largest territorial association of entrepreneurs in Italy and part of Confindustria (Italian employers' organization). In addition, he is member of the EIT Governing Board (European Institute of Innovation and Technology). He is chairman of Humanitas University, board member of Bocconi University and Luiss Guido Carli University, member of the Advisory Board of Politecnico di Milano, the Allianz Group, the Aspen Institute Executive Committee, the Trilateral Commission, and the European Advisory Board of Harvard Business School. 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, a director and vice president of San Faustin, and a director of Techint Financial Corporation N.V. He is a member of the Executive Committee of the World Steel Association. Mr. Rocca is an Italian citizen.

Jaime Serra Puche . Mr. Serra Puche is a member of the Company's board of directors. He is the chairman of SAI Consultores, a Mexican consulting firm, and a member of the board of directors of the Mexico Fund, Grupo Vitro, Grupo Modelo, Rotoplas and Alpek S.A. 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.

Alberto Valsecchi . Mr. Valsecchi is a member of the Company's board of directors. He served as our chief operating officer from February 2004 until July 2007. He joined the Techint group in 1968 and has held various positions within Tenaris and other Techint group companies. He has retired from his executive positions. He is also a member of the board of directors of San Faustin and chairman of the board of directors of Dalmine, a position he assumed in May 2008. Mr. Valsecchi is an Italian citizen.

Amadeo Vázquez y Vázquez . Mr. Vázquez y Vázquez is a member of the Company's board of directors. He is an independent alternate director of Gas Natural BAN, S.A, of Grupo Gas Natural Fenosa. He is a member of the advisory board of the Fundación de Investigaciones Económicas Latinoamericanas and member of the Asociación Empresaria Argentina. He 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, and chairman of the board of directors of Telecom Argentina S.A. until April 2007. 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 holds the position of Vice President of Finance. He is the vice chairman of Tamsa, the chairman of Grupo Collado, Exportaciones IM Promoción and Canacero, a member of the board of directors of each of Techint, S.A. de C.V., Corporación Alfa, the Universidad Panamericana – IPADE, Rassini, 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.

Messrs. Monti, Serra Puche and Vázquez y Vázquez qualify as independent directors under the Company's articles of association.

### *Director Liability*

Under Luxembourg law, a director may be liable to the Company for any damage caused by such director's misconduct in the Company's management. In addition, directors will be jointly and severally liable to the Company, its shareholders or other third parties in the event that the Company, its shareholders or such other third parties suffer a loss due to a breach by any one or more of the directors of either the Luxembourg Company Law or the Company's articles of association, provided that the losses are independent and separate from the losses suffered by the Company. A director will be discharged from such joint and several liability only with respect to breaches to which he/she was not a party, provided no misconduct is attributable to such director and such director reports such breaches at the first general meeting after such director first has knowledge thereof.

An action against directors for damages may be initiated by the Company upon a resolution of the shareholders' meeting passed by a simple majority vote, irrespective of the number of shares represented at the meeting. In general, claims must be brought within five years from the occurrence of an action or omission for which liability may apply or, in case the action or omission was fraudulently concealed, from the date of discovery of the relevant action or omission.

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 Company's annual accounts at the annual shareholders' meeting. However, such discharge will not release the directors from liability for any damage caused to the Company by unrevealed acts of mismanagement or unrevealed breaches of Luxembourg Company Law or the Company's articles of association, nor will it release the directors from liability for any personal loss of our 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, any director having a conflict of interest in respect of a transaction submitted for approval to the board of directors may not take part in the deliberations concerning such transaction and must inform the board of such conflict and cause a record of his statement to be included in the minutes of the meeting. Subject to certain exceptions, transactions in which any directors may have had an interest conflicting with that of the Company must be reported at the next general shareholders' meeting following any such transaction.

### 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 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 our 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 independent auditors. As part of their duties, the auditors report directly to the audit committee.

The Company’s audit committee is responsible for, among other things, the oversight of the Company’s independent auditors. The audit committee has adopted in its charter a policy of pre-approval of audit and permissible non-audit services provided by its independent auditors. Under the policy, the audit committee makes its recommendations to the shareholders’ meeting concerning the continuing appointment or termination of the Company’s independent auditors. On a yearly basis, the audit committee reviews together with management and the independent auditor, the audit plan, audit related services and other non-audit services and approves, *ad-referendum* of the general shareholders' meeting, the related fees. 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 independent auditor.

Our independent auditor for the fiscal year ended December 31, 2016, appointed by the shareholders' meeting held on May 4, 2016, was PricewaterhouseCoopers Société Coopérative, *Cabinet de révision agréé* , in connection with all of our annual accounts and financial statements.

**Senior Management**

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

| Name | Position | Age at December 31, 2016 |
|---|---|---|
| Paolo Rocca | Chairman and Chief Executive Officer | 64 |
| Edgardo Carlos | Chief Financial Officer | 50 |
| Antonio Caprera | Industrial Director | 56 |
| Gabriel Casanova | Supply Chain Director | 58 |
| Alejandro Lammertyn | Planning Director | 51 |
| Paola Mazzoleni | Human Resources Director | 40 |
| Marcelo Ramos | Technology Director | 53 |
| Germán Curá | North American Area Manager | 54 |
| Sergio de la Maza | Central American Area Manager | 60 |
| Renato Catallini | Brazilian Area Manager | 50 |
| Javier Martínez Alvarez | Southern Cone Area Manager | 50 |
| Gabriel Podskubka | Eastern Hemisphere Area Manager | 43 |
| Michele Della Briotta | European Area Manager | 44 |

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, a director and vice president of San Faustin, and a director of Techint Financial Corporation N.V. He is a member of the Executive Committee of the World Steel Association. Mr. Rocca is an Italian citizen.

Edgardo Carlos . Mr. Carlos currently serves as our chief financial officer and since May 2016 has also assumed responsibility over information technology. He joined the Techint Group in 1987 in the accounting department of Siderar. After serving as financial manager for Sidor, in Venezuela, in 2001 he joined Tenaris as our financial director. In 2005 he was appointed administration and financial manager for North America and in 2007 he became administration and financial director for Central America. In 2009 he was appointed economic and financial planning director, until he assumed his current position. Mr. Carlos is an Argentine citizen.

Antonio Caprera . Mr. Caprera currently serves as Tenaris's industrial director. 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 Tenaris's global industrial coordinator until March 2017. He assumed his current position on April 1, 2017. Mr. Caprera is an Italian citizen.

Gabriel Casanova . Mr. Casanova currently serves as our supply chain director, 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 planning director, a position he assumed in April 2013. Mr. Lammertyn began his career with Tenaris in 1990. Previously he served as assistant to the CEO 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 human resources director, 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 TenarisUniversity. 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 technology director, with responsibility over technology, quality, health, safety and environment. Previously he served as corporate quality director and managing director of NKKTubes in our Japanese operations. He joined the Techint group in 1987 and has held various positions within Tenaris. He assumed his current position in April 2010, when both, the quality and technology departments were combined. Mr. Ramos is an Argentine citizen.

Germán Curá . Mr. Curá currently serves as our North American area manager. He is a marine engineer and was first employed with 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 office, 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 business unit and Tenaris commercial director. He was also a member of the board of directors of API. He assumed his current position in October 2006. Mr. Curá is a U.S. citizen.

Sergio de la Maza . Mr. de la Maza currently serves as our Central American area manager and also serves as a director and executive vice president of Tamsa. Previously he served as our Mexican area manager. He first joined Tamsa in 1980. From 1983 to 1988, Mr. de la Maza worked in several positions in Tamsa and Dalmine. 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 2006. Mr. de la Maza is a Mexican citizen.

Renato Catallini . Mr. Catallini currently serves as our Brazilian area manager, 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 TGN, Nova Gas Internacional, TransCanada Pipelines and TotalFinaElf, among others. Mr. Catallini is an Argentine and Italian citizen.

Javier Martínez Alvarez . Mr. Martínez Alvarez currently serves as our Southern Cone area manager, 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 our Eastern Hemisphere area manager, 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 our European area manager, 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.

**B. Compensation**

The compensation of the members of the Company's board of directors is determined at the annual ordinary general shareholders' meeting. Each member of the board of directors received as compensation for their services for the year 2016 a fee of $85,000. The chairman of the audit committee received as additional compensation a fee of $65,000 while the other members of the audit committee received an additional fee of $55,000. Under the Company's articles of association, the members of the audit committee are not eligible to participate in any incentive compensation plan for employees of the Company or any of its subsidiaries.

During the years ended December 31, 2016, 2015 and 2014, the cash compensation of directors and senior managers amounted to $38.6 million, $28.8 million and $26.0 million, respectively. In addition, directors and senior managers received 500, 540 and 567 thousand units for a total amount of $4.8 million, $5.4 million and $6.2 million, respectively, in connection with the Employee retention and long term incentive program described in note O (2) " *Employee benefits –Other long term benefits* " to our audited consolidated financial statements included in this annual report.

There are no service contracts between any director and Tenaris that provide for material benefits upon termination of employment.

## C. Board Practices

See A. "– Directors and Senior Management – Board of Directors."

*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 stock exchange, the Company must have an audit committee composed of three members, all of which must qualify as independent directors under the Company's articles of association.

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 Company's board of directors has an audit committee consisting of three members. On May 4, 2016, the Company's board of directors reappointed Jaime Serra Puche, Amadeo Vázquez y Vázquez and Roberto Monti as members of our audit committee. All three members of the audit committee qualify as independent directors under the Company's articles of association.

Under the Company's articles of association, the audit committee is required to report to the board of directors on its activities from time to time, and on the adequacy of the systems of internal control over financial reporting once a year at the time the annual accounts are approved. In addition, the charter of the audit committee sets forth, among other things, the audit committee's purpose and responsibilities. The audit committee assists the board of directors in its oversight responsibilities with respect to our financial statements, and the independence, performance and fees of our independent auditors. The audit committee also performs other duties entrusted to it by the Company's board of directors.

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, to be entered into by the Company or its subsidiaries with "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 will review those 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 (x) with an individual value equal to or greater than $10 million, or (y) 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.

The audit committee has the power (to the maximum extent permitted by applicable laws) to request that the Company or relevant subsidiary provide any information necessary for it to review any material transaction. A related party transaction shall not be entered into without prior review by the Company's audit committee and approval by the board of directors unless (i) the circumstances underlying the proposed transaction justify that it be entered into before it can 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 audit committee or board of directors does not approve it.

The audit committee has the authority to engage independent counsel and other advisors to review specific issues as the committee may deem necessary to carry out its duties and to conduct any investigation appropriate to fulfill its responsibilities, and has direct access to the Company's internal and external auditors as well as to the Company's management and employees and, subject to applicable laws, its subsidiaries.

**D. Employees**

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

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Mexico | 4,968 | 5,101 | 5,518 |
| Argentina | 4,755 | 5,388 | 6,421 |
| Italy | 1,979 | 2,030 | 2,352 |
| United States | 1,636 | 2,190 | 3,549 |
| Romania | 1,631 | 1,624 | 1,725 |
| Brazil | 1,166 | 2,050 | 3,835 |
| Colombia | 750 | 636 | 614 |
| Indonesia | 509 | 532 | 677 |
| Canada | 473 | 546 | 1,225 |
| Japan | 458 | 508 | 588 |
| Other Countries | 1,074 | 1,136 | 1,312 |
| | **19,399** | **21,741** | **27,816** |
| Employees in discontinued operations | (323) | (292) | (267) |
| **Total employees** | **19,076** | **21,449** | **27,549** |

The number of our employees declined 11% during 2016 as we adjusted our operations to face the decline in drilling activity and demand for pipes. During 2015 and 2016 we reduced our labor costs worldwide by 40% through a wide set of measures, while preserving our key competences and maintaining our focus on the relation with our communities.

Approximately 65% of our employees are unionized. We believe that we enjoy good or satisfactory relations with our employees and their unions in each of the countries in which we have manufacturing facilities, and we have not experienced any major strikes or other labor conflicts with a material impact on our operations over the last five years. 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.

**E. 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 1,200,603, which represents 0.10% 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 | 1,125,446 |
| Carlos Condorelli | 67,211 |
| Edgardo Carlos | 4,000 |
| Gabriel Podskubka | 3,946 |
| **Total** | 1,200,603 |

## Item 7. Major Shareholders and Related Party Transactions.

### A. Major Shareholders

The following table shows the beneficial ownership of the Shares by: 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 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 | 1,200,603 | 0.10% |
| Public | 465,731,040 | 39.45% |
| **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 Dutch private foundation (Stichting) Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin ("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 subsequent date result in a change of control of the Company.

### B. Related Party Transactions

Tenaris is a party to several related party transactions as described below. 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 Item 6.C. "Directors, Senior Management and Employees – Board Practices – 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 $9 million in 2016, $46 million in 2015 and $170 million in 2014.
- Purchases of flat steel products for use in the production of welded pipes and accessories, which amounted to $18 million in 2016, $48 million in 2015 and $50 million in 2014.
- Purchases of metal building components for our facilities in Mexico, which amounted to $1 million in 2015 and $3 million in 2014.

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 $34 million in 2016, $166 million in 2015 and $79 million in 2014.

**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 $14 million in 2016, $19 million in 2015 and $28 million in 2014.
- Sales of steam and operational services from our Argentine electric power generating facility in San Nicolás. These sales amounted to $12 million in 2016, $9 million in 2015 and $2 million in 2014.

**Supply of Electric Energy**

Techgen is an electric power plant in Mexico, which is currently owned 48% by Ternium, 30% by Tecpetrol and 22% by Tenaris. Ternium and Tenaris currently contract 78% and 22%, respectively, of Techgen's power capacity. Since December 1, 2016, Techgen became fully operational, its sales to Tenaris amounted to $4 million in 2016.

**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 America. TGN operates two major pipelines in Argentina connecting the major gas basins of Neuquén and Noroeste-Bolivia to the major consumption centers in Argentina, while Litoral Gas distributes gas 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 TGN, Litoral Gas and Energy Consulting Services.

Tecpetrol supplies Siderca with natural gas requirements under market conditions and according to local regulations. Tecpetrol's sales to Tenaris amounted to $3 million in 2015 and $2 million in 2014.

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 $2 million in 2016, $1 million in 2015 and $1 million in 2014.

Litoral Gas's sales to Tenaris totaled $3 million in 2016, $2 million in 2015 and $1 million in 2014.

Energy Consulting Services's sales to Tenaris totaled $5 million in 2016, $7 million in 2015 and $12 million in 2014.

**Provision of Engineering and Labor Services**

We contract with certain companies controlled by San Faustin engineering 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 $45 million in 2016, $72 million in 2015 and $83 million in 2014.

**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 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 $34 million in 2016, $85 million in 2015 and $106 million in 2014.

**Sales of Other Products and Services**

We provide technology and information services to companies controlled by San Faustin. Sales of these services amounted to $2 million in 2016, $3 million in 2015 and $2 million in 2014.

**Administrative and Legal Support Services**

Finma S.A., Arhsa S.A. and Techinst S.A. a group of companies controlled by San Faustin in which we have a 33% share ownership and other affiliates of San Faustin have the remaining share ownership, provides administrative and legal support services to San Faustin's affiliates in Argentina, including us. Fees accrued for these services amounted to $11 million in 2016, $14 million in 2015 and $14 million in 2014.

**Loans to Related Parties**

We financed Techgen's Pesquería project primarily in the form of subordinated loans to Techgen, which generated interest gains in favor of Tenaris in an amount of $2 million in 2016, 1 million in 2015 and 1 million in 2014. Outstanding loans to Techgen as of December 31, 2016, amounted to $86 million.

**Other Transactions**

We contracted pipe coating services from Tenaris Coating do Brasil S.A. (formerly Socotherm Brasil S.A., or Socotherm), for an amount of $6 million from January 2014 to August 2014. In September 2014, Tenaris acquired 100% of the shares of Socobras Participações Ltda. ("Socobras"), a holding company that owned 50% of the shares of Socotherm. Tenaris already owned the other 50% interest in Socotherm, following completion of this transaction, Tenaris now owns 100% of Socotherm.

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 $11 million in 2016, $24 million in 2015 and $29 million in 2014.

We sold industrial equipment to companies controlled by San Faustin for an amount of $5 million in 2015.

We purchased industrial cleaning equipment from companies controlled by San Faustin for an amount of $3 million in 2016.

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 believed to be material.

**C. Interest of Experts and Counsel**

Not applicable.

## Item 8. Financial Information

**A. Consolidated Statements and Other Financial Information**

See Item 18 and pages F-1 through F-57 for our audited consolidated financial statements.

**Legal Proceedings**

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, our 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 our litigation and settlement strategies. The Company believes that the aggregate provisions recorded for potential losses in its financial statements are adequate based upon available information at the date of their preparation. 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 its results of operations, financial condition, net worth and cash flows.

***Outstanding Legal Proceedings***

Set forth below is a description of Tenaris's ongoing legal proceedings which may have significant effects on its financial position:

*Tax assessment in Italy*

Dalmine, an Italian subsidiary of Tenaris, received on December 24, 2012 a tax assessment from the Italian tax authorities related to allegedly omitted withholding tax on dividend payments made in 2007. The assessment, which was for an estimated amount of EUR295 million (approximately $310.9 million), comprising principal, interest and penalties, was appealed with the first-instance tax court in Milan. In February 2014, the first-instance tax court issued its decision on this tax assessment, partially reversing the assessment and lowering the claimed amount to approximately EUR9 million (approximately $9.5 million), including principal, interest and penalties. On October 2, 2014, the Italian tax authorities appealed against the second-instance tax court decision on the 2007 assessment. On June 12, 2015, the second-instance tax court accepted Dalmine's defense arguments and rejected the appeal by the Italian tax authorities, thus reversing the entire 2007 assessment and recognizing that the dividend payment was exempt from withholding tax. The Italian tax authorities have appealed the second-instance tax court decision before the Supreme Court.

On December 24, 2013, Dalmine received a second tax assessment from the Italian tax authorities, based on the same arguments as those in the first assessment, relating to allegedly omitted withholding tax on dividend payments made in 2008 – the last such distribution made by Dalmine. Dalmine appealed the assessment to the first-instance tax court in Milan. On January 27, 2016, the first-instance tax court rejected Dalmine's appeal. This first-instance ruling, which held that Dalmine is required to pay an amount of EUR223 million (approximately $235.1 million), including principal interest and penalties, contradicts the first and second-instance tax court rulings in connection with the 2007 assessment. Dalmine obtained the suspension of the interim payment that would have been due, based on the first-instance decision, through the filing with the tax authorities of a bank guarantee, and appealed the January 2016 ruling to the second-instance tax court. The second instance tax court hearing has been scheduled for September 25, 2017.

Tenaris continues to believe that Dalmine has correctly applied the relevant legal provisions and based on, among other things, the tax court decisions on the 2007 assessment and the opinion of legal counsel, Tenaris believes that it is not probable that the ultimate resolution of either the 2007 or the 2008 tax assessment will result in a material loss.

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

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

On September 23, 2013, the first instance court issued its decision finding in favor of Confab and the other defendants and dismissing the CSN lawsuit. The claimants appealed the first instance court decision to the São Paulo court of appeals. On February 8, 2017, the court of appeals issued its decision on the merits and maintained the understanding of the first instance court, holding that Confab and the other defendants did not have the obligation to launch a tender offer. CSN has already filed a motion for clarification and may still appeal to the Superior Court of Justice or the Federal Supreme Court.

Separately, on November 10, 2014, CSN filed a complaint with Brazil's securities regulator Comissão de Valores Mobiliários (CVM) on the same grounds and with the same purpose as the lawsuit referred to above. In this complaint, CSN sought to reverse a February 2012 decision by the CVM, which had determined that the above mentioned acquisition did not trigger any tender offer requirement. On December 2, 2016, CVM issued its decision on this complaint, reaffirming its previous decision from 2012 and rejecting all the new allegations presented by CSN.

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

Tenaris 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, the decisions issued by CVM in February 2012 and December 2016, and the first and second instance courts' decisions referred to above. Accordingly, no provision was recorded in these Consolidated Financial Statements.

*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, 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 an insurance deductible in connection with the Veracel accident and other amounts not covered by insurance. Itaú and Veracel claim that the Veracel accident was caused by failures and defects attributable to the evaporation system manufactured by Confab. Confab believes that the Veracel accident was caused by the improper handling by Veracel's personnel of the equipment supplied by Confab in violation of Confab's instructions. The two lawsuits have been consolidated, and are now being considered by the 6th Civil Court of São Caetano do Sul; however, each lawsuit will be adjudicated through a separate ruling. Both proceedings are currently at the evidentiary stage.

On March 10, 2016, a court-appointed expert issued its report on certain technical matters concerning the Veracel accident. Based upon a technical opinion received from a third-party expert, in August 2016, Confab filed its objections to the expert's report. Other parties have also filed their observations and/or opinions concerning the expert's report, which are currently subject to the court examination. As of December 31, 2016, the estimated amount of Itaú's claim is approximately BRL 74.5 million (approximately $22.9 million), and the estimated amount of Veracel's claim is approximately BRL 47.7 million (approximately $14.6 million), for an aggregate amount BRL 122.2 million ($37.5 million). The final result of this claim depends largely on the court's evaluation of technical matters arising from the expert's opinion and objections presented by Confab. No provision has been recorded in these Consolidated Financial Statements.

*Petroamazonas Penalties*

On January 22, 2016, Petroamazonas ("PAM"), an Ecuadorian state-owned oil company, imposed penalties to the Company's Uruguayan subsidiary, Tenaris Global Services S.A. ("TGS"), for its alleged failure to comply with delivery terms under a pipe supply agreement. The penalties amount to approximately $ 22.5 million as of the date hereof. Tenaris believes, based on the advice of counsel, that PAM has no legal basis to impose the penalties and that TGS has meritorious defenses against PAM. However, in light of the prevailing political circumstances in Ecuador, the Company cannot predict the outcome of a claim against a state-owned company and it is not possible to estimate the amount or range of loss in case of an unfavorable outcome.

*Ongoing investigation*

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

**Dividend Policy**

The Company does not have, and has no current plans to establish, a formal dividend policy governing the amount and payment of dividends. The amount and payment of dividends has to be determined by a majority vote of shareholders, generally, but not necessarily, based on the recommendation of the Company's board of directors. The Company's controlling shareholder has the discretion to determine the amount and payment of future dividends. All Shares of the Company's share capital rank *pari passu* with respect to the payment of dividends.

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

| | Approved dividend | | | Dividend payment date | |
|---|---|---|---|---|---|
| Shareholders' meeting date | Amount (USD million) | Per share (USD) | Per ADS (USD) | Interim Dividend | Dividend Balance |
| May 2, 2012 | 449 | 0.38 | 0.76 | November 2011 | May 2012 |
| May 2, 2013 | 508 | 0.43 | 0.86 | November 2012 | May 2013 |
| May 7, 2014 | 508 | 0.43 | 0.86 | November 2013 | May 2014 |
| May 6, 2015 | 531 | 0.45 | 0.90 | November 2014 | May 2015 |
| May 4, 2016 | 531 | 0.45 | 0.90 | November 2015 | May 2016 |

On February 22, 2017 the Company's board of directors proposed, for the approval of the annual general shareholders' meeting to be held on May 3, 2017, the payment of an annual dividend of $0.41 per share ($0.82 per ADS), or approximately $484 million, which includes the interim dividend of $0.13 per share ($0.26 per ADS) or approximately $153 million, paid in November 2016. If the annual dividend is approved by the shareholders, a dividend of $0.28 per share ($0.56 per ADS), or approximately $331 million will be paid on May 24, 2017, with an ex-dividend date of May 22, 2017.

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 Item 3.D. "Key Information – Risk Factors – 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 our subsidiaries and could be restricted by legal, contractual or other limitations."

Dividends may be lawfully declared and paid if the Company's profits and distributable reserves are sufficient under Luxembourg law. The board of directors has the power to initiate dividend installments pursuant to Luxembourg law, but payment of the dividends must be approved by the Company's shareholders at the annual shareholders' meeting, subject to the approval of the Company's annual accounts.

Under 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% of net profits again must be allocated toward the reserve. The legal reserve is not available for distribution. At December 31, 2016, the Company's legal reserve represented 10% of its share capital.

### B. Significant Changes

Except as otherwise disclosed in this annual report, there has been no undisclosed significant change since the date of the annual consolidated financial statements.

## Item 9. The Offer and Listing

### A. Offer and Listing Details

The Shares are listed on the Buenos Aires Stock Exchange and on the Mexican Stock Exchange and its ADSs are listed on the NYSE under the symbol "TS." The Shares are also listed on the Italian Stock Exchange under the symbol "TEN." Trading on the NYSE, the Buenos Aires Stock Exchange and the Mexican Stock Exchange began on December 16, 2002, and trading on the Italian Stock Exchange began on December 17, 2002.

As of March 31, 2017, a total of 1,180,536,830 Shares were registered in the Company's shareholder register. As of March 31, 2017, a total of 209,778,772 Shares were registered in the name of the depositary for the Company's ADR program. March 2017, month end closing sale price for the ADSs on the NYSE was $34.14, the closing sale price of the Shares on the Italian Stock Exchange was Euro 16.07, on the Buenos Aires Stock Exchange was ARS 265.00 and on the Mexico Stock Exchange was Mexican pesos 329.90.

*New York Stock Exchange*

As of March 31, 2017, a total of 104,889,386 ADSs were registered of record. Each ADS represents two Shares of the Company's share capital. For the year ended December 31, 2016, Deutsche Bank Trust Company Americas acted as the Company's depositary for issuing ADS evidencing Shares. Fluctuations between the Euro and the U.S. dollar will affect the U.S. dollar equivalent of the price of the Shares on the Italian Stock Exchange and the price of the ADSs on the NYSE. Fluctuations between the Argentine peso and the U.S. dollar will affect the U.S. dollar equivalent of the price of the Shares on the Buenos Aires Stock Exchange and the price of the ADSs on the NYSE. Fluctuations between the Mexican peso and the U.S. dollar will affect the U.S. dollar equivalent of the price of the Shares on the Mexico Stock Exchange and the price of the ADSs on the NYSE.

The following table sets forth, for the periods indicated, the high and low quoted prices for the ADSs as reported by NYSE (Source: Bloomberg LP).

| | Price per ADS | |
|---|---|---|
| **2012** | **High** | **Low** |
| Full year | 44.51 | 30.50 |

| | Price per ADS | |
|---|---|---|
| **2013** | **High** | **Low** |
| Full year | 49.44 | 38.78 |

| | Price per ADS | |
|---|---|---|
| **2014** | **High** | **Low** |
| Full year | 47.83 | 28.18 |

| | Price per ADS | |
|---|---|---|
| **2015** | **High** | **Low** |
| First quarter | 31.15 | 26.75 |
| Second quarter | 32.30 | 27.02 |
| Third quarter | 26.90 | 22.85 |
| Fourth quarter | 28.65 | 23.13 |
| Full year | 32.30 | 22.85 |

| | Price per ADS | |
|---|---|---|
| **2016** | **High** | **Low** |
| First quarter | 24.76 | 19.29 |
| Second quarter | 29.62 | 23.47 |
| Third quarter | 29.89 | 25.46 |
| Fourth quarter | 35.91 | 27.50 |
| Full year | 35.91 | 19.29 |

| | Price per ADS | |
|---|---|---|
| **Last Six Months** | **High** | **Low** |
| October 2016 | 29.38 | 28.20 |
| November 2016 | 32.21 | 27.50 |
| December 2016 | 35.91 | 33.17 |
| January 2017 | 37.17 | 34.86 |
| February 2017 | 35.14 | 32.71 |
| March 2017 | 34.20 | 31.10 |

*Italian Stock Exchange*

The following table sets forth, for the periods indicated, the high and low quoted prices for the Shares (in Euros per share), traded on the Italian Stock Exchange (Source: Bloomberg LP).

| | Price per Share | |
|---|---|---|
| **2012** | **High** | **Low** |
| Full year | 17.02 | 12.10 |

| | Price per Share | |
|---|---|---|
| **2013** | **High** | **Low** |
| Full year | 18.44 | 14.72 |

| | Price per Share | |
|---|---|---|
| **2014** | **High** | **Low** |
| Full year | 18.18 | 11.36 |

| | Price per Share | |
|---|---|---|
| **2015** | **High** | **Low** |
| First quarter | 13.67 | 11.25 |
| Second quarter | 15.02 | 12.08 |
| Third quarter | 12.08 | 9.97 |
| Fourth quarter | 12.45 | 10.60 |
| Full year | 15.02 | 9.97 |

| | Price per Share | |
|---|---|---|
| **2016** | **High** | **Low** |
| First quarter | 10.98 | 8.64 |
| Second quarter | 13.10 | 10.33 |
| Third quarter | 13.19 | 11.29 |
| Fourth quarter | 17.22 | 12.29 |
| Full year | 17.22 | 8.64 |

| | Price per Share | |
|---|---|---|
| **Last Six Months** | **High** | **Low** |
| October 2016 | 13.45 | 12.70 |
| November 2016 | 15.07 | 12.29 |
| December 2016 | 17.22 | 15.55 |
| January 2017 | 17.23 | 16.17 |
| February 2017 | 16.27 | 15.53 |
| March 2017 | 16.14 | 14.56 |

The Italian Stock Exchange, managed by Borsa Italiana, S.p.A., uses a completely electronic trading system for the real-time execution of trades. Blue-chip securities are traded using the auction and continuous trading method from 8:00 A.M. to 5:30 P.M. each business day.

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*Buenos Aires Stock Exchange*

The following table sets forth, for the periods indicated, the high and low quoted prices for the Shares (in nominal ARS per share), traded on the Buenos Aires Stock Exchange (Source: Bloomberg LP).

| | Price per Share | |
|---|---|---|
| **2012** | **High** | **Low** |
| Full year | 141.00 | 90.00 |

| | Price per Share | |
|---|---|---|
| **2013** | **High** | **Low** |
| Full year | 229.00 | 141.70 |

| | Price per Share | |
|---|---|---|
| **2014** | **High** | **Low** |
| Full year | 346.10 | 160.50 |

| | Price per Share | |
|---|---|---|
| **2015** | **High** | **Low** |
| First quarter | 192.00 | 159.95 |
| Second quarter | 196.10 | 166.00 |
| Third quarter | 185.00 | 155.00 |
| Fourth quarter | 197.00 | 159.00 |
| Full year | 197.00 | 155.00 |

| | Price per Share | |
|---|---|---|
| **2016** | **High** | **Low** |
| First quarter | 184.00 | 132.10 |
| Second quarter | 218.00 | 171.50 |
| Third quarter | 222.00 | 191.00 |
| Fourth quarter | 282.00 | 208.00 |
| Full year | 282.00 | 132.10 |

| | Price per Share | |
|---|---|---|
| **Last Six Months** | **High** | **Low** |
| October 2016 | 223.50 | 214.20 |
| November 2016 | 257.00 | 208.00 |
| December 2016 | 282.00 | 264.00 |
| January 2017 | 295.00 | 276.75 |
| February 2017 | 278.00 | 255.40 |
| March 2017 | 265.25 | 239.00 |

The Buenos Aires Stock Market, which is affiliated with the Buenos Aires Stock Exchange, is the largest stock market in Argentina. Trading on the Buenos Aires Stock Exchange is conducted electronically or by continuous open outcry from 11:00 A.M. to 5:00 P.M. each business day.

Although the Buenos Aires Stock Exchange is one of Latin America’s largest securities exchanges in terms of market capitalization, it remains relatively small and illiquid compared to major world markets and, therefore, subject to greater volatility.

*Mexican Stock Exchange*

The following table sets forth, for the periods indicated, the high and low quoted prices for the Shares (in nominal Mexican pesos per share), traded on the Mexican Stock Exchange (Source: Bloomberg LP).

| | Price per Share | |
|---|---|---|
| **2012** | **High** | **Low** |
| Full year | 274.23 | 223.01 |

| | Price per Share | |
|---|---|---|
| **2013** | **High** | **Low** |
| Full year | 316.90 | 245.34 |

| | Price per Share | |
|---|---|---|
| **2014** | **High** | **Low** |
| Full year | 310.29 | 208.52 |

| | Price per Share | |
|---|---|---|
| **2015** | **High** | **Low** |
| First quarter | 223.65 | 195.00 |
| Second quarter | 244.58 | 212.28 |
| Third quarter | 224.40 | 198.35 |
| Fourth quarter | 230.00 | 208.30 |
| Full year | 244.58 | 195.00 |

| | Price per Share | |
|---|---|---|
| **2016** | **High** | **Low** |
| First quarter | 192.86 | 178.01 |
| Second quarter | 265.10 | 192.86 |
| Third quarter | 258.50 | 250.00 |
| Fourth quarter | 276.50 | 276.50 |
| Full year | 276.50 | 178.01 |

| | Price per Share | |
|---|---|---|
| **Last Six Months** | **High** | **Low** |
| October 2016 | 276.50 | 276.50 |
| November 2016 | — | — |
| December 2016 | — | — |
| January 2017 | 391.00 | 375.00 |
| February 2017 | 326.78 | 326.78 |
| March 2017 | 329.90 | 329.90 |

The Mexican Stock Exchange is the only stock exchange in Mexico. Trading on the Mexican Stock Exchange is conducted electronically from 8:30 A.M. to 3:00 P.M. each business day.

Although the Mexican Stock Exchange is one of Latin America's largest securities exchanges in terms of market capitalization, it remains relatively small and illiquid compared to major world markets and, therefore, subject to greater volatility.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

See A. "-The Offer and Listing – Offer and Listing Details."

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

## Item 10. Additional Information

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

**General**

The following is a summary of certain rights of holders of Shares. These rights are set out in the Company's articles of association or are provided by applicable Luxembourg law, and may differ from those typically provided to shareholders of U.S. companies under the corporation laws of some states of the United States. This summary is not exhaustive and does not contain all information that may be important to you. For more complete information, you should read the Company's articles of association, which is an exhibit to this annual report.

The Company is a *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 du Commerce et des Sociétés* of Luxembourg.

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 upon issue. The authorized share capital is fixed by the Company's articles of association as amended from time to time with the approval of shareholders on an extraordinary shareholders' meeting. As of March 31, 2017, there were 1,180,536,830 Shares issued. All issued Shares are fully paid.

The Company's articles of association authorize the board of directors until 2020, to increase the issued share capital in whole or in part from time to time, through issues of shares within the limits of the authorized share capital against compensation in cash, compensation in kind at a price or if shares are issued by way of incorporation of reserves, at an amount, which shall not be less than the par value and may include such issue premium as the board of directors shall decide. Under the Company's articles of association, however, 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 preferential 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;
- 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 (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).

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

**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. Under Luxembourg law, claims for dividends will lapse in favor of the Company five years after the date such dividends are declared. However, we 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.

At the annual general shareholders' meeting, which every shareholder has the right to attend in person or by proxy, shareholders may declare a dividend or other distribution of funds legally available therefor.

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.

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.

Pursuant to Luxembourg law, at least 5% of our 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 issued 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. The Company's legal reserve represented 10% of its share capital as of December 31, 2016. The legal reserve is not available for distribution.

**Voting Rights; Shareholders' Meetings; Election of Directors**

Each Share entitles the holder 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. 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 éléctronique des sociétés et associations* , and in a Luxembourg newspaper and such a media as may reasonably be relied upon for the effective dissemination of information to the public throughout the European Economic Area. In case 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 our 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 as may otherwise be provided by applicable law, only shareholders holding shares of the Company 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 vote of the Shares represented and voted at the meeting. Unless as may otherwise be provided by applicable Luxembourg 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 50% of the issued share capital is represented at the meeting. If a quorum is not reached, such meeting may be reconvened at a later date with no quorum requirements by means of the appropriate notification procedures described above. In both cases, the Luxembourg Companies 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 is adopted by a two-thirds majority votes of the Shares represented at the meeting and voted. 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. Directors are elected at ordinary general shareholders' meetings.

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 and may be reappointed or removed by the general shareholders' meeting at any time, with or without cause, by resolution passed by a simple majority vote of the Shares represented and voted at the meeting. In the case of a vacancy occurring in the Board of Directors, the remaining directors may 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 shall expire at the end of the term of office of the director whom such temporary director replaced.

The next Company's annual general shareholders' meeting that will consider, among other things, our audited consolidated financial statements included in this annual report will take place in Luxembourg, on Wednesday May 3, 2017 at 9:30 A.M., Luxembourg time.

The rights of the shareholders attending the meetings are governed by the Luxembourg law of May 24, 2011 on the exercise of certain rights of shareholders in general meetings of listed companies.

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 present, 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. See section titled "Holders of Shares: procedures for attending and voting at one or both Meetings" in the report of foreign issuer (Rules 13a-16 and 15d-16) on Form 6-K, filed by the Company on April 5, 2017, (File No. 0001199073-17-000239), which is incorporated by reference herein.

Holders of ADSs only have those rights that are expressly granted to them in the deposit agreement. See Item 3.D. "Key Information – Risk Factors – Risks Relating to Shares and ADSs – Holders of ADSs may not be able to exercise, or may encounter difficulties in the exercise of, certain rights afforded to shareholders." Holders of record of our ADR 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. See section "Holders of ADRs: procedures for voting at one or both Meetings" in the report of foreign issuer (Rules 13a-16 and 15d-16) on Form 6-K, filed by the Company on April 5, 2017, (File No. 0001199073-17-000239), which is incorporated by reference herein.

**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.

Holders of ADSs may not be able to exercise, or may encounter difficulties in the exercise of, certain rights afforded to shareholders, including appraisal rights. See Item 3.D. "Key Information – Risk Factors – Risks Relating to Shares and ADSs – Holders of ADSs may not be able to exercise, or may encounter difficulties in the exercise of, certain rights afforded to shareholders."

**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 him and the amount paid on each share in the Company's share register. In addition, the Company's articles of association provide that the 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 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 Companies 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. Please see Item 16.E. "Purchase of Equity Securities by the Issuer and Affiliated Purchasers" for more information on the authorization granted by the annual general meeting of shareholders to the Company or its subsidiaries to repurchase Shares of the Company, including Shares represented by ADSs.

**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 their Shares.

### Change in Control

None of our 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 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.

There are no rights associated with the Shares other than those described above.

### Ownership Disclosure

The Company's articles of association do not contain any provision requiring disclosure of share ownership. However, under the Luxembourg Transparency Law investors in the Company's securities should notify the Company and the Luxembourg securities commission on an ongoing basis whenever the proportion of voting rights held or controlled by any such investor reaches, exceeds or falls below any of the following thresholds: 5%, 10%, 15%, 20%, 25%, 33.33%, 50% and 66.66%. Failure to notify the Company and the Luxembourg securities commission of the reaching or crossing of any such thresholds may result in the suspension of the voting rights attaching to the Shares exceeding the threshold which would have had to be notified.

### C. Material Contracts

For a summary of any material contract entered into by us outside the ordinary course of business during the last two years, see Item 4.B. "Information on the Company – Business Overview."

### D. Exchange Controls

Many of the countries which are important markets for us or in which we have substantial assets have histories of substantial government intervention in currency markets, volatile exchange rates and government-imposed currency controls. These include Argentina, Brazil, Indonesia, Mexico, Nigeria and Romania.

*Argentina*

From 2002 through the end of 2015, the Argentine government maintained a "dirty" flotation of the Argentine peso / U.S. dollar exchange rate through frequent interventions in the market. Since December 2015, after a sudden devaluation of the Argentine peso against the U.S. dollar of approximately 34%, the current administration has been endorsing a floating rate environment with limited government intervention. Argentina often experiences high exchange rate volatility. Between 2011 and the end of its term in December 2015, the former administration imposed several formal and informal foreign exchange restrictions affecting the free flow of capital, particularly on payments of dividends, imports of goods and services and royalties. These restrictions changed frequently, driven mainly by the intention of that administration to control the volatility of the Argentine peso/U.S. dollar exchange rate and to try to impede the flight of capital from Argentina. These informal controls on foreign exchange transactions were ended soon after the current administration took office in December 2015 and the formal controls have been gradually deregulated until being almost completely lifted by January 2017. There are currently no amount limits for the purchase of foreign currency by Argentine residents (individuals or legal entities) for investment purposes, either locally or abroad. The only remaining requirements for the purchase of foreign currency to make payments of imports of goods and services, royalties, dividends and foreign financial debt entail compliance with certain Central Bank information systems on foreign indebtedness and direct investments. Repatriation of foreign currency collected by Argentine residents abroad and conversion thereof into Argentine pesos currently only applies to proceeds from exports of goods and repatriation timeframe has been increased to 10 years from the shipment date irrespective of whether the export is made to affiliated or unaffiliated companies. Argentine residents are no longer required to repatriate the proceeds from exports of services.

There can be no assurance that foreign exchange and capital controls will not be reestablished in the future by the Argentine government, or that additional restrictions of that kind will not be imposed, which could expose Tenaris to the risk of losses arising from fluctuations in the exchange rate or affect Tenaris's ability to finance its investments and operations in Argentina or impair Tenaris's ability to convert and transfer outside Argentina funds generated by Siderca, for example, to fund the payment of dividends or to undertake investments and other activities that require offshore payments.

For additional information regarding factors affecting the Argentine economy, see Item 3.D. "Key Information – Risk Factors – 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."

## E. Taxation

The following discussion of the material Luxembourg and U.S. federal income tax consequences of an investment in our ADSs is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This discussion does not address all possible tax consequences relating to an investment in our ADSs, such as the tax consequences under U.S. state and local tax laws.

### Grand Duchy of Luxembourg

This section describes the material Luxembourg tax consequences of owning or disposing of ADSs.

*You should consult your own tax advisor regarding the Luxembourg tax consequences of owning and disposing of Shares or ADSs in your particular circumstances.*

*As used herein, a "Luxembourg individual" means an individual resident in Luxembourg who is subject to personal income tax (impôt sur le revenu) on his or her worldwide income from Luxembourg or foreign sources, and a "Luxembourg corporate holder" means a company (that is, a fully taxable collectivité within the meaning of Article 159 of the Luxembourg Income Tax Law) resident in Luxembourg subject to corporate income tax (impôt sur le revenu des collectivités) and municipal business tax (impôt commercial communal) on its worldwide income from Luxembourg or foreign sources. For the purposes of this summary, Luxembourg individuals and Luxembourg corporate holders are collectively referred to as "Luxembourg Holders". A "non-Luxembourg Holder" means any investor in Shares or ADSs of the Company other than a Luxembourg Holder.*

### Corporate Reorganization

Tenaris S.A. was established as a Luxembourg *société anonyme* holding under Luxembourg's 1929 holding company regime. Until termination of such regime on December 31, 2010, holding companies incorporated under the 1929 regime (including the Company) were exempt from Luxembourg corporate income tax and Luxembourg withholding tax over dividends distributed to shareholders.

On January 1, 2011, the Company became an ordinary *société anonyme* and, effective as from that date, the Company is subject to all applicable Luxembourg taxes, (including, among others, corporate income tax on its worldwide income), and its dividend distributions will generally be subject to Luxembourg withholding tax. However, dividends received by the Company from subsidiaries in high income tax jurisdictions, as defined under Luxembourg law, will continue to be exempt from corporate income tax in Luxembourg under Luxembourg's participation exemption.

In light of the then impending termination of Luxembourg's 1929 holding company regime, in the fourth quarter of 2010, the Company carried out a multi-step corporate reorganization, which included, among other transactions, the contribution of most of the Company's assets and liabilities to a wholly-owned, newly-incorporated Luxembourg subsidiary and the restructuring of indirect holdings in certain subsidiaries. The first phase of the corporate reorganization was completed in December 2010, and resulted in a non-taxable revaluation of the accounting value (under Luxembourg GAAP) of the Company's assets, in accordance with the applicable legal provisions. The second phase of the reorganization was completed in 2011.

Following the completion of the first phase of the corporate reorganization, and upon its conversion into an ordinary Luxembourg holding company, the Company, according to applicable law, recorded a special reserve in its tax balance sheet. Dividend distributions for the foreseeable future will be imputed to the special reserve and therefore should not be subject to Luxembourg withholding tax under current Luxembourg law.

**Tax regime applicable to realized capital gains**

***Luxembourg Holders***

*Luxembourg resident individual holders*

Capital gains realized by Luxembourg resident individuals who do not hold their Shares or ADSs as part of a commercial or industrial business and who hold no more than 10% of the share capital of the Company will only be taxable (at a progressive rate) if they are realized on a sale of Shares or ADSs that takes place within the first six months following their acquisition. After the six months period, capital gains are not taxed unless the resident individual holds more than 10% of the share capital of the Company.

If such Shares or ADSs are held as part of a commercial or industrial business, capital gains would be taxable in the same manner as income from such business.

Capital gains realized by Luxembourg resident individuals holding (together with his/her spouse and underage children) directly or indirectly more than 10% of the capital of the Company [1] at any time during the five years prior to the sale, will be taxable at half of the individual's applicable global tax rate (as determined progressively), if a holding period of six months following their acquisition elapsed. Within the six month period, standard rates apply.

*Luxembourg resident corporate holders*

Capital gains realized upon the disposal of Shares or ADSs by a fully taxable resident corporate holder will in principle be subject to corporate income tax and municipal business tax. The combined applicable rate (including an unemployment fund contribution) is 27.08% for the fiscal years ending 2017 for a corporate holder established in Luxembourg-City. An exemption from such taxes may be available to the Luxembourg resident corporate holder pursuant to Article 1 of the Grand Ducal Decree dated December 21, 2001 as amended, in combination with article 166 of the Luxembourg Income Tax law subject to the fulfillment of the conditions set forth therein.

***Non-Luxembourg Holders***

An individual who is a non-Luxembourg Holder of Shares or ADSs (and who does not have a permanent establishment, a permanent representative or a fixed place of business in Luxembourg) will only be subject to Luxembourg taxation on capital gains arising upon disposal of such Shares or ADSs if such holder has (alone or together with his or her spouse, registered partner and underage children) directly or indirectly held more than 10% of the capital of the Company at any time during the past five years, and either (i) such non-Luxembourg holder has been a resident of Luxembourg for tax purposes for at least 15 years and has become a non-resident within the last five years preceding the realization of the gain, subject to any applicable tax treaty, or (ii) the disposal of Shares or ADSs occurs within six months from their acquisition (or prior to their actual acquisition), subject to any applicable tax treaty.

A corporate non-Luxembourg Holder (that is, a *collectivité* within the meaning of Article 159 of the Luxembourg Income Tax Law), which has a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which Shares or ADSs are attributable, will bear Luxembourg corporate income tax and municipal business tax on a gain realized on a disposal of such Shares or ADSs as set forth above for a Luxembourg corporate holder. However, gains realized on the sale of the Shares or ADSs may benefit from the full exemption provided for by Article 1 of the Grand Ducal Decree dated December 21, 2001 as amended, in combination with article 166 of the Luxembourg Income Tax Law subject in each case to fulfillment of the conditions set out therein.

A corporate non-Luxembourg Holder, which has no permanent establishment in Luxembourg to which the Shares or ADSs are attributable, will bear corporate income tax on a gain realized on a disposal of such Shares or ADSs under the same conditions applicable to an individual non-Luxembourg Holder, as set out above.

1 Or if the Luxembourg resident individuals have received the shares for no consideration within the last 5 years and that the former holder held at least 10% in the capital of the company at any moment during said five years.

**Tax regime applicable to distributions**

***Withholding tax***

Distributions to holders are in principle subject to a 15% withholding tax computed on the gross amount distributed. The rate of the withholding tax may be reduced pursuant to double tax treaty existing between Luxembourg and the country of residence of the relevant holder, subject to the fulfillment of the conditions set forth therein. However, distributions imputed for tax purposes to the special reserve (please see above paragraph "corporate reorganization") should be out of the scope of Luxembourg withholding tax under current tax law.

Nevertheless, no withholding tax applies if the distribution is made to:

- a Luxembourg resident corporate holder (that is, a fully taxable *collectivité* within the meaning of article 159 of the Luxembourg Income Tax Law),
- an undertaking of collective character which is resident of a Member State of the European Union and is referred to by article 2 of the European Union Council Directive of November 30, 2011 concerning the common fiscal regime applicable to parent and subsidiary companies of different member states (2011/96/UE) as amended, (subject to the general anti-abuse rule provided for by Council Directive 2015/121/EU as implemented into Luxembourg law),
- a corporation or a cooperative company resident in Norway, Iceland or Liechtenstein and subject to a tax comparable to corporate income tax as provided by the Luxembourg Income Tax Law,
- a corporation or company resident in Switzerland which is subject to corporate income tax in Switzerland without benefiting from an exemption,
- an undertaking with a collective character subject to a tax comparable to corporate income tax as provided by the Luxembourg Income Tax Law which is resident in a country that has concluded a double tax treaty with Luxembourg, *and*
- a Luxembourg permanent establishment of one of the above-mentioned categories, provided each time that at the date of payment, the holder holds or commits to hold directly (or through a vehicle regarded as tax transparent from a Luxembourg tax perspective), during an uninterrupted period of at least twelve months, Shares or ADSs representing at least 10% of the share capital of the Company or acquired for an acquisition price of at least EUR 1,200,000.

***Luxembourg Holders***

With the exception of Luxembourg corporate holders benefitting from the exemption referred to above, Luxembourg individual holders, and Luxembourg corporate holders subject to Luxembourg corporate tax, must include the distributions paid on the Shares or ADSs in their taxable income, 50% of the amount of such dividends being exempt from tax. The applicable withholding tax can, under certain conditions, entitle the relevant Luxembourg Holder to a tax credit.

**Net wealth tax**

***Luxembourg Holders***

Luxembourg net wealth tax will not be levied on a Luxembourg Holder with respect to the Shares or ADSs held unless (i) the Luxembourg Holder is a legal entity subject to net wealth tax in Luxembourg; or (ii) the Shares or ADSs are attributable to an enterprise or part thereof which is carried on through a permanent establishment, a fixed place of business or a permanent representative in Luxembourg.

Net wealth tax is levied annually at the rate of 0.5% on the net wealth of enterprises resident in Luxembourg, as determined for net wealth tax purposes. The Shares or ADSs may be exempt from net wealth tax subject to the conditions set forth by Paragraph 60 of the Law of October 16, 1934 on the valuation of assets, as amended.

***Non-Luxembourg Holders***

Luxembourg net wealth tax will not be levied on a non-Luxembourg Holder with respect to the Shares or ADSs held unless the Shares or ADSs are attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

***Stamp and registration taxes***

No registration tax or stamp duty will be payable by a holder of Shares or ADSs in Luxembourg solely upon the disposal of Shares or ADSs by sale or exchange.

### *Estate and gift taxes*

No estate or inheritance tax is levied on the transfer of Shares or ADSs upon the death of a holder of Shares or ADSs in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes and no gift tax is levied upon a gift of Shares or ADSs if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

Where a holder of Shares or ADSs is a resident of Luxembourg for tax purposes at the time of his death, the Shares or ADSs are included in its taxable estate for inheritance tax or estate tax purposes.

## United States federal income taxation

This section describes the material U.S. federal income tax consequences to a U.S. holder (as defined below) of owning Shares or ADSs. It applies to you only if you hold your Shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a bank,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- a person who invests through a pass-through entity, including a partnership,
- a life insurance company,
- a person liable for alternative minimum tax,
- a former citizen or long-term resident of the United States,
- a person that actually or constructively owns 10% or more of our voting stock (including ADSs),
- a person that holds Shares or ADSs as part of a straddle or a hedging or conversion transaction,
- a person that purchases or sells Shares or ADSs as part of a wash sale for tax purposes, *or*
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on the Convention between the Government of the Grand Duchy of Luxembourg and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital (the “Treaty”). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the assumption that each obligation in the ADS deposit agreement and any related agreement will be performed in accordance with its terms.

If a partnership holds the Shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Each such partner holding the Shares or ADSs is urged to consult his, her or its own tax advisor.

You are a U.S. holder if you are a beneficial owner of Shares or ADSs and you are, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to U.S. federal income tax regardless of its source, *or*
- a trust if (i) a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

*You should consult your own tax advisor regarding the U.S. federal, state and local and other tax consequences of owning and disposing of Shares or ADSs in your particular circumstances.*

This discussion addresses only U.S. federal income taxation.

In general, and taking into account the earlier assumptions, for U.S. federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the Shares represented by those ADRs. Exchanges of Shares for ADRs, and ADRs for Shares, generally will not be subject to U.S. federal income tax.

***Taxation of dividends***

Under the U.S. federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, if you are a U.S. holder, the gross amount of any distribution we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold Shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the Shares or ADSs generally will be qualified dividend income but there can be no assurance in this regard.

You must generally include any Luxembourg tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you receive it, or, in the case of ADSs, when the depositary receives the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the Shares or ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with U.S. federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

The amount of any dividend paid in foreign currency will equal the U.S. dollar value of the foreign currency received calculated by reference to the exchange rate in effect on the date the dividend is includible in your income, regardless of whether the foreign currency is converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Dividends will be income from sources outside the United States and will, depending on your circumstances, be either “passive” or “general” income for purposes of computing the foreign tax credit allowable to you.

Subject to certain limitations, the Luxembourg tax withheld in accordance with the Treaty and paid over to Luxembourg will be creditable or deductible against your U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a refund of the tax withheld is available to you under Luxembourg law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your U.S. federal income tax liability.

In certain circumstances, if you have held ADSs for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for foreign taxes imposed on dividends that we pay.

The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

***Taxation of capital gains***

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your Shares or ADSs, you will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your Shares or ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

### Additional U.S. Federal Income Tax Considerations

*PFIC rules.* Based on the Company's expected income and assets, we believe that the Shares or ADSs should not be treated as stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If we were to be treated as a PFIC, gain realized on the sale or other disposition of your Shares or ADSs would in general not be treated as capital gain. Furthermore, if you are a U.S. holder, unless you are permitted to elect and you do elect to be taxed annually on a mark-to-market basis with respect to the Shares or ADSs, upon sale or disposition of your Shares or ADSs, you would be treated as if you had realized such gain and certain "excess distributions" ratably over your holding period for the Shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, your Shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your Shares or ADSs. Dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are a PFIC (or are treated as a PFIC with respect to you) either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

### F. Dividends and Paying Agents

Not applicable.

### G. Statement by Experts

Not applicable.

### H. Documents on Display

The Company is required to file annual and special reports and other information with the SEC. You may read and copy any documents filed by the Company at the SEC's public reference room at 100 F Street, N.E., Room 1580 Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains an Internet website at http://www.sec.gov which contains reports and other information regarding registrants that file electronically with the SEC.

The Company is subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, as applied to foreign private issuers. Because the Company is a foreign private issuer, the SEC's rules do not require it to deliver proxy statements or to file quarterly reports. In addition, the Company's "insiders" are not subject to the SEC's rules that prohibit short-swing trading. We prepare quarterly and annual reports containing consolidated financial statements. The Company's annual consolidated financial statements are certified by an independent accounting firm. The Company submits quarterly financial information with the SEC on Form 6-K simultaneously with or promptly following the publication of that information in Luxembourg or any other jurisdiction in which the Company's securities are listed, and the Company files annual reports on Form 20-F within the time period required by the SEC, which is currently four months from the close of the fiscal year on December 31. These quarterly and annual reports may be reviewed at the SEC's public reference room. Reports and other information filed electronically with the SEC are also available at the SEC's Internet website.

As a foreign private issuer under the Securities Act, the Company is not subject to the proxy rules of Section 14 of the Exchange Act or the insider short-swing profit reporting requirements of Section 16 of the Exchange Act.

For the year ended December 31, 2016, the Company's Depositary for issuing ADSs evidencing Shares was Deutsche Bank Trust Company Americas. During the time there continues to be ADSs deposited with the Depositary, the Company will furnish the Depositary with:

- its annual reports, *and*
- copies of all notices of shareholders' meetings and other reports and communications that are made generally available to the Company's shareholders.

The Depositary will, as provided in the deposit agreement and if requested in writing by the Company, arrange for the mailing of such reports, notices and communications to all record holders of ADSs, on a basis similar to that for holders of Shares, or on such other basis as the Company may advise the Depositary may be required by any applicable law or regulation or any requirement of any stock exchange to which the Company may be subject. Any reports and communications, including any proxy solicitation material, shall be furnished in English to the extent such materials are required to be translated into English pursuant to any regulations of the SEC.

Any record holder of ADSs may read the reports, notices, and other communications including any proxy solicitation material at the Depositary's office located at 60 Wall Street, New York, New York 10005.

In addition, such reports, notices and other communications are made available to all shareholders and holders of ADSs on the Company's website at: www.tenaris.com/investors.

Whenever a reference is made in this annual report to a contract or other document, please be aware that such reference is not necessarily complete and that you should refer to the exhibits that are a part of this annual report for a copy of the contract or other document. You may review a copy of the annual report at the SEC's public reference room in Washington, D.C.

### I. Subsidiary Information

Not applicable.

## Item 11. 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, 2016 and 2015 which included fixed and variable interest rate obligations, detailed by maturity date:

| At December 31, 2016 | Expected maturity date | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter | Total (1) |
| | (in millions of U.S. dollars) | | | | | | |
| **Non-current Debt** | | | | | | | |
| Fixed rate | — | 1 | 4 | 3 | 3 | 19 | **30** |
| Floating rate | — | 0 | 0 | 0 | 1 | 0 | **1** |
| **Current Debt** | | | | | | | |
| Fixed rate | 790 | — | — | — | — | — | **790** |
| Floating rate | 18 | — | — | — | — | — | **18** |
| | **809** | **1** | **4** | **3** | **4** | **20** | **840** |

| At December 31, 2015 | Expected maturity date | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Total (1) |
| | (in millions of U.S. dollars) | | | | | | |
| **Non-current Debt** | | | | | | | |
| Fixed rate | — | 201 | 1 | 1 | 1 | 18 | **223** |
| Floating rate | — | 0 | 0 | 0 | 0 | — | **1** |
| **Current Debt** | | | | | | | |
| Fixed rate | 732 | — | — | — | — | — | **732** |
| Floating rate | 16 | — | — | — | — | — | **16** |
| | **748** | **201** | **1** | **1** | **1** | **18** | **972** |

(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 1.97% at December 31, 2016 and to 1.52% at December 31, 2015.

Our financial liabilities (other than trade payables and derivative financial instruments) consist mainly of bank loans. As of December 31, 2016 U.S. dollar denominated financial debt plus debt denominated in other currencies swapped to the U.S. dollar represented 96% 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, 2016, we had variable interest rate debt of $20 million and fixed rate debt of $821 million ($790 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, most of our costs correspond 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 $45 million in 2016, compared with $64 million in 2015.

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, 2016.

*All amounts in millions of U.S. dollars*

| Currency Exposure | Functional currency | Long / (Short) Position |
|---|---|---|
| Argentine Peso | U.S. dollar | (60) |
| Euro | U.S. dollar | (407) |
| U.S. dollar | Brazilian real | 126 |

The main relevant exposures as of December 31, 2016 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 Cash and cash equivalent and Other investments denominated in U.S. dollars at subsidiaries for which the functional currency is the Brazilian real.

*Foreign Currency Derivative Contracts*

The net fair value of our foreign currency derivative contracts amounted to a liability of $40 million at December 31, 2016 and $16 million at December 31, 2015. 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 that 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. 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.

At December 31, 2016, the effective portion of designated cash flow hedges, included in other reserves in shareholders' equity amounted to a loss of $5 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 2016.

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.

## Item 12. Description of Securities Other Than Equity Securities

**A. Debt securities**

Not applicable.

**B. Warrants and Rights**

Not applicable.

**C. Other securities**

Not applicable.

**D. American Depositary Shares**

According to our deposit agreement, holders of ADSs may have to pay to the Depositary, either directly or indirectly, fees or charges up to the amounts set forth below:

- A fee of $5.00 (or less) per 100 ADSs (or portion of 100 ADSs) for: issuance of ADSs, including issuances resulting from a distribution of Shares or rights or other property; and cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates.
- A fee of $0.02 (or less) per ADSs for any cash distribution to ADS registered holders, excluding cash dividend.
- As necessary, charges for taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or Share underlying an ADS (e.g., share transfer taxes, stamp duty or withholding taxes).
- Registration or transfer fees for transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw Shares.
- Expenses of the Depositary for cable, telex and facsimile transmissions (when expressly provided in the deposit agreement); and conversion of foreign currency.
- A fee equivalent to the fee that would be payable if securities distributed to ADS holders had been Shares and the Shares had been deposited for issuance of ADSs for distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS registered holders.
- As necessary, charges for any costs incurred by the Depositary or its agents for servicing the deposited securities.

The Depositary collects its fees for delivery and surrender of ADSs directly from investors depositing Shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Under the deposit agreement with the Depositary, the Depositary is not liable to holders of ADSs, except that the Depositary agrees to perform its obligations specifically set forth therein without gross negligence and willful misconduct.

**Fees Payable by the Depositary to the Company**

*Fees incurred in 2016*

For the year ended December 31, 2016, the Company received $2.5 million in fees from Deutsche Bank Trust Company Americas, as the Company's Depositary, for continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADSs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls), any applicable performance indicators relating to the ADS program, underwriting fees and legal fees.

*Fees to be paid in the future*

Deutsche Bank Trust Company Americas, has agreed to reimburse the Company annually for certain investor relations expenses or other expenses related to the maintenance of the Company's ADR Program, including for its continuing annual stock exchange listing fees, investor relations expenses, legal, accounting (including audit) and advisory expenses in any jurisdiction, expenses related to compliance with federal or state securities laws, marketing and financial advertising expenses, public relations activities, roadshows, conferences or any other expenses related to the Company's ADR Program. There are limits on the amount of expenses for which the Depositary will reimburse the Company, but the amount of reimbursement available to the Company is not necessarily tied to the amount of fees the Depositary collects from investors. The Depositary has also agreed to waive the cost of providing certain administrative and reporting services, which includes preparing and filing U.S. information returns, issuing and mailing dividend checks, mailing shipment of ADRs, preparing periodic reports on the ADR Program, liaising with the Depositary Trust Company, and distributing the Company's reports and communications to holders of ADSs.

## PART II

### Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

### Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

### Item 15. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of December 31, 2016.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2016, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at a reasonable assurance level.

#### Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). 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.

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.

Management conducted its assessment of the effectiveness of our 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 (COSO).

Based on this assessment, management has concluded that Tenaris's internal control over financial reporting, as of December 31, 2016, is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The effectiveness of Tenaris's internal control over financial reporting as of December 31, 2016 has been audited by PwC Luxembourg, as stated in their report included herein. See "—Report of Independent Registered Public Accounting Firm."

#### Attestation Report of Registered Public Accounting Firm

See page F-1 of the audited consolidated financial statements included in this report.

#### Change in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Item 16A. Audit Committee Financial Expert

The Company's board of directors has determined that the audit committee members do not meet the attributes defined in Item 16A of Form 20-F for "audit committee financial experts". However, it has concluded that the membership of the audit committee as a whole has sufficient recent and relevant financial experience to properly discharge its functions. In addition, the audit committee, from time to time and as it deems necessary, engages persons that meet all of the attributes of an "audit committee financial expert" as consultants.

## Item 16B. Code of Ethics

In addition to the general code of conduct incorporating guidelines and standards of integrity and transparency applicable to all of our directors, officers and employees, we have adopted a code of ethics for financial officers which applies 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 codes of conduct and code of ethics is posted on our Internet website at:
www.tenaris.com/en/aboutus/codeofconduct.aspx

## Item 16C. Principal Accountant Fees and Services

*Fees Paid to the Company's Principal Accountant*

In 2016 and 2015, PwC served as the principal external auditor for the Company. Fees payable to PwC in 2016 and 2015 are detailed below.

| | For the year ended December 31, | |
|---|---|---|
| *Thousands of U.S. dollars* | **2016** | **2015** |
| Audit Fees | 3,588 | 4,372 |
| Audit-Related Fees | 64 | 78 |
| Tax Fees | 14 | 25 |
| All Other Fees | 3 | 15 |
| **Total** | 3,669 | 4,490 |

*Audit Fees*

Audit fees were paid for professional services rendered by the 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 for the SEC 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 of the Company and the statutory financial statements of the Company and its subsidiaries and are not reported under the audit fee item above. This item includes fees for attestation services on financial information of the Company and its subsidiaries included in their annual reports that are filed with their respective regulators.

*Tax Fees*

Fees paid for tax compliance professional services.

*All Other Fees*

Other fees paid to PwC include fees for the support in the assessment of processes and certifications.

*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 independent auditors. The audit committee has adopted in its charter a policy of pre-approval of audit and permissible non-audit services provided by its independent auditors.

Under the policy, the audit committee makes its recommendations to the shareholders' meeting concerning the continuing appointment or termination of the Company's independent auditors. On a yearly basis, the audit committee reviews together with management and the independent auditor, the audit plan, audit related services and other non-audit services and approves, *ad-referendum* of the general shareholders' meeting, the related fees. 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 independent auditor.

The audit committee did not approve any fees pursuant to the *de minimis* exception to the pre-approval requirement provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X during 2016 or 2015.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

In 2016, there were no purchases of any class of registered equity securities of the Company by the Company or, to our knowledge, any "affiliated purchaser" (as such term is defined in Rule 10b-18(a)(3) under the Exchange Act).

On May 6, 2015, at the Company's general meeting of shareholders, the Company's shareholders authorized the Company and the Company's subsidiaries to acquire, from time to time, Shares, including shares represented by ADSs, on the following terms and conditions:

- Purchases, acquisitions or receipts of securities may be made in one or more transactions as the Board of Directors or the board of directors or other governing bodies of the relevant entity, as applicable, considers advisable.
- The maximum number of securities acquired pursuant to this authorization may not exceed 10% of the Company's issued and outstanding shares or, in the case of acquisitions made through a stock exchange in which the securities are traded, such lower amount as may not be exceeded pursuant to any applicable laws or regulations of such market. The number of securities acquired as a block may amount to the maximum permitted amount of purchases.
- The purchase price per share to be paid in cash may not exceed 125% (excluding transaction costs and expenses), nor may it be lower than 75% (excluding transaction costs and expenses), in each case of the average of the closing prices of the Company's securities in the stock exchange through which the Company's securities are acquired, during the five trading days in which transactions in the securities were recorded in such stock exchange preceding (but excluding) the day on which the Company's securities are acquired. For over-the-counter or off-market transactions, the purchase price per ADR to be paid in cash may not exceed 125% (excluding transaction costs and expenses), nor may it be lower than 75% (excluding transaction costs and expenses), in each case of the average of the closing prices of the ADSs in the New York Stock Exchange during the five trading days in which transactions in ADSs were recorded in the New York Stock Exchange preceding (but excluding) the day on which the ADSs are acquired; and, in the case of acquisition of securities, other than in the form of ADSs, such maximum and minimum per security purchase prices shall be equal to the prices that would have applied in case of an ADS purchase pursuant to the formula above divided by the number of underlying shares represented by an ADS at the time of the relevant purchase. Compliance with maximum and minimum purchase price requirements in any and all acquisitions made pursuant to this authorization (including, without limitation, acquisitions carried out through the use of derivative financial instruments or option strategies) shall be determined on and as of the date on which the relevant transaction is entered into, irrespective of the date on which the transaction is to be settled.

- The above maximum and minimum purchase prices shall, in the event of a change in the par value of the shares, a capital increase by means of a capitalization of reserves, a distribution of shares under compensation or similar programs, a stock split or reverse stock split, a distribution of reserves or any other assets, the redemption of capital, or any other transaction impacting on the Company's equity, be adapted automatically, so that the impact of any such transaction on the value of the shares shall be reflected.
- The acquisitions of securities may not have the effect of reducing the Company's net assets below the sum of the Company's capital stock plus its undistributable reserves.
- Only fully paid-up securities may be acquired pursuant to this authorization.
- The acquisitions of securities may be carried out for any purpose, as may be permitted under applicable laws and regulations, including without limitation to reduce the share capital of the Company, to offer such shares to third parties in the context of corporate mergers or acquisitions of other entities or participating interests therein, for distribution to the Company's or the Company's subsidiaries' directors, officers or employees or to meet obligations arising from convertible debt instruments.
- The acquisitions of securities may be carried out by any and all means, as may be permitted under applicable laws and regulations, including through any stock exchange in which the Company's securities are traded, through public offers to all shareholders of the Company to buy securities, through the use of derivative financial instruments or option strategies, or in over-the-counter or off-market transactions or in any other manner.
- The acquisitions of securities may be carried out at any time, during the duration of the authorization, including during a tender offer period, as may be permitted under applicable laws and regulations.
- The authorization granted to acquire securities shall be valid for such maximum period as may be provided for under applicable Luxembourg law as in effect from time to time (such maximum period being, as of to date, 5 years).
- The acquisitions of securities shall be made at such times and on such other terms and conditions as may be determined by the Board of Directors or the board of directors or other governing bodies of the relevant entity, provided that, any such purchase shall comply with Article 49-2 et. seq. of the Luxembourg law of August 10, 1915 on commercial companies (or any successor law) and, in the case of acquisitions of securities made through a stock exchange in which the Company's securities are traded, with any applicable laws and regulations of such market.

In the future, we may, on the terms and subject to the conditions above referred, initiate a stock repurchase or similar program or engage in other transactions pursuant to which we would repurchase, directly or indirectly, the Company's securities. In addition, we or our subsidiaries may enter into transactions involving sales or purchases of derivatives or other instruments, either settled in cash or through physical delivery of securities, with returns linked to the Company's securities. The timing and amount of repurchase transactions under any such program, or sales or purchases of derivatives or other instruments, would depend on market conditions as well as other corporate and regulatory considerations.

### Item 16F. Change in Registrant's Certifying Accountant

Not applicable

### Item 16G. Corporate Governance

The Company's corporate governance practices are governed by Luxembourg Law (including, among others, the law of August 10, 1915 on commercial companies, the law of January 11, 2008, implementing the European Union's transparency directive and the law of May 24, 2011, implementing the European Union's directive on the exercise of certain shareholders' rights in general meetings of listed companies) and 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), the Bolsa de Comercio de Buenos Aires (the Buenos Aires 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.

The following is a summary of the significant ways that the Company's corporate governance practices differ from the corporate governance standards required for controlled companies by the NYSE. The Company's corporate governance practices may differ in non-material ways from the standards required by the NYSE that are not detailed here.

**Non-management directors' meetings**

Under NYSE standards, non-management directors must meet at regularly scheduled executive sessions without management present and, if such group includes directors who are not independent, a meeting should be scheduled once per year including only independent directors. Neither Luxembourg law nor the Company's articles of association require the holding of such meetings and the Company does not have a set policy for these meetings. For additional information on board meetings, see Item 6.A. "Directors, Senior Management and Employees – Directors and Senior Management – Board of Directors."

In addition, NYSE-listed companies are required to provide a method for interested parties to communicate directly with the non-management directors as a group. While the Company does not have such a method, it has set up a compliance line for investors and other interested parties to communicate their concerns directly to the members of our audit committee, all of whom are non-management, independent directors.

**Audit committee**

Under NYSE standards, listed U.S. companies are required to have an audit committee composed of independent directors that satisfies the requirements of Rule 10A-3 promulgated under the Exchange Act. The Company's articles of association currently require an audit committee composed of three members, of which at least two must be independent (as defined in the articles of association) and the Company's audit committee complies with such requirements. In accordance with NYSE standards, the Company has an audit committee entirely composed of independent directors. For more information on the Company's audit committee see Item 6.C. "Directors, Senior Management and Employees – Board Practices – Audit Committee."

Under NYSE standards, all audit committee members of listed U.S. companies are required to be financially literate or must acquire such financial knowledge within a reasonable period and at least one of its members shall have experience in accounting or financial administration. In addition, if a member of the audit committee is simultaneously a member of the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its members may serve, then in each case the board must determine whether the simultaneous service would prevent such member from effectively serving on the listed company's audit committee and shall publicly disclose its decision. Luxembourg law provisions on audit committee membership require only that at least one member of the committee have competence in accounting or auditing. The Company's board of directors has concluded that the membership of the audit committee as a whole has sufficient recent and relevant financial experience to properly discharge its functions. In addition, the audit committee, from time to time and as it deems necessary, engages persons that meet all of the attributes of a financial expert as consultants. See Item 16.A. "Audit Committee Financial Expert."

**Standards for evaluating director independence**

Under the NYSE standards, the board is required, on a case by case basis, to express an opinion with regard to the independence or lack of independence of each individual director. Neither Luxembourg law nor the Company's articles of association requires the board to express such an opinion. In addition, the definition of "independent" under the NYSE rules differ in some non-material respects from the definition contained in the Company's articles of association. For information on our independent directors and the definition of "independent" under our articles of association see Item 6.A. "Directors, Senior Management and Employees – Directors and Senior Management – Board of Directors" and Item 6.C. "Directors, Senior Management and Employees – Board Practices – Audit Committee."

**Audit committee responsibilities**

Pursuant to the Company's articles of association, the audit committee shall assist the board of directors in fulfilling its oversight responsibilities relating to the integrity of its consolidated financial statements and system of internal controls and the independence and performance of the independent auditors. The audit committee is required to review material transactions (as defined by our articles of association) between the Company or its subsidiaries with related parties and also perform the other duties entrusted to it by the board. The NYSE requires certain matters to be set forth in the audit committee charter of U.S. listed companies.

The Company's audit committee charter provides for many of the responsibilities that are expected from such bodies under the NYSE standard; however, due to the Company's equity structure and holding company nature, the charter does not contain all such responsibilities, including provisions related to setting hiring policies for employees or former employees of independent auditors, discussion of risk assessment and risk management policies, and an annual performance evaluation of the audit committee. However, our audit committee from time to time monitors the effectiveness of the Company's risk management systems. For more information on our audit committee see Item 6.C. "Directors, Senior Management and Employees – Board Practices – Audit Committee."

**Shareholder voting on equity compensation plans**

Under NYSE standards, shareholders must be given the opportunity to vote on equity-compensation plans and material revisions thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans. The Company does not currently offer equity based compensation to our directors, senior management or employees, and therefore does not have a policy on this matter. For more information on directors' compensation see Item 6.B. "Directors, Senior Management and Employees – Compensation."

**Disclosure of corporate governance guidelines**

NYSE-listed companies must adopt and disclose corporate governance guidelines. Neither Luxembourg law nor the Company's articles of association require the adoption or disclosure of corporate governance guidelines. The Company's board of directors follows corporate governance guidelines consistent with its equity structure and holding company nature, but the Company has not codified them and therefore does not disclose them on its website.

**Code of business conduct and ethics**

Under NYSE standards, listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Neither Luxembourg law nor the Company's articles of association require the adoption or disclosure of such a code of conduct. The Company, however, has adopted a code of conduct that applies to all directors, officers and employees that is posted on its website and which complies with the NYSE's requirements, except that it does not require the disclosure of waivers of the code for directors and officers. In addition, it has adopted a supplementary code of ethics for senior financial officers, which is also posted on our website. See Item 16.B. "Code of Ethics."

**Chief executive officer certification**

A chief executive officer of a U.S. company listed on the NYSE must annually certify that he or she is not aware of any violation by the company of NYSE corporate governance standards. In accordance with NYSE rules applicable to foreign private issuers, the Company's chief executive officer is not required to provide the NYSE with this annual compliance certification. However, in accordance with NYSE rules applicable to all listed companies, the Company's chief executive officer must promptly notify the NYSE in writing after any of our executive officers becomes aware of any noncompliance with any applicable provision of the NYSE's corporate governance standards. In addition, the Company must submit an executed written affirmation annually and an interim written affirmation upon the occurrence of any of the events listed in the foreign private issuer interim written affirmation form by the NYSE.

## Item 16H. Mine Safety Disclosure

Not applicable.

# PART III

## Item 17. Financial Statements

We have responded to Item 18 in lieu of responding to this Item.

## Item 18. Financial Statements

See pages F-1 through F-57 of this annual report.

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## Item 19. Exhibits

| Exhibit Number | Description |
|---|---|
| 1.1 | Updated and Consolidated Articles of Association of Tenaris S.A., dated as of May 6, 2015* |
| 2.1 | Amended and Restated Deposit Agreement entered into between Tenaris S.A. and Deutsche Bank Trust Company Americas ** |
| 7.1 | Statement Explaining Calculation of Ratios |
| 7.2 | Statement Explaining Alternative Performance Measures |
| 8.1 | List of Subsidiaries of Tenaris S.A. |
| 12.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 12.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 13.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 13.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

* Incorporated by reference to the Annual Report on Form 20-F, filed by Tenaris S.A. on June 1, 2015 (File No. 001-31518- 15904531)

** The Amended and Restated Deposit Agreement is incorporated by reference to the Registration Statement on Form F-6 filed by Tenaris S.A. on February 25, 2013 (File No. 333-186825).

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## SIGNATURES

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

May 1, 2017

TENARIS S.A.

| | |
|---|---|
| By | /s/ Edgardo Carlos |
| Name: | Edgardo Carlos |
| Title: | Chief Financial Officer |

EXHIBIT INDEX

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| 13.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 13.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

* Incorporated by reference to the Annual Report on Form 20-F, filed by Tenaris S.A. on June 1, 2015 (File No. 001-31518- 15904531)

** The Amended and Restated Deposit Agreement is incorporated by reference to the Registration Statement on Form F-6 filed by Tenaris S.A. on February 25, 2013 (File No. 333-186825).

# TENARIS S.A.

## CONSOLIDATED
## FINANCIAL STATEMENTS

**For the years ended December 31, 2016, 2015 and 2014**

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

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of
**Tenaris S.A.**

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of income, comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of Tenaris S.A. and its subsidiaries at 31 December 2016 and 31 December 2015, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2016 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of 31 December 2016, based on criteria established in Internal Control – Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's report on internal control over financial reporting" appearing under Item 15. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

*PricewaterhouseCoopers, Société coopérative, , 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg*
*T : +352 494848 1, F : +352 494848 2900, www.pwc.lu*

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 1 May 2017

/s/ Fabrice Goffin
Fabrice Goffin

## CONSOLIDATED INCOME STATEMENT

| (all amounts in thousands of US dollars, unless otherwise stated) | Notes | Year ended December 31, 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Net sales | 1 | 4,293,592 | 6,903,123 | 10,141,459 |
| Cost of sales | 2 | (3,165,684) | (4,747,760) | (6,140,415) |
| **Gross profit** | | **1,127,908** | **2,155,363** | **4,001,044** |
| Selling, general and administrative expenses | 3 | (1,196,929) | (1,593,597) | (1,932,778) |
| Other operating income | 5 | 21,127 | 14,603 | 27,855 |
| Other operating expenses | 5 | (11,163) | (410,574) | (215,589) |
| **Operating (loss) income** | | **(59,057)** | **165,795** | **1,880,532** |
| Finance Income | 6 | 66,204 | 34,574 | 38,211 |
| Finance Cost | 6 | (22,329) | (23,058) | (44,388) |
| Other financial results | 6 | (21,921) | 3,076 | 39,575 |
| **(Loss) income before equity in earnings of non-consolidated companies and income tax** | | **(37,103)** | **180,387** | **1,913,930** |
| Equity in earnings (losses) of non-consolidated companies | 7 | 71,533 | (39,558) | (164,616) |
| **Income before income tax** | | **34,430** | **140,829** | **1,749,314** |
| Income tax | 8 | (17,102) | (234,384) | (580,431) |
| **Income (Loss) for continuing operations** | | **17,328** | **(93,555)** | **1,168,883** |
| **Discontinued operations** | | | | |
| Result for discontinued operations | 28 | 41,411 | 19,130 | 12,293 |
| **Income (loss) for the period** | | **58,739** | **(74,425)** | **1,181,176** |
| **Attributable to:** | | | | |
| Owners of the parent | | 55,298 | (80,162) | 1,158,517 |
| Non-controlling interests | | 3,441 | 5,737 | 22,659 |
| | | **58,739** | **(74,425)** | **1,181,176** |
| **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 |
| **Continuing operations** | | | | |
| Basic and diluted earnings (losses) per share (U.S. dollars per share) | | 0.01 | (0.08) | 0.97 |
| Basic and diluted earnings (losses) per ADS (U.S. dollars per ADS) (*) | | 0.02 | (0.17) | 1.94 |
| **Continuing and discontinued operations** | | | | |
| Basic and diluted earnings (losses) per share (U.S. dollars per share) | | 0.05 | (0.07) | 0.98 |
| Basic and diluted earnings (losses) per ADS (U.S. dollars per ADS) (*) | | 0.09 | (0.14) | 1.96 |

(*) Each ADS equals two shares.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (all amounts in thousands of U.S. dollars) | Year ended December 31, 2016 | 2015 | 2014 |
|---|---|---|---|
| **Income (loss) for the year** | 58,739 | (74,425) | 1,181,176 |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Currency translation adjustment | 37,187 | (256,260) | (197,711) |
| Change in value of cash flow hedges | (7,525) | 10,699 | (8,036) |
| Change in value of available for sale financial instruments | — | 2,486 | (2,447) |
| Share of other comprehensive income of non-consolidated companies: | | | |
| - Currency translation adjustment | 3,473 | (92,914) | (54,688) |
| - Changes in the fair value of derivatives held as cash flow hedges and others | 421 | (3,790) | 60 |
| Income tax related to cash flow hedges and available for sale financial instruments | (23) | (284) | 400 |
| | **33,533** | **(340,063)** | **(262,422)** |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurements of post employment benefit obligations | (230) | 14,181 | 1,850 |
| Income tax on items that will not be reclassified | (1,760) | (4,242) | (513) |
| Remeasurements of post employment benefit obligations of non-consolidated companies | (5,475) | (449) | (3,917) |
| | **(7,465)** | **9,490** | **(2,580)** |
| **Other comprehensive income (loss) for the year, net of tax** | **26,068** | **(330,573)** | **(265,002)** |
| **Total comprehensive income (loss) for the year** | **84,807** | **(404,998)** | **916,174** |
| **Attributable to:** | | | |
| Owners of the parent | 81,702 | (410,187) | 894,929 |
| Non-controlling interests | 3,105 | 5,189 | 21,245 |

| | | | |
|---|---|---|---|
| | **84,807** | **(404,998)** | **916,174** |
| **Total comprehensive income (loss) for the year attributable to Owners of the parent arises from** | | | |
| Continuing operations | 40,291 | (429,317) | 882,636 |
| Discontinued operations | 41,411 | 19,130 | 12,293 |
| | **81,702** | **(410,187)** | **894,929** |

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) | Notes | At December 31, 2016 | | At December 31, 2015 | |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment, net | **10** | 6,001,939 | | 5,672,258 | |
| Intangible assets, net | **11** | 1,862,827 | | 2,143,452 | |
| Investments in non-consolidated companies | **12** | 557,031 | | 490,645 | |
| Available for sale assets | **31** | 21,572 | | 21,572 | |
| Other investments | **18** | 249,719 | | 394,746 | |
| Deferred tax assets | **20** | 144,613 | | 200,706 | |
| Receivables, net | **13** | 197,003 | 9,034,704 | 220,564 | 9,143,943 |
| **Current assets** | | | | | |
| Inventories, net | **14** | 1,563,889 | | 1,843,467 | |
| Receivables and prepayments, net | **15** | 124,715 | | 148,846 | |
| Current tax assets | **16** | 140,986 | | 188,180 | |
| Trade receivables, net | **17** | 954,685 | | 1,135,129 | |
| Other investments | **18** | 1,633,142 | | 2,140,862 | |
| Cash and cash equivalents | **18** | 399,737 | 4,817,154 | 286,547 | 5,743,031 |
| Assets of disposal group classified as held for sale | **28** | | 151,417 | | |
| **Total assets** | | | **14,003,275** | | **14,886,974** |
| **EQUITY** | | | | | |
| Capital and reserves attributable to owners of the parent | | | 11,287,417 | | 11,713,344 |
| Non-controlling interests | | | 125,655 | | 152,712 |
| **Total equity** | | | **11,413,072** | | **11,866,056** |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | **19** | 31,542 | | 223,221 | |
| Deferred tax liabilities | **20** | 550,657 | | 750,325 | |
| Other liabilities | **21(i)** | 213,617 | | 231,176 | |
| Provisions | **22(ii)** | 63,257 | 859,073 | 61,421 | 1,266,143 |
| **Current liabilities** | | | | | |
| Borrowings | **19** | 808,694 | | 748,295 | |
| Current tax liabilities | **16** | 101,197 | | 136,018 | |
| Other liabilities | **21(ii)** | 183,887 | | 222,842 | |
| Provisions | **23(ii)** | 22,756 | | 8,995 | |
| Customer advances | | 39,668 | | 134,780 | |
| Trade payables | | 556,834 | 1,713,036 | 503,845 | 1,754,775 |
| Liabilities of disposal group classified as held for sale | **28** | | 18,094 | | |
| **Total liabilities** | | | **2,590,203** | | **3,020,918** |
| **Total equity and liabilities** | | | **14,003,275** | | **14,886,974** |

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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital (1) | Legal Reserves | Share Premium | Currency Translation Adjustment | Other Reserves (2) | Retained Earnings (3) | Total | Non-controlling interests | Total |
| **Balance at December 31, 2015** | **1,180,537** | **118,054** | **609,733** | **(1,006,767)** | **(298,682)** | **11,110,469** | **11,713,344** | **152,712** | **11,866,056** |
| **Income for the year** | **—** | **—** | **—** | **—** | **—** | **55,298** | **55,298** | **3,441** | **58,739** |
| Currency translation adjustment | — | — | — | 37,339 | — | — | **37,339** | (152) | **37,187** |
| Remeasurements of post employment benefit obligations, net of taxes | — | — | — | — | (1,781) | — | **(1,781)** | (209) | **(1,990)** |
| Change in value of available for sale financial instruments and cash flow hedges net of tax | — | — | — | — | (7,573) | — | **(7,573)** | 25 | **(7,548)** |
| Share of other comprehensive income of non-consolidated companies | — | — | — | 3,473 | (5,054) | — | **(1,581)** | — | **(1,581)** |
| **Other comprehensive income (loss) for the year** | **—** | **—** | **—** | **40,812** | **(14,408)** | **—** | **26,404** | **(336)** | **26,068** |
| **Total comprehensive income (loss) for the year** | **—** | **—** | **—** | **40,812** | **(14,408)** | **55,298** | **81,702** | **3,105** | **84,807** |
| Acquisition of non-controlling interests | — | — | — | — | 2 | — | **2** | (1,073) | **(1,071)** |
| Dividends paid in cash | — | — | — | — | — | (507,631) | **(507,631)** | (29,089) | **(536,720)** |
| **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** |

(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, 2016 there were 1,180,536,830 shares issued. All issued shares are fully paid.
(2) Other reserves include mainly the result of transactions with non-controlling interest that do not result in a loss of control, the remeasurement of post-employment benefit obligations and the changes in value of cash flow hedges and in available for sale financial instruments.
(3) The Distributable Reserve and Retained Earnings calculated according to Luxembourg Law are disclosed in Note 25.

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

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont.)

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

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital (1) | Legal Reserves | Share Premium | Currency Translation Adjustment | Other Reserves (2) | Retained Earnings | Total | Non-controlling interests | Total |
| **Balance at December 31, 2014** | 1,180,537 | 118,054 | 609,733 | (658,284) | (317,799) | 11,721,873 | 12,654,114 | 152,200 | 12,806,314 |
| **(Loss) income for the year** | — | — | — | — | — | (80,162) | (80,162) | 5,737 | (74,425) |
| Currency translation adjustment | — | — | — | (255,569) | — | — | **(255,569)** | (691) | **(256,260)** |
| Remeasurements of post employment benefit obligations, net of taxes | — | — | — | — | 10,213 | — | **10,213** | (274) | **9,939** |
| Change in value of available for sale financial instruments and cash flow hedges net of tax | — | — | — | — | 12,484 | — | **12,484** | 417 | **12,901** |
| Share of other comprehensive income of non-consolidated companies | — | — | — | (92,914) | (4,239) | — | **(97,153)** | — | **(97,153)** |
| **Other comprehensive (loss) income for the year** | **—** | **—** | **—** | **(348,483)** | **18,458** | **—** | **(330,025)** | **(548)** | **(330,573)** |
| **Total comprehensive (loss) income for the year** | — | — | — | **(348,483)** | **18,458** | **(80,162)** | **(410,187)** | **5,189** | **(404,998)** |
| Acquisition of non-controlling interests | — | — | — | — | 659 | — | **659** | (1,727) | **(1,068)** |
| Dividends paid in cash | — | — | — | — | — | (531,242) | **(531,242)** | (2,950) | **(534,192)** |
| **Balance at December 31, 2015** | **1,180,537** | **118,054** | **609,733** | **(1,006,767)** | **(298,682)** | **11,110,469** | **11,713,344** | **152,712** | **11,866,056** |

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital (1) | Legal Reserves | Share Premium | Currency Translation Adjustment | Other Reserves (2) | Retained Earnings | Total | Non-controlling interests | Total |
| **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 year** | — | — | — | — | — | 1,158,517 | 1,158,517 | 22,659 | 1,181,176 |
| Currency translation adjustment | — | — | — | (196,852) | — | — | **(196,852)** | (859) | **(197,711)** |
| Remeasurements of post employment benefit obligations, net of taxes | — | — | — | — | 1,503 | — | **1,503** | (166) | **1,337** |
| Change in value of available for sale financial instruments and cash flow hedges net of tax | — | — | — | — | (9,694) | — | **(9,694)** | (389) | **(10,083)** |
| Share of other comprehensive income of non-consolidated companies | — | — | — | (54,688) | (3,857) | — | **(58,545)** | — | **(58,545)** |
| **Other comprehensive (loss) income for the year** | **—** | **—** | **—** | **(251,540)** | **(12,048)** | **—** | **(263,588)** | **(1,414)** | **(265,002)** |
| **Total comprehensive income for the year** | — | — | — | **(251,540)** | **(12,048)** | **1,158,517** | **894,929** | **21,245** | **916,174** |
| Acquisition of non-controlling interests | — | — | — | — | 7 | — | **7** | (152) | **(145)** |
| Dividends paid in cash | — | — | — | — | — | (531,242) | **(531,242)** | (48,339) | **(579,581)** |
| **Balance at December 31, 2014** | **1,180,537** | **118,054** | **609,733** | **(658,284)** | **(317,799)** | **11,721,873** | **12,654,114** | **152,200** | **12,806,314** |

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

(2) Other reserves include mainly the result of transactions with non-controlling interest that do not result in a loss of control, the remeasurement of post-employment benefit obligations and the changes in value of cash flow hedges and in 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) | Notes | Year ended December 31, 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Income (loss) for the year | | 58,739 | (74,425) | 1,181,176 |
| Adjustments for: | | | | |
| Depreciation and amortization | **10 & 11** | 662,412 | 658,778 | 615,629 |
| Impairment charge | **5** | — | 400,314 | 205,849 |
| Income tax accruals less payments | **27(ii)** | (128,079) | (91,080) | 79,062 |
| Equity in (earnings) losses of non-consolidated companies | **7** | (71,533) | 39,558 | 164,616 |
| Interest accruals less payments, net | **27(iii)** | (40,404) | (1,975) | (37,192) |
| Changes in provisions | | 15,597 | (20,678) | (4,982) |
| Changes in working capital | **27(i)** | 348,199 | 1,373,985 | (72,066) |
| Other, including currency translation adjustment | | 18,634 | (69,473) | (88,025) |
| **Net cash provided by operating activities** | | **863,565** | **2,215,004** | **2,044,067** |
| **Cash flows from investing activities** | | | | |
| Capital expenditures | **10 & 11** | (786,873) | (1,131,519) | (1,089,373) |
| Changes in advance to suppliers of property, plant and equipment | | 50,989 | 49,461 | (63,390) |
| Investment in non-consolidated companies | **12** | (17,108) | (4,400) | (1,380) |
| Acquisition of subsidiaries and non-consolidated companies | **26** | — | — | (28,060) |
| Loan to non-consolidated companies | **12 c** | (42,394) | (22,322) | (21,450) |
| Proceeds from disposal of property, plant and equipment and intangible assets | | 23,609 | 10,090 | 11,156 |
| Dividends received from non-consolidated companies | **12** | 20,674 | 20,674 | 17,735 |
| Changes in investments in securities | | 652,755 | (695,566) | (611,049) |
| **Net cash used in investing activities** | | **(98,348)** | **(1,773,582)** | **(1,785,811)** |
| **Cash flows from financing activities** | | | | |
| Dividends paid | **9** | (507,631) | (531,242) | (531,242) |
| Dividends paid to non-controlling interest in subsidiaries | | (29,089) | (2,950) | (48,339) |
| Acquisitions of non-controlling interests | | (1,071) | (1,068) | (145) |
| Proceeds from borrowings (*) | | 1,180,727 | 2,064,218 | 3,046,837 |
| Repayments of borrowings (*) | | (1,295,560) | (2,063,992) | (2,890,717) |
| **Net cash used in financing activities** | | **(652,624)** | **(535,034)** | **(423,606)** |
| **Increase (decrease) in cash and cash equivalents** | | **112,593** | **(93,612)** | **(165,350)** |
| **Movement in cash and cash equivalents** | | | | |
| At the beginning of the year | | 286,198 | 416,445 | 598,145 |
| Effect of exchange rate changes | | (211) | (36,635) | (16,350) |
| Increase (decrease) in cash and cash equivalents | | 112,593 | (93,612) | (165,350) |
| **At December 31,** | **27(iv)** | **398,580** | **286,198** | **416,445** |

| | | At December 31, 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Cash and bank deposits | | 399,900 | 286,547 | 417,645 |
| Bank overdrafts | **19** | (1,320) | (349) | (1,200) |
| | | **398,580** | **286,198** | **416,445** |

(*) Mainly related to the renewal of short-term facilities carried out during the years 2016, 2015 and 2014.

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 Tenaris S.A. and its consolidated subsidiaries. A list of the principal Company’s subsidiaries is included in Note 30 to these Consolidated Financial Statements.

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 Financial Statements were approved for issuance by the Company’s Board of Directors on February 22, 2017.

## 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 adopted by the European Union, under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and plan assets measured 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, 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 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 28, 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 the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting dates, and the reported amounts of revenues and expenses during the reporting years. Actual results may differ from these estimates.

*(1) New and amended standards not yet adopted 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 on annual periods beginning on or after January 1, 2018.

*IFRS 9, “Financial instruments”*

In July 2014, the IASB issued IFRS 9, “Financial instruments”, which replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities, as well as an expected credit losses model that replaces the current incurred loss impairment model. IFRS 9 must be applied on annual periods beginning on or after January 1, 2018.

**A Basis of presentation (Cont.)**

*(1) New and amended standards not yet adopted and relevant for Tenaris (Cont.)*

These standards are not effective for the financial year beginning January 1, 2016 and have not been early adopted.

These standards were endorsed by the EU.

The Company's management is currently assessing the potential impact that the application of these standards may have on the Company's financial condition or results of operations. The management does not expect these standards to have a significant impact on the classification and measurement of its assets and liabilities.

Others accounting pronouncements issued during 2016 and as of the date of these Consolidated Financial Statements have no material effect on the Company's financial condition or result of operations.

*(2) New and amended standards adopted for Tenaris*

The Amendment to IAS 1, "Presentation of financial statements" on the disclosure initiative, has been applied on the year starting January 1, 2016, with no significant impact on the Company's Consolidated Financial Statements.

**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 purchase 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 given, 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.

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.

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* .

**B Group accounting (Cont.)**

*(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.

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 reserves is recognized in the Consolidated Statement of Changes in Equity under *Other Reserves.*

At December 31, 2016, 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.

At December 31, 2016, Tenaris holds through its Brazilian subsidiary Confab Industrial S.A. ("Confab"), 5.2% of the shares with voting rights and 3.08% of Siderúrgicas de Minas Gerais S.A. Usiminas ("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. The rights of Ternium and its subsidiaries and Confab within the Ternium – Tenaris Group are governed under a separate shareholders agreement. Those circumstances evidence that Tenaris has significant influence over Usiminas, consequently, accounted it for under the equity method (as defined by IAS 28).

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 (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, 2016 Tenaris owns 36.5 million ordinary shares and 1.3 million preferred shares of Usiminas.

Tenaris carries its investment in Ternium and Usiminas 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, such as a significant or prolonged decline in fair value below the carrying value. At December 31, 2016, 2015 and 2014, no impairment provisions were recorded on Tenaris's investment in Ternium while in 2014 and 2015, impairment charges were recorded on Tenaris's investment in Usiminas. See Note 7 and 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, 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.

Tenaris groups 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 considers 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.

**D Foreign currency translation (Cont.)**

*(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. Translation differences in non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the "fair value gain or loss," while translation differences on non-monetary financial assets such as equities classified as available for sale are included in the "available for sale reserve" in equity. Tenaris had no such assets or liabilities for any of the periods presented.

*(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 end-of-year 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.

**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 group and the investment enhances the condition of assets beyond its original condition. The carrying amount of the replaced part is derecognized. Ordinary maintenance expenses on manufacturing properties are recorded as cost of products sold in the year in which they are incurred.

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.

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.

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 2016, 2015 and 2014.

**E Property, plant and equipment (Cont.)**

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 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 subsidiary or group of subsidiaries 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.

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 "Intangible Assets", did not materially affect depreciation expenses for 2016, 2015 and 2014.

*(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, 2016 and 2015, 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 depreciation expenses for 2016, 2015 and 2014.

*(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 2016, 2015 and 2014 totaled $68.6 million, $89.0 million and $106.9 million, respectively.

**F Intangible assets**

*(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.

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 expected life of approximately 14 years for Maverick and 10 years for Hydril.

In 2015 the Company reviewed the useful life of Prudential’s customer relationships, related to Maverick acquisition, and decided to reduce the remaining amortization period from 5 years to 2 years.

As of December 2016 the residual value of Maverick and Hydril customer relationships amount to $308 million and $17 million and the residual useful life is 4 years and 1 year respectively.

**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 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, competitive environment, 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 to sell. 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 to sell, 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 to sell, 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.

**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 has both the ability and the intention to hold to maturity have been categorized as held to maturity financial assets. They are carried at amortized cost and the results are recognized in *Financial Results* in the Consolidated Income Statement using the effective interest method. Held to maturity instruments with maturities greater than 12 months after the balance sheet date are included in the non-current assets.

All other investments in financial instruments and time deposits are categorized as financial assets "at fair value through profit or loss" because such investments are both (i) held for trading and (ii) designated as such upon initial recognition because they are managed 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 and utilities (based on FIFO method) and other direct costs and related production overhead costs, and it excludes borrowing costs. 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 at year end are valued based on supplier's invoice cost.

Tenaris establishes an allowance for obsolete or slow-moving inventory 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.

**J Trade and other receivables**

Trade and other receivables are recognized initially at fair value, generally the original invoice amount. Tenaris analyzes its trade receivables on a regular basis and, when aware of a specific counterparty's difficulty or inability to meet its obligations, impairs any amounts due by means of a charge to an allowance for doubtful accounts. In addition, trade accounts receivable overdue by more than 180 days and which are not covered by a credit collateral, guarantee, insurance or similar surety, are fully provisioned.

**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, 2016, 2015 and 2014 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.

**N Current and Deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Consolidated Income Statement, except for tax items recognized in the Consolidated Statement of Other Comprehensive Income.

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 fair value adjustments of assets acquired in business combinations, the effect of currency translation on depreciable fixed assets and inventories, depreciation on property, plant and equipment, valuation of inventories and provisions for pension plans. 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 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.

**O Employee benefits**

*(1) 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.

Actuarial 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 expense 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.
- 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.
- Funded retirement benefit plans held in Canada for salary and hourly employees hired prior 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.
- 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 that offers limited medical and life insurance benefits to the retirees, hired before a certain date.

**O Employee benefits (Cont.)**

*(2) 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. Units vest ratably over a period of four years and will be redeemed by the Company ten years after grant date, with the option of an early redemption at seven years after grant date. As the cash 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, 2016 and 2015, the outstanding liability corresponding to the Program amounts to $78.7 million and $84.0 million, respectively. The total value of the units granted to date under the program, considering the number of units and the book value per share as of December 31, 2016 and 2015, is $92.9 million and $105.3 million, respectively.

*(3) Other compensation obligations*

Employee entitlements to annual leave and long-service leave 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 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 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.

**Q Trade payables**

Trade payables are recognized initially at fair value, generally the nominal invoice amount.

**R Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Tenaris's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

Tenaris's products and services are sold based upon purchase orders, contracts or upon other persuasive evidence of an arrangement with customers, including that the sales price is known or determinable. Sales are recognized as revenue upon delivery, when neither continuing managerial involvement nor effective control over the products is retained by Tenaris and when collection is reasonably assured. Delivery is defined by the transfer of risk and may include delivery to a storage facility located at one of the Company's subsidiaries. For bill and hold transactions revenue is recognized only to the extent (a) it is highly probable delivery will be made; (b) the products have been specifically identified and are ready for delivery; (c) the sales contract specifically acknowledges the deferred delivery instructions; (d) the usual payment terms apply.

**R Revenue recognition (Cont.)**

The percentage of total sales that were generated from bill and hold arrangements for products located in Tenaris's storage facilities that have not been shipped to customers amounted to 2.8%, 3.0% and 1.2% as of December 31, 2016, 2015 and 2014, respectively. The Company has not experienced any material claims requesting the cancellation of bill and hold transactions.

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

- Construction contracts (mainly applicable to Tenaris Brazilian subsidiaries and amounted to 37 million, 0.86% of total sales). The revenue recognition of the contracts follows the IAS 11 "Construction Contracts" guidance, that means, when the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion (measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract).
- Interest income: on the effective yield basis.
- Dividend income from investments in other companies: when Tenaris's right to receive payment is established.

**S Cost of sales and sales expenses**

Cost of sales and sales expenses are recognized in the Consolidated Income Statement on the accrual basis of accounting.

Commissions, freight 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.

**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. Tenaris's non derivative financial instruments are classified into the following categories:

- Financial instruments at fair value through profit and loss: comprise mainly Other Investments expiring in less than ninety days from the measurement date (included within cash and cash equivalents) and investments in certain financial debt instruments and time deposits held for trading.
- Loans and receivables: comprise cash and cash equivalents, trade receivables and other receivables and are measured at amortized cost using the effective interest rate method less any impairment.
- Available for sale assets: comprise the Company's interest in the Venezuelan Companies (see Note 31).
- Held to maturity: comprise financial assets that the Company has both the ability and the intention to hold to maturity. They are measured at amortized cost using the effective interest method.
- Other financial liabilities: comprise borrowings, trade and other payables and are measured at amortized cost using the effective interest rate method.

The categorization depends on the nature and purpose that the Company sets to the financial instrument.

Financial assets and liabilities are recognized and derecognized on their settlement date.

Accounting for derivative financial instruments and hedging activities is included within the Section III, Financial Risk Management.

## 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, the management evaluates exposures on a consolidated basis, taking advantage of logical 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. The Company's objectives, policies and processes for managing these risks remained unchanged during 2016.

### 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 0.07 as of December 31, 2016 and 0.08 as of December 31, 2015. 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 Derivative financial instruments).

Tenaris does not enter into derivative financial instruments for trading or other speculative purposes, other than non-material investments in structured products.

Because certain subsidiaries have 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 out of 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, 2016 and 2015:

| All amounts Long / (Short) in thousands of U.S. dollars | As of December 31, | |
|---|---|---|
| Currency Exposure / Functional currency | 2016 | 2015 |
| Argentine Peso / U.S. Dollar | (60,204) | (73,399) |
| Euro / U.S. Dollar | (406,814) | (334,831) |
| U.S. Dollar / Brazilian Real | 125,880 | 66,826 |

**A. Financial Risk Factors (Cont.)**

*(ii) Foreign exchange risk (Cont.)*

The main relevant exposures correspond to:

- Argentine Peso / U.S. dollar

  As of December 31, 2016 and 2015 consisting primarily of Argentine Peso-denominated financial, trade, social and fiscal payables at certain Argentine subsidiaries which 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 $0.6 million and $0.7 million as of December 31, 2016 and 2015, respectively.

- Euro / U.S. dollar

  As of December 31, 2016 and 2015, consisting primarily of Euro-denominated intercompany liabilities at certain subsidiaries which 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 $4.1 million and $3.3 million as of December 31, 2016 and 2015, respectively, which would have been to a large extent offset by changes in currency translation adjustment included in Tenaris's net equity position.

- U.S. dollar / Brazilian Real

  As of December 31, 2016 consisting primarily of Cash and cash equivalent and Other investments denominated in U.S. dollar at subsidiaries which functional currency is the Brazilian real. A change of 1% in the BRL/USD exchange rate would generate a pre-tax gain / loss of $1.3 million and $0.7 million in December 31, 2016 and 2015, respectively (including a gain / loss of $0.5 million in 2016 and $0.7 million in 2015 due to foreign exchange derivative contracts entered to preserve the U.S. dollar value of trade receivables and cash denominated in Brazilian Real), which would have been to a large extent offset by changes in currency translation adjustment included in Tenaris's net equity position.

Considering the balances held as of December 31, 2016 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 $6.6 million (including a loss / gain of $4.0 million due to foreign exchange derivative contracts), which would be partially offset by changes to Tenaris's net equity position of $4.2 million. For balances held as of December 31, 2015, 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 $5.1 million (including a loss / gain of $5.3 million due to foreign exchange derivative contracts), which would have been partially offset by changes to Tenaris's net equity position of $3.9 million.

*(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. From time to time, 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, | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Amount in thousands of U.S. dollars | % | Amount in thousands of U.S. dollars | % |
| Fixed rate | 820,600 | 98% | 954,681 | 98% |
| Variable rate | 19,636 | 2% | 16,835 | 2% |
| **Total (*)** | **840,236** | | **971,516** | |

(*) As of December 31, 2016 approximately 66% of the total debt balance corresponded to fixed-rate borrowings where the original period was nonetheless equal to or less than 360 days. This compares to approximately 59% of the total outstanding debt balance as of December 31, 2015.

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 $8.8  million in 2016 and $10.8 million in 2015.

**A. Financial Risk Factors (Cont.)**

*(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 2016, 2015 and 2014.

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, 2016 and 2015 trade receivables amount to $954,7 million and $1,135.1 million respectively. Trade receivables have guarantees under credit insurance of $222.1 million and $325.1 million, letter of credit and other bank guarantees of $117.8 million and $20.5 million, and other guarantees of $15.6 million and $7.9 million as of December 31, 2016 and 2015 respectively.

As of December 31, 2016 and 2015 past due trade receivables amounted to $249.0 million and $333.8 million, respectively. Out of those amounts $83.1 million and $84.9 million are guaranteed trade receivables while $85.7 million and $101.5 million are included in the allowance for doubtful accounts. 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 82% of Tenaris's liquid financial assets correspond to Investment Grade-rated instruments as of December 31, 2016, in comparison with approximately 92% as of December 31, 2015.

*(vi) Liquidity risk*

Tenaris financing strategy aims to maintain adequate financial resources and access to additional liquidity. During 2016, 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 16% of total assets at the end of 2016 compared to 19% at the end of 2015.

Tenaris has a conservative approach to the management of its liquidity, which consists of cash in banks, liquidity funds and short-term investments mainly with a maturity of less than three months at the date of purchase.

Tenaris holds primarily investments in money market funds and variable or fixed-rate securities from investment grade issuers. As of December 31, 2016 and 2015, 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, 2016 and 2015, U.S. dollar denominated liquid assets represented approximately 95% and 87% of total liquid financial assets respectively.

**A. Financial Risk Factors (Cont.)**

*(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**

Accounting policies for financial instruments have been applied to classify as either: loans and receivables, held-to-maturity, available-for-sale, or fair value through profit and loss. For financial instruments that are measured in the statement of financial position at fair value, IFRS 13 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, 2016 and 2015.

| | | Measurement Categories | | | | At Fair Value | | |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2016** | **Carrying Amount** | **Loans & Receivables** | **Held to Maturity** | **Available for sale** | **Assets at fair value through profit and loss** | **Level 1** | **Level 2** | **Level 3** |
| **Assets** | | | | | | | | |
| ***Cash and cash equivalents*** | ***399,737*** | ***92,730*** | — | — | ***307,007*** | ***307,007*** | — | — |
| Cash at banks | 92,730 | 92,730 | — | — | — | — | — | — |
| Liquidity funds | 215,807 | — | — | — | 215,807 | 215,807 | — | — |
| Short – term investments | 91,200 | — | — | — | 91,200 | 91,200 | — | — |
| ***Other investments*** | ***1,633,142*** | — | ***246,031*** | — | ***1,387,111*** | ***607,866*** | ***779,245*** | — |
| Fixed Income (time-deposit, zero cupon bonds, commercial papers) | 782,029 | — | — | — | 782,029 | 76,260 | 705,769 | — |
| Non - U.S. Sovereign Bills | 41,370 | — | — | — | 41,370 | 41,370 | — | — |
| Certificates of Deposits | 525,068 | — | — | — | 525,068 | — | 525,068 | — |
| Commercial Papers | 34,890 | — | — | — | 34,890 | 34,890 | — | — |
| Other notes | 180,701 | — | — | — | 180,701 | — | 180,701 | — |
| Bonds and other fixed Income | 841,638 | — | 246,031 | — | 595,607 | 522,131 | 73,476 | — |
| U.S. government securities | 216,732 | — | — | — | 216,732 | 216,732 | — | — |
| Non - U.S. government securities | 88,805 | — | 32,644 | — | 56,161 | 56,161 | — | — |
| Corporates securities | 462,625 | — | 213,387 | — | 249,238 | 249,238 | — | — |
| Mortgage- and Asset-backed securities | 73,476 | — | — | — | 73,476 | — | 73,476 | — |
| Fund Investments | 9,475 | — | — | — | 9,475 | 9,475 | — | — |
| ***Other Investments Non- current*** | ***249,719*** | — | ***248,049*** | — | ***1,670*** | — | — | ***1,670*** |
| Bonds and other fixed Income | 248,049 | — | 248,049 | — | — | — | — | — |
| Other Investments | 1,670 | — | — | — | 1,670 | — | — | 1,670 |
| ***Trade receivables*** | ***954,685*** | ***954,685*** | — | — | — | — | — | — |
| ***Receivables C and NC*** | ***321,718*** | ***176,990*** | — | — | ***2,759*** | — | ***2,759*** | — |
| Foreign exchange derivatives contracts | 2,759 | — | — | — | 2,759 | — | 2,759 | — |
| Other receivables | 176,990 | 176,990 | — | — | — | — | — | — |
| Other receivables (non-Financial) | 141,969 | — | — | — | — | — | — | — |
| ***Available for sale assets (*)*** | ***21,572*** | — | — | ***21,572*** | — | — | — | ***21,572*** |
| **Total** | | **1,224,405** | **494,080** | **21,572** | **1,698,547** | **914,873** | **782,004** | **23,242** |
| **Liabilities** | | | | | | | | |
| ***Borrowings C and NC*** | ***840,236*** | ***840,236*** | — | — | — | — | — | — |
| ***Trade payables*** | ***556,834*** | ***556,834*** | — | — | — | — | — | — |
| ***Other liabilities*** | ***183,887*** | — | — | — | ***42,635*** | — | ***42,635*** | — |
| Foreign exchange derivatives contracts | 42,635 | — | — | — | 42,635 | — | 42,635 | — |
| Other liabilities (non-Financial) | 141,252 | — | — | — | — | — | — | — |
| **Total** | | **1,397,070** | — | — | **42,635** | — | **42,635** | — |

**B. Category of Financial Instruments and Classification Within the Fair Value Hierarchy (Cont.)**

| | | Measurement Categories | | | | At Fair Value | | |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2015** | **Carrying Amount** | **Loans & Receivables** | **Held to Maturity** | **Available for sale** | **Assets at fair value through profit and loss** | **Level 1** | **Level 2** | **Level 3** |
| **Assets** | | | | | | | | |
| ***Cash and cash equivalents*** | ***286,547*** | ***101,019*** | — | — | ***185,528*** | ***185,528*** | — | — |
| Cash at banks | 101,019 | 101,019 | — | — | — | — | — | — |
| Liquidity funds | 81,735 | — | — | — | 81,735 | 81,735 | — | — |
| Short – term investments | 103,793 | — | — | — | 103,793 | 103,793 | — | — |
| ***Other investments Current*** | ***2,140,862*** | — | — | — | ***2,140,862*** | ***1,348,268*** | ***792,594*** | — |
| Fixed Income (time-deposit, zero cupon bonds, commercial papers) | 877,436 | — | — | — | 877,436 | 219,927 | 657,509 | — |
| Non - U.S. Sovereign Bills | 189,973 | — | — | — | 189,973 | 189,973 | — | — |
| Certificates of Deposits | 489,248 | — | — | — | 489,248 | — | 489,248 | — |
| Commercial Papers | 29,954 | — | — | — | 29,954 | 29,954 | — | — |
| Other notes | 168,261 | — | — | — | 168,261 | — | 168,261 | — |
| Bonds and other fixed Income | 1,203,695 | — | — | — | 1,203,695 | 1,068,610 | 135,085 | — |
| U.S. government securities | 249,124 | — | — | — | 249,124 | 249,124 | — | — |
| Non - U.S. government securities | 92,975 | — | — | — | 92,975 | 92,975 | — | — |
| Corporates securities | 726,511 | — | — | — | 726,511 | 726,511 | — | — |
| Mortgage- and Asset-backed securities | 82,839 | — | — | — | 82,839 | — | 82,839 | — |
| Structured Notes | 52,246 | — | — | — | 52,246 | — | 52,246 | — |
| Fund Investments | 59,731 | — | — | — | 59,731 | 59,731 | — | — |
| ***Other Investments Non- current*** | ***394,746*** | — | ***393,084*** | — | ***1,662*** | — | — | ***1,662*** |
| Bonds and other fixed Income | 393,084 | — | 393,084 | — | — | — | — | — |
| Other Investments | 1,662 | — | — | — | 1,662 | — | — | *1,662* |
| ***Trade receivables*** | ***1,135,129*** | ***1,135,129*** | — | — | — | — | — | — |
| ***Receivables C and NC*** | ***369,410*** | ***131,896*** | — | — | ***18,248*** | — | ***18,248*** | — |
| Foreing exchange derivatives contracts | *18,248* | — | — | — | *18,248* | — | *18,248* | — |
| Other receivables | *131,896* | *131,896* | — | — | — | — | — | — |
| Other receivables (non-Financial) | *219,266* | — | — | — | — | — | — | — |
| ***Available for sale assets (*)*** | ***21,572*** | — | — | ***21,572*** | — | — | — | ***21,572*** |
| **Total** | | **1,368,044** | **393,084** | **21,572** | **2,346,300** | **1,533,796** | **810,842** | **23,234** |
| **Liabilities** | | | | | | | | |
| ***Borrowings C and NC*** | ***971,516*** | ***971,516*** | — | — | — | — | — | — |
| ***Trade payables*** | ***503,845*** | ***503,845*** | — | — | — | — | — | — |
| ***Other liabilities*** | ***222,842*** | ***14,869*** | — | — | ***34,541*** | — | ***34,541*** | — |
| Foreign exchange derivatives contracts | 34,541 | — | — | — | 34,541 | — | 34,541 | — |
| Other liabilities | 14,869 | 14,869 | — | — | — | — | — | — |
| Other liabilities (non-Financial) | 173,432 | — | — | — | — | — | — | — |
| **Total** | | **1,490,230** | — | — | **34,541** | — | **34,541** | — |

(*) For further detail regarding Available for sale assets, see Note 31.

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 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 Available for sale assets related to Tenaris's interest in Venezuelan companies under process of nationalization (see Note 31).

**B. Category of Financial Instruments and Classification Within the Fair Value Hierarchy (Cont.)**

The following table presents the changes in Level 3 assets and liabilities:

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | Assets / Liabilities | |
| At the beginning of the period | 23,234 | 23,111 |
| Currency translation adjustment and others | 8 | 123 |
| **At the end of the year** | **23,242** | **23,234** |

**C. Fair value estimation**

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

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

Some of Tenaris's investments are designated as held to maturity and measured at amortized cost. Tenaris estimates that the fair value of these financial assets is 100.8% and 99% of its carrying amount including interests accrued as of December 31, 2016 and 2015 respectively.

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 amortized cost. Tenaris estimates that the fair value of its main financial liabilities is approximately 99.7% of its carrying amount including interests accrued in 2016 as compared with 99% in 2015. Fair values were calculated using standard valuation techniques for floating rate instruments and comparable market rates for discounting flows.

**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 as hedges of particular risks associated with recognized assets or liabilities or highly probable forecast transactions. These transactions (mainly currency forward contracts on highly probable forecast 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. 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 full fair value of a hedging derivative 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 derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flow of hedged items. At December 31, 2016 and 2015, the effective portion of designated cash flow hedges which is included in " *Other Reserves"* in equity amounts to $4.7 million debit and $2.8 million credit respectively (see Note 24 *Derivative financial instruments* ).

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 24. Movements in the hedging reserve included within " *Other Reserves"* in equity are also shown in Note 24.

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**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 thousands of U.S. dollars)*

| Year ended December 31, 2016 | Tubes | Other | Total continuing operations | Total discontinued operations |
|---|---|---|---|---|
| **IFRS - Net Sales** | **4,015,491** | **278,101** | **4,293,592** | **234,911** |
| **Management View - Operating income** | **19,630** | **18,817** | **38,447** | **62,298** |
| • Differences in cost of sales and others | (118,381) | (6,962) | **(125,343)** | **3,540** |
| • Differences in depreciation and amortization | 27,640 | 199 | **27,839** | **—** |
| **IFRS - Operating (loss) income** | **(71,111)** | **12,054** | **(59,057)** | **65,838** |
| Financial income (expense), net | | | 21,954 | (88) |
| **(Loss) income before equity in earnings of non-consolidated companies and income tax** | | | **(37,103)** | **65,750** |
| Equity in earnings of non-consolidated companies | | | 71,533 | — |
| **Income before income tax** | | | **34,430** | **65,750** |
| Capital expenditures | 751,854 | 33,108 | 784,962 | 1,911 |
| Depreciation and amortization | 642,896 | 14,213 | 657,109 | 5,303 |

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

| Year ended December 31, 2015 | Tubes | Other | Total continuing operations | Total discontinued operations |
|---|---|---|---|---|
| **IFRS - Net Sales** | **6,443,814** | **459,309** | **6,903,123** | **197,630** |
| **Management View - Operating income** | **685,870** | **27,884** | **713,754** | **38,547** |
| • Differences in cost of sales and others | ( 228,948) | ( 880) | **(229,828)** | **(8,914)** |
| • Differences in impairment / Depreciation and amortization | (319,293) | 1,162 | **(318,131)** | **—** |
| **IFRS - Operating income** | **137,629** | **28,166** | **165,795** | **29,633** |
| Financial income (expense), net | | | 14,592 | (382) |
| **Income before equity in earnings of non-consolidated companies and income tax** | | | **180,387** | **29,251** |
| Equity in losses of non-consolidated companies | | | ( 39,558) | — |
| **Income before income tax** | | | **140,829** | **29,251** |
| Capital expenditures | 1,088,901 | 41,412 | 1,130,313 | 1,206 |
| Depreciation and amortization | 638,456 | 14,857 | 653,313 | 5,465 |

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

| Year ended December 31, 2014 | Tubes | Other | Total continuing operations | Total discontinued operations |
|---|---|---|---|---|
| **IFRS - Net Sales** | **9,581,615** | **559,844** | **10,141,459** | **196,503** |
| **Management View - Operating income** | **2,022,429** | **10,568** | **2,032,997** | **17,167** |
| • Differences in cost of sales and others | ( 35,463) | 4,080 | **(31,383)** | **1,117** |
| • Differences in impairment / Depreciation and amortization | (121,289) | 207 | **(121,082)** | **—** |
| **IFRS - Operating income** | **1,865,677** | **14,855** | **1,880,532** | **18,284** |
| Financial income (expense), net | | | 33,398 | (361) |
| **Income before equity in earnings of non-consolidated companies and income tax** | | | **1,913,930** | **17,923** |
| Equity in losses of non-consolidated companies | | | ( 164,616) | — |
| **Income before income tax** | | | **1,749,314** | **17,923** |
| Capital expenditures | 1,051,148 | 36,989 | 1,088,137 | 1,236 |
| Depreciation and amortization | 593,671 | 15,976 | 609,647 | 5,982 |

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 $47,939, $57,468 and $233,863 in 2016, 2015 and 2014, respectively.

Net income under Management view amounted to $96.1 million, while under IFRS amounted to $58.7 million income. In addition to the amounts reconciled above, the main differences 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.

**1 Segment information (Cont.)**

**Geographical information**

| (all amounts in thousands of U.S. dollars) | North America | South America | Europe | Middle East & Africa | Asia Pacific | Unallocated (*) | Total continuing operations | Total discontinued operations |
|---|---|---|---|---|---|---|---|---|
| **Year ended December 31, 2016** | | | | | | | | |
| Net sales | 1,320,297 | 1,210,527 | 565,173 | 1,055,994 | 141,601 | — | 4,293,592 | 234,911 |
| Total assets | 7,467,842 | 2,803,848 | 1,925,784 | 593,649 | 482,132 | 578,603 | 13,851,858 | 151,417 |
| Trade receivables | 229,390 | 204,746 | 161,291 | 308,919 | 50,339 | — | 954,685 | 33,620 |
| Property, plant and equipment, net | 3,652,032 | 1,237,391 | 847,318 | 106,941 | 158,257 | — | 6,001,939 | 41,470 |
| Capital expenditures | 646,545 | 59,780 | 35,270 | 24,166 | 19,201 | — | 784,962 | 1,911 |
| Depreciation and amortization | 381,811 | 128,458 | 113,875 | 11,053 | 21,912 | — | 657,109 | 5,303 |
| **Year ended December 31, 2015** | | | | | | | | |
| Net sales | 2,668,724 | 2,132,221 | 728,815 | 1,096,688 | 276,675 | — | 6,903,123 | 197,630 |
| Total assets | 8,625,806 | 2,931,297 | 1,877,429 | 429,317 | 423,479 | 512,217 | 14,799,545 | 87,429 |
| Trade receivables | 339,499 | 396,834 | 181,084 | 137,278 | 52,494 | — | 1,107,189 | 27,940 |
| Property, plant and equipment, net | 3,207,661 | 1,269,995 | 907,466 | 86,181 | 155,299 | — | 5,626,602 | 45,656 |
| Capital expenditures | 822,396 | 168,140 | 82,344 | 36,867 | 20,566 | — | 1,130,313 | 1,206 |
| Depreciation and amortization | 385,189 | 125,754 | 112,742 | 9,912 | 19,716 | — | 653,313 | 5,465 |
| **Year ended December 31, 2014** | | | | | | | | |
| Net sales | 4,782,113 | 2,124,607 | 979,042 | 1,843,778 | 411,919 | — | 10,141,459 | 196,503 |
| Total assets | 9,433,050 | 3,340,973 | 1,857,285 | 598,175 | 498,694 | 665,202 | 16,393,379 | 117,299 |
| Trade receivables | 709,294 | 554,542 | 259,115 | 340,880 | 74,993 | — | 1,938,824 | 24,570 |
| Property, plant and equipment, net | 2,903,848 | 1,303,162 | 683,283 | 60,354 | 158,995 | — | 5,109,642 | 49,915 |
| Capital expenditures | 609,016 | 338,995 | 111,232 | 10,891 | 18,003 | — | 1,088,137 | 1,236 |
| Depreciation and amortization | 339,203 | 120,905 | 119,226 | 10,154 | 20,159 | — | 609,647 | 5,982 |

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 (24.8%); "South America" comprises principally Argentina (16.5%), Brazil and Colombia; "Europe" comprises principally Italy, Norway and Romania; "Middle East and Africa" comprises principally Kuwait, Nigeria, Egypt and Saudi Arabia and; "Asia Pacific" comprises principally China, Japan and Indonesia.

(*) Includes Investments in non-consolidated companies and Available for sale assets for $21.6 million in 2016, 2015 and 2014 (see Note 12 and 31).

## 2 Cost of sales

| | Year ended December 31, | | |
|---|---|---|---|
| (all amounts in thousands of U.S. dollars) | 2016 | 2015 | 2014 |
| **Inventories at the beginning of the year** | **1,843,467** | **2,779,869** | **2,702,647** |
| **Plus: Charges of the period** | | | |
| Raw materials, energy, consumables and other | 1,528,532 | 1,934,209 | 3,944,283 |
| Increase in inventory due to business combinations | — | — | 4,338 |
| Services and fees | 199,210 | 298,470 | 453,818 |
| Labor cost | 658,975 | 947,997 | 1,204,720 |
| Depreciation of property, plant and equipment | 376,965 | 377,596 | 366,932 |
| Amortization of intangible assets | 27,244 | 24,100 | 17,324 |
| Maintenance expenses | 122,553 | 184,053 | 217,694 |
| Allowance for obsolescence | 32,765 | 68,669 | 4,704 |
| Taxes | 16,693 | 21,523 | 20,024 |
| Other | 89,575 | 92,059 | 130,845 |
| | **3,052,512** | **3,948,676** | **6,364,682** |
| Less: Inventories at the end of the year (*) | (1,593,708) | (1,843,467) | (2,779,869) |
| From discontinued operations | (136,587) | (137,318) | (147,045) |
| | **3,165,684** | **4,747,760** | **6,140,415** |

(*) Includes 29.8 million related to discontinued operations.

For the year ended December 2016 and 2015, labor cost includes approximately $35 million and $104 million respectively of severance indemnities related to the adjustment of the workforce to market conditions.

## 3 Selling, general and administrative expenses

| | Year ended December 31, | | |
|---|---|---|---|
| (all amounts in thousands of U.S. dollars) | 2016 | 2015 | 2014 |
| Services and fees | 123,653 | 158,541 | 178,700 |
| Labor cost | 441,355 | 579,360 | 594,660 |
| Depreciation of property, plant and equipment | 16,965 | 18,543 | 20,197 |
| Amortization of intangible assets | 241,238 | 238,539 | 211,176 |
| Commissions, freight and other selling expenses | 243,401 | 351,657 | 598,138 |
| Provisions for contingencies | 30,841 | 19,672 | 35,557 |
| Allowances for doubtful accounts | (12,573) | 36,788 | 21,704 |
| Taxes | 67,724 | 129,018 | 165,675 |
| Other | 76,563 | 92,157 | 138,145 |
| | **1,229,167** | **1,624,275** | **1,963,952** |
| From discontinued operations | (32,238) | (30,678) | (31,174) |
| | **1,196,929** | **1,593,597** | **1,932,778** |

For the year ended December 2016 and 2015, labor cost includes approximately $38 million and $73 million respectively of severance indemnities related to the adjustment of the workforce to market conditions.

**4 Labor costs (included in Cost of sales and in Selling, general and administrative expenses)**

| | Year ended December 31, | | |
|---|---|---|---|
| (all amounts in thousands of U.S. dollars) | **2016** | **2015** | **2014** |
| Wages, salaries and social security costs | 1,062,535 | 1,504,918 | 1,743,253 |
| Employees' service rescission indemnity (including those classified as defined contribution plans) | 10,758 | 13,286 | 17,431 |
| Pension benefits—defined benefit plans | 10,563 | 14,813 | 18,645 |
| Employee retention and long term incentive program | 16,474 | (5,660) | 20,051 |
| | **1,100,330** | **1,527,357** | **1,799,380** |
| From discontinued operations | (28,306) | (24,665) | (23,233) |
| | **1,072,024** | **1,502,692** | **1,776,147** |

At the year-end, the number of employees was 19,399 in 2016, 21,741 in 2015 and 27,816 in 2014.

**4 Labor costs (included in Cost of sales and in Selling, general and administrative expenses) (Cont.)**

The following table shows the geographical distribution of the employees:

| Country | 2016 | 2015 | 2014 |
|---|---|---|---|
| Argentina | 4,755 | 5,388 | 6,421 |
| Mexico | 4,968 | 5,101 | 5,518 |
| Brazil | 1,166 | 2,050 | 3,835 |
| USA | 1,636 | 2,190 | 3,549 |
| Italy | 1,979 | 2,030 | 2,352 |
| Romania | 1,631 | 1,624 | 1,725 |
| Canada | 473 | 546 | 1,225 |
| Indonesia | 509 | 532 | 677 |
| Colombia | 750 | 636 | 614 |
| Japan | 458 | 508 | 588 |
| Other | 1,074 | 1,136 | 1,312 |
| | **19,399** | **21,741** | **27,816** |
| From discontinued operations | (323) | (292) | (267) |
| | **19,076** | **21,449** | **27,549** |

**5 Other operating income and expenses**

| | Year ended December 31, | | |
|---|---|---|---|
| (all amounts in thousands of U.S. dollars) | 2016 | 2015 | 2014 |
| ***Other operating income*** | | | |
| Net income from other sales | 16,275 | 7,480 | 8,843 |
| Net rents | 4,852 | 6,462 | 4,041 |
| Other | — | 661 | 14,971 |
| | **21,127** | **14,603** | **27,855** |
| ***Other operating expenses*** | | | |
| Contributions to welfare projects and non-profits organizations | 9,534 | 9,052 | 9,961 |
| Provisions for legal claims and contingencies | 10 | 1 | (760) |
| Loss on fixed assets and material supplies disposed / scrapped | 57 | 94 | 203 |
| Impairment charge | — | 400,314 | 205,849 |
| Allowance for doubtful receivables | 432 | 1,114 | 336 |
| Other | 1,378 | — | — |
| | **11,411** | **410,575** | **215,589** |
| From discontinued operations | (248) | (1) | — |
| | **11,163** | **410,574** | **215,589** |

Impairment charge

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 considering a nominal growth rate of 2%. The growth rate considers the long-term average growth rate for the oil and gas industry, the higher demand to offset depletion of existing fields and the Company's expected market penetration.

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 the cost of raw materials, oil and gas prices, competitive environment, capital expenditure programs for Tenaris's customers and the evolution of the rig count.

The discount rates used are based on the respective weighted average cost of capital (WACC) which is considered to be a good indicator of capital cost. For each CGU where assets are allocated, a specific WACC was determined taking into account the industry, country and size of the business. In 2016, the main discount rates used were in a range between 9.1% and 10.9%.

**5 Other operating income and expenses (Cont.)**

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

From the CGUs 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 a 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 exceed carrying value by $154.6 million as of December 31, 2016. 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 test:

| | |
|---|---|
| Increase in the discount rate | 117 Bps |
| Decrease of the growth rate | -1.6% |
| Decrease of the cash flow projections | -17.2% |

In 2015 and 2014, as a result of the deterioration of business conditions, the Company recorded impairment charges on its welded pipe assets of $400.3 and $205.8 respectively.

**6 Financial results**

| (all amounts in thousands of U.S. dollars) | Year ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Interest Income | 60,405 | 39,516 | 34,582 |
| Interest from available-for-sale financial assets | — | — | 4,992 |
| Net result on changes in FV of financial assets at FVTPL | 5,799 | (4,942) | (1,478) |
| Net result on available-for-sale financial assets | — | — | 115 |
| **Finance income** | **66,204** | **34,574** | **38,211** |
| **Finance Cost** | **(22,329)** | **(23,058)** | **(44,388)** |
| Net foreign exchange transactions results | (2,146) | (13,301) | 50,298 |
| Foreign exchange derivatives contracts results | (31,310) | 30,468 | (4,733) |
| Other | 11,447 | (14,473) | (6,351) |
| **Other Financial results** | **(22,009)** | **2,694** | **39,214** |
| **Net Financial results** | **21,866** | **14,210** | **33,037** |
| From discontinued operations | 88 | 382 | 361 |
| | **21,954** | **14,592** | **33,398** |

During 2015 Tenaris has derecognized all its fixed income financial instruments categorized as available for sale.

**7 Equity in earnings (losses) of non-consolidated companies**

| (all amounts in thousands of U.S. dollars) | Year ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| From non-consolidated companies | 71,533 | (10,674) | (24,696) |
| Gain on equity interest (see Note 26) | — | — | 21,302 |
| Impairment loss on non-consolidated companies (see Note 12) | — | (28,884) | (161,222) |
| | **71,533** | **(39,558)** | **(164,616)** |

**8 Income tax**

| (all amounts in thousands of U.S. dollars) | Year ended December 31, 2016 | 2015 | 2014 |
|---|---|---|---|
| Current tax | 174,410 | 164,562 | 695,136 |
| Deferred tax | (132,969) | 79,943 | (109,075) |
| | **41,441** | **244,505** | **586,061** |
| From discontinued operations | (24,339) | (10,121) | (5,630) |
| | **17,102** | **234,384** | **580,431** |

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, 2016 | 2015 | 2014 |
|---|---|---|---|
| Income before income tax | **34,430** | **140,829** | **1,749,314** |
| Tax calculated at the tax rate in each country (*) | (91,628) | (71,588) | 307,193 |
| Non taxable income / Non deductible expenses, net (*) | 51,062 | 149,632 | 132,442 |
| Changes in the tax rates | 4,720 | 6,436 | 3,249 |
| Effect of currency translation on tax base (**) | 105,758 | 151,615 | 138,925 |
| Accrual / Utilization of previously unrecognized tax losses (***) | (52,810) | (1,711) | (1,378) |
| Tax charge | **17,102** | **234,384** | **580,431** |

(*) Include the effect of the impairment charges of approximately $400.3 million and $205.8 million in 2015 and 2014, respectively.

(**) Tenaris applies the liability method to recognize deferred income tax on temporary differences between the tax basis of assets 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 Mexican, Colombia and Argentinian), which have a functional currency different than their local currency. These gains and losses are required by IFRS even though the revalued / devalued tax basis of the relevant assets will not result in any deduction / obligation for tax purposes in future periods.

(***) It includes a deferred tax income of approximately $45 million booked in the last quarter of 2016 related to a capital loss generated from the dissolution of some companies which effects can be carried forward and used to offset any future capital gains in the United States.

**9 Dividends distribution**

On November 3, 2016, 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 23, 2016, with an ex-dividend date of November 21, 2016.

On May 4, 2016 the Company's Shareholders approved an annual dividend in the amount of $0.45 per share ($0.90 per ADS). The amount approved included the interim dividend previously paid in November 25, 2015 in the amount of $0.15 per share ($0.30 per ADS). The balance, amounting to $0.30 per share ($0.60 per ADS), was paid on May 25, 2016. In the aggregate, the interim dividend paid in November 2015 and the balance paid in May 2016 amounted to approximately $531.2 million.

On May 6, 2015 the Company's Shareholders approved an annual dividend in the amount of $0.45 per share ($0.90 per ADS). The amount approved included the interim dividend previously paid in November 27, 2014 in the amount of $0.15 per share ($0.30 per ADS). The balance, amounting to $0.30 per share ($0.60 per ADS), was paid on May 20, 2015. In the aggregate, the interim dividend paid in November 2014 and the balance paid in May 2015 amounted to approximately $531.2 million.

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

**10 Property, plant and equipment, net**

| Year ended December 31, 2016 | Land, building and improvements | Plant and production equipment | Vehicles, furniture and fixtures | Work in progress | Spare parts and equipment | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Values at the beginning of the year | 1,766,103 | 8,419,792 | 366,972 | 1,217,682 | 32,651 | 11,803,200 |
| Translation differences | 10,483 | (2,284) | 3,716 | 2,604 | (290) | 14,229 |
| Additions (*) | 572 | 1,445 | 747 | 750,075 | 4,656 | 757,495 |
| Disposals / Consumptions | (5,774) | (22,306) | (11,037) | (4,852) | (2,494) | (46,463) |
| Transfer to assets held for sale | (34,849) | (61,380) | (1,103) | (1,407) | (177) | (98,916) |
| Transfers / Reclassifications | 100,079 | 356,420 | 13,694 | (474,063) | 1,640 | (2,230) |
| **Values at the end of the year** | **1,836,614** | **8,691,687** | **372,989** | **1,490,039** | **35,986** | **12,427,315** |
| **Depreciation and impairment** | | | | | | |
| Accumulated at the beginning of the year | 455,499 | 5,432,715 | 228,966 | — | 13,762 | 6,130,942 |
| Translation differences | 2,240 | (6,087) | 2,953 | — | (358) | (1,252) |
| Depreciation charge | 46,150 | 324,886 | 22,361 | — | 533 | 393,930 |
| Transfers / Reclassifications | 2,856 | (6,761) | (333) | — | (3,396) | (7,634) |
| Transfer to assets held for sale | (8,552) | (47,928) | (966) | — | — | (57,446) |
| Disposals / Consumptions | (3,064) | (21,228) | (8,872) | — | — | (33,164) |
| **Accumulated at the end of the year** | **495,129** | **5,675,597** | **244,109** | **—** | **10,541** | **6,425,376** |
| **At December 31, 2016** | **1,341,485** | **3,016,090** | **128,880** | **1,490,039** | **25,445** | **6,001,939** |

| Year ended December 31, 2015 | Land, building and improvements | Plant and production equipment | Vehicles, furniture and fixtures | Work in progress | Spare parts and equipment | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Values at the beginning of the year | 1,633,797 | 8,233,902 | 359,554 | 846,538 | 38,075 | 11,111,866 |
| Translation differences | (28,711) | (250,470) | (9,382) | (10,352) | (1,919) | (300,834) |
| Additions (*) | 13,065 | 16,064 | 2,022 | 1,036,818 | (2,246) | 1,065,723 |
| Disposals / Consumptions | (1,892) | (55,452) | (8,940) | (5,691) | (285) | (72,260) |
| Transfers / Reclassifications | 149,844 | 475,748 | 23,718 | (649,631) | (974) | (1,295) |
| **Values at the end of the year** | **1,766,103** | **8,419,792** | **366,972** | **1,217,682** | **32,651** | **11,803,200** |
| **Depreciation and impairment** | | | | | | |
| Accumulated at the beginning of the year | 418,210 | 5,301,765 | 216,982 | — | 15,352 | 5,952,309 |
| Translation differences | (8,956) | (135,538) | (7,528) | — | (1,093) | (153,115) |
| Depreciation charge | 45,644 | 325,241 | 24,313 | — | 941 | 396,139 |
| Transfers / Reclassifications | 2,474 | (4,114) | 1,987 | — | (1,485) | (1,138) |
| Disposals / Consumptions | (1,873) | (54,639) | (6,788) | — | 47 | (63,253) |
| **Accumulated at the end of the year** | **455,499** | **5,432,715** | **228,966** | **—** | **13,762** | **6,130,942** |
| **At December 31, 2015** | **1,310,604** | **2,987,077** | **138,006** | **1,217,682** | **18,889** | **5,672,258** |

Property, plant and equipment include capitalized interests for net amounts at December 31, 2016 and 2015 of $25.4 million and $15.5 million, respectively. The average capitalization interest rates applied were 1.28% during 2016 and 1.53% during 2015.

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

## 11 Intangible assets, net

| Year ended December 31, 2016 | Information system projects | Licenses, patents and trademarks (*) | Goodwill | Customer relationships | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Values at the beginning of the year | 524,869 | 494,662 | 2,170,709 | 2,059,946 | 5,250,186 |
| Translation differences | 2,264 | (29) | 4,671 | — | 6,906 |
| Additions | 28,730 | 648 | — | — | 29,378 |
| Transfers / Reclassifications | (546) | (222) | — | — | (768) |
| Transfer to assets held for sale | (836) | (32,600) | (85,123) | (1,000) | (119,559) |
| Disposals | (151) | (840) | — | — | (991) |
| **Values at the end of the year** | **554,330** | **461,619** | **2,090,257** | **2,058,946** | **5,165,152** |
| **Amortization and impairment** | | | | | |
| Accumulated at the beginning of the year | 335,532 | 364,412 | 836,939 | 1,569,851 | 3,106,734 |
| Translation differences | 1,325 | — | — | — | 1,325 |
| Amortization charge | 72,632 | 30,633 | — | 165,217 | 268,482 |
| Transfer to assets held for sale | (718) | (32,600) | (39,347) | (1,000) | (73,665) |
| Transfers / Reclassifications | (245) | (153) | — | — | (398) |
| Disposals | (153) | — | — | — | (153) |
| **Accumulated at the end of the year** | **408,373** | **362,292** | **797,592** | **1,734,068** | **3,302,325** |
| **At December 31, 2016** | **145,957** | **99,327** | **1,292,665** | **324,878** | **1,862,827** |

| Year ended December 31, 2015 | Information system projects | Licenses, patents and trademarks (*) | Goodwill | Customer relationships | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Values at the beginning of the year | 471,935 | 494,014 | 2,182,004 | 2,059,946 | 5,207,899 |
| Translation differences | (12,127) | (127) | (11,295) | — | (23,549) |
| Additions | 65,022 | 774 | — | — | 65,796 |
| Transfers / Reclassifications | 95 | 1,028 | — | — | 1,123 |
| Disposals | (56) | (1,027) | — | — | (1,083) |
| **Values at the end of the year** | **524,869** | **494,662** | **2,170,709** | **2,059,946** | **5,250,186** |
| **Amortization and impairment** | | | | | |
| Accumulated at the beginning of the year | 283,679 | 332,823 | 436,625 | 1,397,142 | 2,450,269 |
| Translation differences | (7,454) | — | — | — | (7,454) |
| Amortization charge | 59,342 | 30,588 | — | 172,709 | 262,639 |
| Impairment charge (See Note 5) | — | — | 400,314 | — | 400,314 |
| Transfers / Reclassifications | (35) | 1,001 | — | — | 966 |
| **Accumulated at the end of the year** | **335,532** | **364,412** | **836,939** | **1,569,851** | **3,106,734** |
| **At December 31, 2015** | **189,337** | **130,250** | **1,333,770** | **490,095** | **2,143,452** |

(*) Includes Proprietary Technology.

The geographical allocation of goodwill for the year ended December 31, 2016 was $1,168.4 million for North America, $121.7 million for South America, $1.8 million for Europe and $0.7 million for Middle East & Africa.

The carrying amount of goodwill allocated by CGU, as of December 31, 2016, was as follows:

(All amounts in million US dollar)

| **As of December 31, 2016** | **Tubes Segment** | | | **Other Segment** | |
|---|---|---|---|---|---|
| **CGU** | **Maverick Acquisition** | **Hydril Acquisition** | **Other** | **Maverick Acquisition** | **Total** |
| OCTG (USA) | 225 | — | — | — | 225 |
| Tamsa (Hydril and other) | — | 346 | 19 | — | 365 |
| Siderca (Hydril and other) | — | 265 | 93 | — | 358 |
| Hydril | — | 309 | — | — | 309 |
| Coiled Tubing | — | — | — | 4 | 4 |
| Socotherm | — | — | 28 | — | 28 |
| Other | — | — | 4 | — | 4 |
| **Total** | **225** | **920** | **144** | **4** | **1,293** |

**12 Investments in non-consolidated companies**

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| At the beginning of the year | 490,645 | 643,630 |
| Translation differences | 3,473 | (92,914) |
| Equity in earnings of non-consolidated companies | 71,533 | (10,674) |
| Impairment loss in non-consolidated companies | — | (28,884) |
| Dividends and distributions received (a) | (20,674) | (20,674) |
| Additions | 17,108 | 4,400 |
| Decrease / increase in equity reserves | (5,054) | (4,239) |
| At the end of the period | **557,031** | **490,645** |

(a) Related to Ternium

The principal non-consolidated companies are:

| Company | Country of incorporation | % ownership at December 31, 2016 | % ownership at December 31, 2015 | Value at December 31, 2016 | Value at December 31, 2015 |
|---|---|---|---|---|---|
| a) Ternium (*) | Luxembourg | 11.46% | 11.46% | 491,285 | 449,375 |
| b) Usiminas (**) | Brazil | 3.08% | 2.5% | 61,904 | 36,109 |
| Others | — | — | — | 3,842 | 5,161 |
| | | | | **557,031** | **490,645** |

(*) Including treasury shares.
(**) At December 31, 2016 and 2015 the voting rights were 5.2% and 5.0% respectively.

***a) Ternium S.A.***

Ternium S.A. ("Ternium"), is a steel producer with production facilities in Mexico, Argentina, 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, 2016, the closing price of Ternium's ADSs as quoted on the New York Stock Exchange was $24.15 per ADS, giving Tenaris's ownership stake a market value of approximately $554.8 million (Level 1). At December 31, 2016, the carrying value of Tenaris's ownership stake in Ternium, based on Ternium's IFRS financial statements, was approximately $491.3 million. See Section II.B.2.

The Company reviews periodically the recoverability of its investment in Ternium. To determine the recoverable value, the Company estimates the value in use of the investment by calculating the present value of the expected cash flows. The key assumptions used by the Company are based on external and internal sources of information, and management judgment based on past experience and expectations of future changes in the market.

Value-in-use was 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 was calculated based on perpetuity considering a nominal growth rate of 2%. The discount rates used are based on the respective weighted average cost of capital (WACC), which is considered to be a good indicator of capital cost. The discount rate used to test the investment in Ternium for impairment was 11.2%

Summarized selected financial information of Ternium, including the aggregated amounts of assets, liabilities, revenues and profit or loss is as follows:

| | Ternium | |
|---|---|---|
| | 2016 | 2015 |
| Non-current assets | 5,622,556 | 5,480,389 |
| Current assets | 2,700,314 | 2,582,204 |
| **Total assets** | **8,322,870** | **8,062,593** |
| Non-current liabilities | 1,324,785 | 1,558,979 |
| Current liabilities | 1,831,492 | 1,700,617 |
| **Total liabilities** | **3,156,277** | **3,259,596** |
| **Non-controlling interests** | **775,295** | **769,849** |
| Revenues | 7,223,975 | 7,877,449 |
| Gross profit | 1,839,585 | 1,400,177 |
| **Net income for the year attributable to owners of the parent** | **595,644** | **8,127** |
| Total comprehensive income (loss) for the year, net of tax, attributable to owners of the parent | 534,827 | (457,750) |

**12 Investments in non-consolidated companies (Cont.)**

***b) Usiminas S.A.***

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

As of December 31, 2016 the closing price of the Usiminas' ordinary and preferred shares, as quoted on the BM&FBovespa Stock Exchange, was BRL8.26 ($2.53) and BRL4.1 ($1.26), respectively, giving Tenaris's ownership stake a market value of approximately $94.1 million (Level 1). As that date, the carrying value of Tenaris's ownership stake in Usiminas was approximately $61.9 million.

The Company reviews periodically the recoverability of its investment in Usiminas. To determine the recoverable value, the Company estimates the value in use of the investment by calculating the present value of the expected cash flows. There is a significant interaction among the principal assumptions made in estimating Usiminas' cash flow projections, which include iron ore and steel prices, foreign exchange and interest rates, Brazilian GDP and steel consumption in the Brazilian market. The key assumptions used by the Company are based on external and internal sources of information, and management judgment based on past experience and expectations of future changes in the market.

During 2015 and 2014 the Company recorded an impairment charge of $28.9 million and $161.2 million respectively.

Summarized selected financial information of Usiminas, including the aggregated amounts of assets, liabilities, revenues and profit or loss is as follows:

| | Usiminas | |
|---|---|---|
| | 2016 | 2015 |
| Non-current assets | 6,085,811 | 5,343,038 |
| Current assets | 1,970,015 | 1,765,733 |
| **Total assets** | **8,055,826** | **7,108,771** |
| Non-current liabilities | 2,856,883 | 2,117,536 |
| Current liabilities | 537,646 | 1,151,383 |
| **Total liabilities** | **3,394,529** | **3,268,919** |
| **Non-controlling interests** | **508,083** | **405,880** |
| Revenues | 2,442,596 | 3,115,551 |
| Gross profit | 150,999 | 70,801 |
| **Net loss for the year attributable to owners of the parent** | **(166,153)** | **(1,053,806)** |

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

Techgen is a Mexican 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 1st, 2016 and is fully operational, with a power capacity of between 850 and 900 megawatts. As of December 31, 2016, 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, 2016, Tenaris's exposure under these agreements amounted to $61.3 million and $5.3 million respectively.

Tenaris issued a corporate guarantee covering 22% of the obligations of Techgen under a syndicated loan agreement between Techgen and several banks. The loan agreement amounted to $800 million and has been used in the construction of the facility. The main covenants under the corporate guarantee are limitations on the sale of certain assets and compliance with financial ratios (e.g. leverage ratio). As of December 31, 2016, the loan agreement has been fully disbursed for $800 million, as a result, the amount guaranteed by Tenaris was approximately $176 million. During 2016 the shareholders of Techgen made additional investments in Techgen, in term of subsidiary loans, which in case of Tenaris amounted to $42.4 million. As of December 31, 2016 these loans amount to $86.2 million.

**13 Receivables – non current**

| | Year ended December 31, 2016 | 2015 |
|---|---|---|
| Government entities | 913 | 1,113 |
| Employee advances and loans | 7,202 | 11,485 |
| Tax credits | 32,769 | 25,660 |
| Receivables from related parties | 91,419 | 62,675 |
| Legal deposits | 13,876 | 14,719 |
| Advances to suppliers and other advances | 19,520 | 70,509 |
| Others | 32,217 | 35,515 |
| | **197,916** | **221,676** |
| Allowances for doubtful accounts (see Note 22 (i)) | (913) | (1,112) |
| | **197,003** | **220,564** |

**14 Inventories**

| | Year ended December 31, 2016 | 2015 |
|---|---|---|
| Finished goods | 653,482 | 741,437 |
| Goods in process | 375,822 | 407,126 |
| Raw materials | 160,284 | 277,184 |
| Supplies | 451,777 | 503,692 |
| Goods in transit | 162,766 | 143,228 |
| | **1,804,131** | **2,072,667** |
| Allowance for obsolescence (see Note 23 (i)) | (240,242) | (229,200) |
| | **1,563,889** | **1,843,467** |

**15 Receivables and prepayments**

| | Year ended December 31, 2016 | 2015 |
|---|---|---|
| Prepaid expenses and other receivables | 28,278 | 29,463 |
| Government entities | 3,052 | 3,498 |
| Employee advances and loans | 10,458 | 10,951 |
| Advances to suppliers and other advances | 16,088 | 27,823 |
| Government tax refunds on exports | 9,350 | 7,053 |
| Receivables from related parties | 24,742 | 14,249 |
| Derivative financial instruments | 2,759 | 18,155 |
| Miscellaneous | 36,320 | 44,736 |
| | **131,047** | **155,928** |
| Allowance for other doubtful accounts (see Note 23 (i)) | (6,332) | (7,082) |
| | **124,715** | **148,846** |

**16 Current tax assets and liabilities**

| **Current tax assets** | Year ended December 31, 2016 | 2015 |
|---|---|---|
| V.A.T. credits | 61,552 | 60,730 |
| Prepaid taxes | 79,434 | 127,450 |
| | **140,986** | **188,180** |

### 16 Current tax assets and liabilities (Cont.)

| | Year ended December 31, | |
|---|---|---|
| **Current tax liabilities** | **2016** | **2015** |
| Income tax liabilities | 55,841 | 46,600 |
| V.A.T. liabilities | 11,065 | 24,661 |
| Other taxes | 34,291 | 64,757 |
| | **101,197** | **136,018** |

### 17 Trade receivables

| | Year ended December 31, | |
|---|---|---|
| | **2016** | **2015** |
| Current accounts | 1,026,026 | 1,216,126 |
| Receivables from related parties | 14,383 | 20,483 |
| | 1,040,409 | 1,236,609 |
| Allowance for doubtful accounts (see Note 23 (i)) | (85,724) | (101,480) |
| | **954,685** | **1,135,129** |

The following table sets forth details of the aging of trade receivables:

| | Trade Receivables | Not Due | Past due | |
|---|---|---|---|---|
| | | | **1 - 180 days** | **> 180 days** |
| **At December 31, 2016** | | | | |
| Guaranteed | 355,508 | 272,393 | 32,241 | 50,874 |
| Not guaranteed | 684,901 | 518,984 | 87,379 | 78,538 |
| **Guaranteed and not guaranteed** | **1,040,409** | **791,377** | **119,620** | **129,412** |
| Allowance for doubtful accounts | (85,724) | (62) | (67) | (85,595) |
| **Net Value** | **954,685** | **791,315** | **119,553** | **43,817** |
| **At December 31, 2015** | | | | |
| Guaranteed | 353,537 | 268,606 | 33,706 | 51,225 |
| Not guaranteed | 883,072 | 634,250 | 152,173 | 96,649 |
| **Guaranteed and not guaranteed** | **1,236,609** | **902,856** | **185,879** | **147,874** |
| Allowance for doubtful accounts | (101,480) | — | (1,664) | (99,816) |
| **Net Value** | **1,135,129** | **902,856** | **184,215** | **48,058** |

Trade receivables are mainly denominated in U.S. dollars.

### 18 Cash and cash equivalents and Other investments

| | Year ended December 31, | |
|---|---|---|
| | **2016** | **2015** |
| **Cash and cash equivalents** | | |
| Cash at banks | 92,730 | 101,019 |
| Liquidity funds | 215,807 | 81,735 |
| Short – term investments | 91,200 | 103,793 |
| | **399,737** | **286,547** |
| **Other investments - current** | | |
| Fixed Income (time-deposit, zero coupon bonds, commercial papers) | 782,029 | 877,436 |
| Bonds and other fixed Income | 841,638 | 1,203,695 |
| Fund Investments | 9,475 | 59,731 |
| | **1,633,142** | **2,140,862** |
| **Other investments - Non-current** | | |
| Bonds and other fixed Income | 248,049 | 393,084 |
| Others | 1,670 | 1,662 |
| | **249,719** | **394,746** |

**19 Borrowings**

| | Year ended December 31, 2016 | 2015 |
|---|---|---|
| **Non-current** | | |
| Bank borrowings | 31,544 | 223,050 |
| Finance lease liabilities | 35 | 171 |
| Costs of issue of debt | (37) | — |
| | **31,542** | **223,221** |
| **Current** | | |
| Bank borrowings and other loans including related companies | 807,252 | 747,704 |
| Bank overdrafts | 1,320 | 349 |
| Finance lease liabilities | 130 | 371 |
| Costs of issue of debt | (8) | (129) |
| | **808,694** | **748,295** |
| **Total Borrowings** | **840,236** | **971,516** |

The maturity of borrowings is as follows:

| | 1 year or less | 1 - 2 years | 2 - 3 years | 3 - 4 years | 4 - 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| **At December 31, 2016** | | | | | | | |
| Financial lease | 130 | 35 | — | — | — | — | 165 |
| Other borrowings | 808,564 | 1,198 | 3,739 | 3,360 | 3,632 | 19,578 | 840,071 |
| **Total borrowings** | **808,694** | **1,233** | **3,739** | **3,360** | **3,632** | **19,578** | **840,236** |
| Interest to be accrued (*) | 6,461 | 1,172 | 1,161 | 1,142 | 1,116 | 237 | 11,289 |
| **Total** | **815,155** | **2,405** | **4,900** | **4,502** | **4,748** | **19,815** | **851,525** |

| | 1 year or less | 1 - 2 years | 2 - 3 years | 3 - 4 years | 4 - 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| **At December 31, 2015** | | | | | | | |
| Financial lease | 371 | 138 | 29 | 4 | — | — | 542 |
| Other borrowings | 747,924 | 201,152 | 1,261 | 1,285 | 880 | 18,472 | 970,974 |
| **Total borrowings** | **748,295** | **201,290** | **1,290** | **1,289** | **880** | **18,472** | **971,516** |
| Interest to be accrued (*) | 1,152 | 1,050 | 1,031 | 1,010 | 990 | 1,046 | 6,279 |
| **Total** | **749,447** | **202,340** | **2,321** | **2,299** | **1,870** | **19,518** | **977,795** |

(*) Includes the effect of hedge accounting.

Significant borrowings include:

| Disbursement date | Borrower | Type | In million of USD Original & Outstanding | Final maturity |
|---|---|---|---|---|
| 2016 | Tamsa | Bank loans | 391 | 2017 |
| 2015 | TuboCaribe | Bank loan | 200 | Jan - 17 |
| 2016 | Siderca | Bank loans | 198 | 2017 |

As of December 31, 2016, 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, 2016 and 2015 (considering hedge accounting where applicable).

| | 2016 | 2015 |
|---|---|---|
| Total borrowings | 1.97% | 1.52% |

**19 Borrowings (Cont.)**

Breakdown of long-term borrowings by currency and rate is as follows:

**Non-current borrowings**

| | | Year ended December 31, | |
|---|---|---|---|
| Currency | Interest rates | 2016 | 2015 |
| USD | Fixed | 19,461 | 219,778 |
| EUR | Fixed | 10,701 | 2,922 |
| Others | Variable | 1,380 | 521 |
| **Total non-current borrowings** | | **31,542** | **223,221** |

Breakdown of short-term borrowings by currency and rate is as follows:

**Current borrowings**

| | | Year ended December 31, | |
|---|---|---|---|
| Currency | Interest rates | 2016 | 2015 |
| USD | Variable | 17,081 | 16,046 |
| USD | Fixed | 200,448 | 2,482 |
| EUR | Variable | 99 | 66 |
| EUR | Fixed | 841 | 1,047 |
| MXN | Fixed | 391,318 | 614,916 |
| ARS | Fixed | 197,637 | 113,326 |
| ARS | Variable | 1,041 | 37 |
| Others | Variable | 35 | 165 |
| Others | Fixed | 194 | 210 |
| **Total current borrowings** | | **808,694** | **748,295** |

**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 | 299,139 | 42,516 | 549,557 | 891,212 |
| Translation differences | (540) | — | 44 | (496) |
| Charged directly to Other Comprehensive Income | — | — | (40) | (40) |
| Transfer to assets held for sale | (5,724) | | | (5,724) |
| Income statement credit | (29,819) | (5,625) | (34,848) | (70,292) |
| **At December 31, 2016** | **263,056** | **36,891** | **514,713** | **814,660** |

| | Fixed assets | Inventories | Intangible and Other (*) | Total |
|---|---|---|---|---|
| At the beginning of the year | 346,385 | 44,234 | 482,446 | 873,065 |
| Translation differences / reclassifications | (28,343) | — | 11,154 | (17,189) |
| Charged directly to Other Comprehensive Income | — | — | 3,999 | 3,999 |
| Income statement (credit) / charge | (18,903) | (1,718) | 51,958 | 31,337 |
| **At December 31, 2015** | **299,139** | **42,516** | **549,557** | **891,212** |

(*) Includes the effect of currency translation on tax base explained in Note 8.

**20 Deferred income tax (Cont.)**

**Deferred tax assets**

| | Provisions and allowances | Inventories | Tax losses (*) | Other | Total |
|---|---|---|---|---|---|
| At the beginning of the year | (32,425) | (107,378) | (99,394) | (102,396) | (341,593) |
| Translation differences | (3,123) | (1,347) | (2,741) | 14 | (7,197) |
| Transfer to assets held for sale | — | 275 | — | 753 | 1,028 |
| Charged directly to Other Comprehensive Income | — | — | — | 1,823 | 1,823 |
| Income statement charge / (credit) | 2,272 | 14,274 | (97,191) | 17,968 | (62,677) |
| **At December 31, 2016** | **(33,276)** | **(94,176)** | **(199,326)** | **(81,838)** | **(408,616)** |

(*) As of December 31, 2016, the recognized deferred tax assets on tax losses amount to $199.3 million and the net unrecognized deferred tax assets amount to $47.2 million.

| | Provisions and allowances | Inventories | Tax losses | Other | Total |
|---|---|---|---|---|---|
| At the beginning of the year | (45,336) | (189,709) | (41,652) | (150,497) | (427,194) |
| Translation differences / reclassifications | 24,411 | 4,049 | 6,988 | 1,020 | 36,468 |
| Charged directly to Other Comprehensive Income | — | — | — | 527 | 527 |
| Income statement (credit) / charge | (11,500) | 78,282 | (64,730) | 46,554 | 48,606 |
| **At December 31, 2015** | **(32,425)** | **(107,378)** | **(99,394)** | **(102,396)** | **(341,593)** |

The recovery analysis of deferred tax assets and deferred tax liabilities is as follows:

| | Year ended December 31, 2016 | 2015 |
|---|---|---|
| Deferred tax assets to be recovered after 12 months | (226,431) | (109,025) |
| Deferred tax liabilities to be recovered after 12 months | 761,039 | 843,022 |

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, 2016 | 2015 |
|---|---|---|
| Deferred tax assets | (144,613) | (200,706) |
| Deferred tax liabilities | 550,657 | 750,325 |
| | **406,044** | **549,619** |

The movement in the net deferred income tax liability account is as follows:

| | Year ended December 31, 2016 | 2015 |
|---|---|---|
| At the beginning of the year | 549,619 | 445,871 |
| Translation differences | (7,693) | 19,279 |
| Charged directly to Other Comprehensive Income | 1,783 | 4,526 |
| Income statement credit (debit) | (132,969) | 79,943 |
| Transfer to assets held for sale | (4,696) | — |
| **At the end of the period** | **406,044** | **549,619** |

## 21 Other liabilities

### (i) Other liabilities – Non-current

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Post-employment benefits | 125,161 | 135,880 |
| Other-long term benefits | 66,714 | 78,830 |
| Miscellaneous | 21,742 | 16,466 |
| | **213,617** | **231,176** |

**Post-employment benefits**

- **Unfunded**

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Values at the beginning of the period | 107,601 | 126,733 |
| Current service cost | 4,625 | 5,918 |
| Interest cost | 6,371 | 6,164 |
| Curtailments and settlements | 24 | (128) |
| Remeasurements (*) | (4,501) | (9,743) |
| Translation differences | (2,204) | (8,418) |
| Benefits paid from the plan | (13,921) | (16,062) |
| Other | (1,766) | 3,137 |
| At the end of the year | **96,229** | **107,601** |

(*) For 2016 a loss of $0.6 million is attributable to demographic assumptions and a gain of $5.1 million to financial assumptions. For 2015 a gain of $9.1 and $0.6 million is attributable to demographic and financial assumptions, respectively.

The principal actuarial assumptions used were as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Discount rate | 1% - 7% | 2% - 7% |
| Rate of compensation increase | 0% - 3% | 0% - 3% |

As of December 31, 2016, an increase / (decrease) of 1% in the discount rate assumption would have generated a (decrease) / increase on the defined benefit obligation of $7.1 million and $8.2 million respectively, and an increase / (decrease) of 1% in the rate of compensation assumption would have generated an increase / (decrease) impact on the defined benefit obligation of $4.2 million and $3.7 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, | |
|---|---|---|
| | 2016 | 2015 |
| Present value of funded obligations | 159,612 | 153,974 |
| Fair value of plan assets | (132,913) | (128,321) |
| **Liability (*)** | **26,699** | **25,653** |

(*) In 2016 and 2015, $2.2 million and $2.6 million corresponding to an overfunded plan were reclassified within other non-current assets, respectively.

**21 Other liabilities (Cont.)**

**(i) Other liabilities – Non-current (Cont.)**

The movement in the present value of funded obligations is as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| At the beginning of the year | 153,974 | 183,085 |
| Translation differences | 384 | (18,507) |
| Current service cost | 162 | 1,155 |
| Interest cost | 6,403 | 6,725 |
| Remeasurements (*) | 7,753 | (6,124) |
| Benefits paid | (9,064) | (12,360) |
| **At the end of the year** | **159,612** | **153,974** |

(*) For 2016 a gain of $0.9 million is attributable to demographic assumptions and a loss of $8.7 million to financial assumptions. For 2015 a gain of $1.1 and $5.0 million is attributable to demographic and financial assumptions, respectively.

The movement in the fair value of plan assets is as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| At the beginning of the year | (128,321) | (147,991) |
| Return on plan assets | (7,022) | (5,021) |
| Remeasurements | (3,022) | 1,686 |
| Translation differences | 365 | 15,651 |
| Contributions paid to the plan | (4,374) | (5,066) |
| Benefits paid from the plan | 9,064 | 12,360 |
| Other | 397 | 60 |
| **At the end of the year** | **(132,913)** | **(128,321)** |

The major categories of plan assets as a percentage of total plan assets are as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Equity instruments | 52.4% | 52.3% |
| Debt instruments | 43.9% | 44.3% |
| Others | 3.7% | 3.4% |

The principal actuarial assumptions used were as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Discount rate | 4% | 4% |
| Rate of compensation increase | 0% - 3% | 0% - 2% |

**21 Other liabilities (Cont.)**

**(i) Other liabilities – Non-current (Cont.)**

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, 2016, an increase / (decrease) of 1% in the discount rate assumption would have generated a (decrease) / increase on the defined benefit obligation of $18.5 million and $22.8 million respectively, and an increase / (decrease) of 1% in the compensation rate assumption would have generated an increase / (decrease) on the defined benefit obligation of $1.7 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 2017 amount approximately to $6 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, | |
|---|---|---|
| | 2016 | 2015 |
| Payroll and social security payable | 125,991 | 173,528 |
| Liabilities with related parties | 135 | 351 |
| Derivative financial instruments | 42,635 | 34,445 |
| Miscellaneous | 15,126 | 14,518 |
| | **183,887** | **222,842** |

**22 Non-current allowances and provisions**

*(i) Deducted from non-current receivables*

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Values at the beginning of the year | (1,112) | (1,696) |
| Translation differences | 199 | 584 |
| Values at the end of the year | **(913)** | **(1,112)** |

*(ii) Liabilities*

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Values at the beginning of the year | 61,421 | 70,714 |
| Translation differences | 3,296 | (20,725) |
| Additional provisions | 6,794 | 9,390 |
| Reclassifications | (1,932) | 6,562 |
| Used | (6,322) | (4,520) |
| Values at the end of the year | **63,257** | **61,421** |

## 23 Current allowances and provisions

*(i) Deducted from assets*

| Year ended December 31, 2016 | Allowance for doubtful accounts - Trade receivables | Allowance for other doubtful accounts - Other receivables | Allowance for inventory obsolescence |
|---|---|---|---|
| Values at the beginning of the year | (101,480) | (7,082) | (229,200) |
| Translation differences | (841) | 75 | (2,715) |
| Reversals / (additional) allowances | 12,573 | (432) | (32,765) |
| Transfer to held for sale | 20 | — | 896 |
| Used | 4,004 | 1,107 | 23,542 |
| **At December 31, 2016** | **(85,724)** | **(6,332)** | **(240,242)** |

| Year ended December 31, 2015 | Allowance for doubtful accounts - Trade receivables | Allowance for other doubtful accounts - Other receivables | Allowance for inventory obsolescence |
|---|---|---|---|
| Values at the beginning of the year | (68,978) | (7,992) | (193,540) |
| Translation differences | 1,033 | 1,732 | 10,056 |
| Additional allowances | (36,788) | (1,114) | (68,669) |
| Used | 3,253 | 292 | 22,953 |
| **At December 31, 2015** | **(101,480)** | **(7,082)** | **(229,200)** |

*(ii) Liabilities*

| Year ended December 31, 2016 | Sales risks | Other claims and contingencies | Total |
|---|---|---|---|
| Values at the beginning of the year | 6,290 | 2,705 | 8,995 |
| Translation differences | 189 | (86) | 103 |
| Additional allowances | 16,266 | 7,791 | 24,057 |
| Reclassifications | (22) | 1,954 | 1,932 |
| Used | (8,838) | (3,493) | (12,331) |
| **At December 31, 2016** | **13,885** | **8,871** | **22,756** |

| Year ended December 31, 2015 | Sales risks | Other claims and contingencies | Total |
|---|---|---|---|
| Values at the beginning of the year | 7,205 | 13,175 | 20,380 |
| Translation differences | (517) | (973) | (1,490) |
| Additional allowances | 8,540 | 1,743 | 10,283 |
| Reclassifications | 47 | (6,610) | (6,563) |
| Used | (8,985) | (4,630) | (13,615) |
| **At December 31, 2015** | **6,290** | **2,705** | **8,995** |

**24 Derivative financial instruments**

*Net fair values of derivative financial instruments*

The net fair values of derivative financial instruments disclosed within Other Receivables and Other Liabilities at the reporting date, in accordance with IAS 39, are:

| | Year ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Foreign exchange derivatives contracts | 2,759 | 18,248 |
| **Contracts with positive fair values** | **2,759** | **18,248** |
| Foreign exchange derivatives contracts | (42,635) | (34,541) |
| **Contracts with negative fair values** | **(42,635)** | **(34,541)** |
| **Total** | **(39,876)** | **(16,293)** |

*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 2016 and 2015, were as follows:

| | | | Fair Value | | Hedge Accounting Reserve | |
|---|---|---|---|---|---|---|
| Purchase currency | Sell currency | Term | 2016 | 2015 | 2016 | 2015 |
| MXN | USD | 2017 | (35,165) | (24,364) | 9 | 320 |
| USD | MXN | 2017 | 694 | 14,466 | (2,280) | (21) |
| EUR | USD | 2017 | (360) | 331 | — | — |
| USD | EUR | 2017 | (33) | 957 | (1,435) | (819) |
| JPY | USD | 2017 | (179) | (24) | 73 | — |
| USD | KWD | 2017 | (2,447) | 28 | (1,016) | 28 |
| USD | ARS | 2017 | (748) | — | — | — |
| ARS | USD | 2017 | 318 | (8,639) | (93) | 3,175 |
| USD | BRL | 2017 | (1,581) | 402 | — | — |
| USD | GBP | 2017 | — | 85 | — | — |
| Others | | | (375) | 465 | — | 100 |
| **Total** | | | **(39,876)** | **(16,293)** | **(4,742)** | **2,783** |

Following is a summary of the hedge reserve evolution:

| | Equity Reserve Dec-14 | Movements 2015 | Equity Reserve Dec-15 | Movements 2016 | Equity Reserve Dec-16 |
|---|---|---|---|---|---|
| Foreign Exchange | (7,916) | 10,699 | 2,783 | (7,525) | (4,742) |
| Total Cash flow Hedge | **(7,916)** | **10,699** | **2,783** | **(7,525)** | **(4,742)** |

Tenaris estimates that the cash flow hedge reserve at December 31, 2016 will be recycled to the Consolidated Income Statement during 2017.

**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 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, the 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 (Notes 22 and 23) 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.

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

- *Tax assessment in Italy*

Dalmine, an Italian subsidiary of Tenaris, received on December 24, 2012 a tax assessment from the Italian tax authorities related to allegedly omitted withholding tax on dividend payments made in 2007. The assessment, which was for an estimated amount of EUR295 million (approximately $310.9 million), comprising principal, interest and penalties, was appealed with the first-instance tax court in Milan. In February 2014, the first-instance tax court issued its decision on this tax assessment, partially reversing the assessment and lowering the claimed amount to approximately EUR9 million (approximately $9.5 million), including principal, interest and penalties. On October 2, 2014, the Italian tax authorities appealed against the second-instance tax court decision on the 2007 assessment. On June 12, 2015, the second-instance tax court accepted Dalmine's defense arguments and rejected the appeal by the Italian tax authorities, thus reversing the entire 2007 assessment and recognizing that the dividend payment was exempt from withholding tax. The Italian tax authorities have appealed the second-instance tax court decision before the Supreme Court.

On December 24, 2013, Dalmine received a second tax assessment from the Italian tax authorities, based on the same arguments as those in the first assessment, relating to allegedly omitted withholding tax on dividend payments made in 2008 – the last such distribution made by Dalmine. Dalmine appealed the assessment with the first-instance tax court in Milan. On January 27, 2016, the first-instance tax court rejected Dalmine's appeal. This first-instance ruling, which held that Dalmine is required to pay an amount of EUR223 million (approximately $235.1 million), including principal interest and penalties, contradicts the first and second-instance tax court rulings in connection with the 2007 assessment. Dalmine obtained the suspension of the interim payment that would have been due, based on the first-instance decision, through the filing with the tax authorities of a bank guarantee, and appealed the January 2016 ruling with the second-instance tax court.

Tenaris continues to believe that Dalmine has correctly applied the relevant legal provisions and based on, among other things, the tax court decisions on the 2007 assessment and the opinion of legal counsel, Tenaris believes that it is not probable that the ultimate resolution of either the 2007 or the 2008 tax assessment will result in a material obligation.

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

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

**25 Contingencies, commitments and restrictions on the distribution of profits (Cont.)**

***(i) Contingencies (Cont.)***

- *CSN claims relating to the January 2012 acquisition of Usiminas shares (Cont.)*

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

On September 23, 2013, the first instance court issued its decision finding in favor of Confab and the other defendants and dismissing the CSN lawsuit. The claimants appealed the first instance court decision with the Sao Paulo court of appeals. On February 8, 2017, the court of appeals issued its decision on the merits and maintained the understanding of the first instance court, holding that Confab and the other defendants did not have the obligation to launch a tender offer. The decision of the court of appeals has not yet been published, and CSN may still file a motion for clarification and/or appeal to the Superior Court of Justice or the Federal Supreme Court.

Separately, on November 10, 2014, CSN filed a complaint with Brazil's securities regulator Comissão de Valores Mobiliários (CVM) on the same grounds and with the same purpose as the lawsuit referred to above. In this complaint, CSN sought to reverse a February 2012 decision by the CVM, which had determined that the above mentioned acquisition did not trigger any tender offer requirement. On December 2, 2016, CVM rendered its decision on this complaint, reaffirming its previous decision from 2012 and rejecting all the new allegations presented by CSN.

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

Tenaris 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, the decisions issued by CVM in February 2012 and December 2016, and the first and second instance court decisions referred to above. Accordingly, no provision was recorded in these Consolidated Financial Statements

- *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, 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 in connection with the Veracel accident and other amounts not covered by insurance. Itaú and Veracel claim that the Veracel accident was caused by failures and defects attributable to the evaporation system manufactured by Confab. Confab believes that the Veracel accident was caused by the improper handling by Veracel's personnel of the equipment supplied by Confab in violation of Confab's instructions. The two lawsuits have been consolidated, and are now being considered by the 6th Civil Court of São Caetano do Sul; however, each lawsuit will be adjudicated through a separate ruling. Both proceedings are currently at evidentiary stage.

**25 Contingencies, commitments and restrictions on the distribution of profits (Cont.)**

***(i) Contingencies (Cont.)***

- *Veracel Celulose Accident Litigation (Cont.)*

On March 10, 2016, a court-appointed expert issued its report on certain technical matters concerning the Veracel accident. Based upon a technical opinion received from a third-party expert, in August 2016, Confab filed its objections to the expert's report. Other parties have also filed their observations and/or opinions concerning the experts' report, which are currently subject to the court examination. As of December 31, 2016, the estimated amount of Itaú's claim is approximately BRL 74.5 million (approximately $22.9 million), and the estimated amount of Veracel's claim is approximately BRL 47.7 million (approximately $14.6 million), for an aggregate amount BRL 122.2 million ($37.5 million). The final result of this claim depends largely on the court's evaluation of technical matters arising from the expert's opinion and objections presented by Confab. No provision has been recorded in these Consolidated Financial Statements.

- *Petroamazonas Penalties*

On January 22, 2016, Petroamazonas ("PAM"), an Ecuadorian state-owned oil company, imposed penalties to the Company's Uruguayan subsidiary, Tenaris Global Services S.A. ("TGS"), for its alleged failure to comply with delivery terms under a pipe supply agreement. The penalties amount to approximately $ 22.5 million as of the date hereof. Tenaris believes, based on the advice of counsel, that PAM has no legal basis to impose the penalties and that TGS has meritorious defenses against PAM. However, in light of the prevailing political circumstances in Ecuador, the Company cannot predict the outcome of a claim against a state-owned company and it is not possible to estimate the amount or range of loss in case of an unfavorable outcome.

- *Ongoing investigation*

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

***(ii) 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 January 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 a 12-month prior notice. Due to the current weak pipe demand associated with the reduction in drilling activity, the parties entered into a temporary agreement pursuant to which application of the minimum volume requirements were suspended, and the company is temporarily allowed to purchase steel volumes in accordance with its needs. As of December 31, 2016, the estimated aggregate contract amount through December 31, 2017, calculated at current prices, is approximately $423 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 $175.8 million related to the investment plan to expand Tenaris's U.S. operations with the construction of a state-of-the-art seamless pipe mill in Bay City, Texas. As of December 31, 2016 approximately $1.349 million had already been invested.

**25 Contingencies, commitments and restrictions on the distribution of profits (Cont.)**

***(iii) Restrictions to the distribution of profits and payment of dividends***

As of December 31, 2016, 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, 2016 | 17,493,012 |
| **Total equity in accordance with Luxembourg law** | **19,401,336** |

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, 2016, this reserve is fully allocated and additional allocations to the reserve are not required under Luxembourg law. Dividends may not be paid out of the legal reserve.

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

At December 31, 2016, distributable amount under Luxembourg law totals $18.1 billion, as detailed below:

| (all amounts in thousands of U.S. dollars) | |
|---|---|
| Retained earnings at December 31, 2015 under Luxembourg law | 18,024,204 |
| Other income and expenses for the year ended December 31, 2016 | (23,561) |
| Dividends approved | (507,631) |
| **Retained earnings at December 31, 2016 under Luxembourg law** | **17,493,012** |
| Share premium | 609,733 |
| **Distributable amount at December 31, 2016 under Luxembourg law** | **18,102,745** |

**26 Acquisition of subsidiaries and non-consolidated companies**

In September 2014, Tenaris completed the acquisition of the 100% of Socotherm Brasil S.A.("Socotherm"). The purchase price amounted to $29.6 million, net assets acquired (including PPE, inventories and cash and cash equivalents) amounted to $9.6 million and goodwill for $20 million. Tenaris accounted for this transaction as a step-acquisition and consequently remeasured to fair value its ownership interest in Socotherm held before the acquisition. As a result, Tenaris recorded in "Equity in earnings (losses) of non-consolidated companies" a gain of approximately $21.3 million.

**27 Cash flow disclosures**

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | | 2016 | 2015 | 2014 |
| (i) | Changes in working capital | | | |
| | Inventories | 244,720 | 936,402 | (72,883) |
| | Receivables and prepayments and Current tax assets | 70,874 | 60,009 | (31,061) |
| | Trade receivables | 146,824 | 828,265 | 20,886 |
| | Other liabilities | (79,046) | (123,904) | (61,636) |
| | Customer advances | (95,112) | 1,171 | 76,383 |
| | Trade payables | 59,939 | (327,958) | (3,755) |
| | | **348,199** | **1,373,985** | **(72,066)** |
| (ii) | Income tax accruals less payments | | | |
| | Tax accrued | 41,441 | 244,505 | 586,061 |
| | Taxes paid | (169,520) | (335,585) | (506,999) |
| | | **(128,079)** | **(91,080)** | **79,062** |
| (iii) | Interest accruals less payments, net | | | |
| | Interest accrued | (43,872) | (11,517) | 6,174 |
| | Interest received | 22,326 | 28,238 | 31,306 |
| | Interest paid | (18,858) | (18,696) | (74,672) |
| | | **(40,404)** | **(1,975)** | **(37,192)** |
| (iv) | Cash and cash equivalents | | | |
| | Cash at banks, liquidity funds and short - term investments | 399,900 | 286,547 | 417,645 |
| | Bank overdrafts | (1,320) | (349) | (1,200) |
| | | **398,580** | **286,198** | **416,445** |

As of December 31, 2016, 2015 and 2014, the components of the line item “other, including currency translation adjustment” are immaterial to net cash provided by operating activities.

**28 Net assets of disposal group classified as held for sale**

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 $332.4 million. The agreement was subject to U.S. antitrust clearance and other customary conditions and was closed during January 2017.

The transaction was reported as a discontinued operation due to the relevance of such business on the total net income of segment “Other”.

**Analysis of the result of discontinued operations:**

| (all amounts in thousands of US dollars, unless otherwise stated) | Year ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Net sales | 234,911 | 197,630 | 196,503 |
| Cost of sales | (136,587) | (137,318) | (147,045) |
| **Gross profit** | **98,324** | **60,312** | **49,458** |
| Selling, general and administrative expenses | (32,238) | (30,678) | (31,174) |
| Other operating expenses | (248) | (1) | — |
| **Operating income** | **65,838** | **29,633** | **18,284** |
| Other financial results | (88) | (382) | (361) |
| **Income before income tax** | **65,750** | **29,251** | **17,923** |
| Income tax | (24,339) | (10,121) | (5,630) |
| **Income for continuing operations** | **41,411** | **19,130** | **12,293** |
| **Earnings per share attributable to discontinued operations:** | | | |
| Weighted average number of ordinary shares (thousands) | 1,180,537 | 1,180,537 | 1,180,537 |
| **Discontinued operations:** | | | |
| Basic and diluted earnings per share (U.S. dollars per share) | 0.04 | 0.02 | 0.01 |
| Basic and diluted earnings per ADS (U.S. dollars per ADS) (*) | 0.07 | 0.03 | 0.02 |

**28 Net assets of disposal group classified as held for sale (Cont.)**

Summarized cash flow information is as follows **:**

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Cash at the beginning | 15,343 | 13,848 | 18,790 |
| Cash at the end | 18,820 | 15,343 | 13,848 |
| **Increase (decrease) in cash** | **3,477** | **1,495** | **(4,942)** |
| Provided by operating activities | 24,535 | 42,701 | 8,294 |
| Used in investing activities | (1,058) | (1,206) | (1,236) |
| Used in financing activities | (20,000) | (40,000) | (12,000) |

These amounts were estimated only for disclosure purposes, as cash flows from discontinued operations were not managed separately from other cash flows.

On January 20, 2017, the sale was completed and Tenaris estimates a net profit after bank fees and other related expenses of approximately $189.2 million.

**Current and non-current assets and liabilities of disposal group**

| | At December 31, 2016 | |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment, net | 41,470 | |
| Intangible assets, net (*) | 45,894 | 87,364 |
| **Current assets** | | |
| Inventories, net | 29,819 | |
| Receivables and prepayments, net | 451 | |
| Trade receivables, net | 33,620 | |
| Cash and cash equivalents | 163 | 64,053 |
| **Total assets of disposal group classified as held for sale** | | **151,417** |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Deferred tax liabilities | 4,696 | |
| Other liabilities | 680 | 5,376 |
| **Current liabilities** | | |
| Current tax liabilities | 4,100 | |
| Other liabilities | 1,668 | |
| Trade payables | 6,950 | 12,718 |
| **Total liabilities of disposal group classified as held for sale** | | **18,094** |

(*) Includes $45.8 million of goodwill

**29 Related party transactions**

As of December 31, 2016:

- San Faustin S.A., a Luxembourg *Soci é t é 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* , who is the holder of record of the above-mentioned Tenaris shares.
- Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin, a Dutch private foundation ( *Stichting* ) (“RP STAK”) held voting rights in San Faustin sufficient to control San Faustin.
- No person or group of persons controls RP STAK.

Based on the information most recently available to the Company, Tenaris’s directors and senior management as a group owned 0.10% of the Company’s outstanding shares.

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

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, | | |
|---|---|---|---|---|
| | | 2016 | 2015 | 2014 |
| **(i)** | **Transactions** | | | |
| | **(a) Sales of goods and services** | | | |
| | Sales of goods to non-consolidated parties | 21,174 | 24,019 | 33,342 |
| | Sales of goods to other related parties | 32,613 | 87,663 | 103,377 |
| | Sales of services to non-consolidated parties | 9,542 | 10,154 | 10,932 |
| | Sales of services to other related parties | 2,948 | 4,010 | 3,264 |
| | | **66,277** | **125,846** | **150,915** |
| | **(b) Purchases of goods and services** | | | |
| | Purchases of goods to non-consolidated parties | 67,048 | 260,280 | 302,144 |
| | Purchases of goods to other related parties | 20,150 | 35,153 | 44,185 |
| | Purchases of services to non-consolidated parties | 11,528 | 16,153 | 27,304 |
| | Purchases of services to other related parties | 53,530 | 78,805 | 90,652 |
| | | **152,256** | **390,391** | **464,285** |

| | (all amounts in thousands of U.S. dollars) | At December 31, | |
|---|---|---|---|
| | | 2016 | 2015 |
| **(ii)** | **Period-end balances** | | |
| | **(a) Arising from sales / purchases of goods / services** | | |
| | Receivables from non-consolidated parties | 117,187 | 73,412 |
| | Receivables from other related parties | 13,357 | 23,995 |
| | Payables to non-consolidated parties | (21,314) | (20,000) |
| | Payables to other related parties | (12,708) | (19,655) |
| | | **96,522** | **57,752** |

**Directors' and senior management compensation**

During the years ended December 31, 2016, 2015 and 2014, the cash compensation of Directors and Senior managers amounted to $38.6 million, $28.8 million and $26 million respectively. In addition, Directors and Senior managers received 500, 540 and 567 thousand units for a total amount of $4.8 million, $5.4 million and $6.2 million respectively in connection with the Employee retention and long term incentive program mentioned in Note O (2).

**30 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, 2016.

| Company | Country of Organization | Main activity | Percentage of ownership at December 31, (*) | | |
|---|---|---|---|---|---|
| | | | 2016 | 2015 | 2014 |
| 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% |
| SIDERCA S.A.I.C. and subsidiaries (except detailed) | Argentina | 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% |
| DALMINE S.p.A. | Italy | Manufacturing of seamless steel pipes | 100% | 99% | 99% |
| MAVERICK TUBE CORPORATION and subsidiaries (except detailed) | USA | Manufacturing of welded steel pipes | 100% | 100% | 100% |
| NKKTUBES | Japan | Manufacturing of seamless steel pipes | 51% | 51% | 51% |
| PRUDENTIAL STEEL ULC | Canada | Manufacturing of welded steel pipes | 100% | 100% | 100% |
| SIAT SOCIEDAD ANONIMA | Argentina | Manufacturing of welded and seamless steel pipes | 100% | 100% | 100% |
| S.C. SILCOTUB S.A. | Romania | Manufacturing of seamless steel pipes | 100% | 100% | 100% |
| PT SEAMLESS PIPE INDONESIA JAYA | Indonesia | Manufacturing of seamless steel products | 77% | 77% | 77% |
| TALTA—TRADING E MARKETING SOCIEDADE UNIPESSOAL LDA. | Madeira | Trading and holding Company | 100% | 100% | 100% |
| TUBOS DE ACERO DE MEXICO S.A. | Mexico | Manufacturing of seamless steel pipes | 100% | 100% | 100% |
| TENARIS BAY CITY, INC. | USA | Manufacturing of seamless steel pipes | 100% | 100% | 100% |
| TENARIS GLOBAL SERVICES (CANADA) INC. | Canada | Marketing of steel products | 100% | 100% | 100% |
| TENARIS INVESTMENTS S.àr.l. | Luxembourg | Holding company | 100% | 100% | 100% |
| TENARIS INVESTMENTS SWITZERLAND AG and subsidiaries (except detailed) | Switzerland | Holding company | 100% | 100% | 100% |
| TENARIS GLOBAL SERVICES (UK) LTD | United Kingdom | Marketing of steel products | 100% | 100% | 100% |
| TENARIS GLOBAL SERVICES (U.S.A.) CORPORATION | USA | Marketing of steel products | 100% | 100% | 100% |
| TENARIS FINANCIAL SERVICES S.A. | Uruguay | Financial company | 100% | 100% | 100% |
| TENARIS GLOBAL SERVICES S.A. and subsidiaries (b) | Uruguay | Holding company and marketing of steel products | 100% | 100% | 100% |
| TENARIS INVESTMENTS S.àr.l. LUXEMBURG, Zug Branch | Switzerland | Holding company and financial services | 100% | 100% | 100% |
| TENARIS TUBOCARIBE LTDA. | Colombia | Manufacturing of welded and seamless steel pipes | 100% | 100% | 100% |

(*) All percentages rounded.

(a) Tenaris Investments S.a.r.l. holds 100% of Hydril's subsidiaries shares except for Technical Drilling & Production Services Nigeria. Ltd where it holds 80% for 2016, 2015 and 2014.

(b) Tenaris holds 97.5% of Tenaris Supply Chain S.A, 60% of Gepnaris S.A. and 40% of Tubular Technical Services and Pipe Coaters, and 49% of Amaja Tubular Services Limited

**31 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.

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.

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. 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. The annulment request was registered on September 29, 2016, and the ad hoc committee that will hear Venezuela's request was constituted on December 27, 2016. The parties are in the process of exchanging briefs. A hearing is scheduled to be held in the first quarter of 2017 regarding Tenaris's and Talta's opposition to Venezuela's request to continue stay enforcement of the award. Following that hearing, there will be a further exchange of briefs and an oral hearing on Venezuela's annulment request, currently proposed to be held in the last quarter of 2017.

Concerning the arbitration proceeding relating to the nationalization of Tenaris's shareholdings in 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, 2016 amounted $76 million. The deadline for filing a request for annulment of the award expires on April 11, 2017.

Based on the facts and circumstances described above and following the guidance set forth by IAS 27R, the Company ceased consolidating the results of operations and cash flows of the Venezuelan Companies as from June 30, 2009, and classified its investments in the Venezuelan Companies as financial assets based on the definitions contained in paragraphs 11(c)(i) and 13 of IAS 32.

The Company classified its interests in the Venezuelan Companies as available-for-sale investments since management believes they do not fulfil the requirements for classification within any of the remaining categories provided by IAS 39 and such classification is the most appropriate accounting treatment applicable to non-voluntary dispositions of assets.

Tenaris or its subsidiaries have net receivables with the Venezuelan Companies as of December 31, 2016, for a total amount of approximately $27 million.

The Company records its interest in the Venezuelan Companies at its carrying amount at June 30, 2009, and not at fair value, following the guidance set forth by paragraphs 46(c), AG80 and AG81 of IAS 39.

**32 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, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Audit Fees | 3,588 | 4,372 | 5,231 |
| Audit-Related Fees | 64 | 78 | 142 |
| Tax Fees | 14 | 25 | 89 |
| All Other Fees | 3 | 15 | 35 |
| **Total** | **3,669** | **4,490** | **5,497** |

**33 Subsequent event**

*Annual Dividend Proposal*

On February 22, 2017 the Company's Board of Directors proposed, for the approval of the Annual General Shareholders' meeting to be held on May 3, 2017, the payment of an annual dividend of $0.41 per share ($0.82 per ADS), or approximately $484 million, which includes the interim dividend of $0.13 per share ($0.26 per ADS) or approximately $153 million, paid on November 23, 2016. If the annual dividend is approved by the shareholders, a dividend of $0.28 per share ($0.56 per ADS), or approximately $331 million will be paid on May 24, 2017, with an ex-dividend date of May 22, 2017. These Consolidated Financial Statements do not reflect this dividend payable.

Edgardo Carlos
Chief Financial Officer

Tenaris – Liquid financial assets over total assets

| Thousands of U.S. Dollars | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Cash and cash equivalents | 399.737 | 286.547 |
| Other investments (current) | 1.633.142 | 2.140.862 |
| Bonds and other fixed income | 248.049 | 393.084 |
| Liquid financial assets | 2.280.928 | 2.820.493 |
| Total assets | 14.003.275 | 14.886.974 |
| Ratio | 16% | 19% |

Tenaris – Total Liabilities to Total Assets Ratio

| Thousands of U.S. Dollars | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Total liabilities | 2.590.203 | 3.020.918 | 3.704.364 |
| Total Assets | 14.003.275 | 14.886.974 | 16.510.678 |
| Ratio | 0,18 | 0,20 | 0,22 |

Tenaris – Current borrowings to total borrowings

| Thousands of U.S. Dollars | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Current Borrowings | 808.694 | 748.295 |
| Total Borrowings | 840.236 | 971.516 |
| Ratio | 0,96 | 0,77 |

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).

| | **For the year ended December 31,** | |
|---|---|---|
| *Millions of U.S. dollars* | **2016** | **2015** |
| Operating (loss) income | (59) | 166 |
| Depreciation and amortization | 662 | 659 |
| Depreciation and amortization from discontinued operations | (5) | (5) |
| Impairment | — | 400 |
| **EBITDA** | **598** | **1,219** |

**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) position is calculated in the following manner:

Net cash/(debt) = Cash and cash equivalents + Other investments (Current) + Fixed income investments held to maturity – Borrowings (Current and Non-current).

| | **At December 31,** | |
|---|---|---|
| *Millions of U.S. dollars* | **2016** | **2015** |
| Cash and cash equivalents | 400 | 287 |
| Other current investments | 1,633 | 2,141 |
| Non-current fixed income investments held to maturity | 248 | 393 |
| Borrowings -current and non current- | (840) | (972) |
| **Net cash position** | **1,441** | **1,849** |

**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, 2016** | **2015** |
|---|---|---|
| Net cash provided by operating activities | 864 | 2,215 |
| Capital expenditures | (787) | (1,132) |
| **Free cash flow** | **77** | **1,083** |

**Exhibit 8.1**

Tenaris – List of subsidiaries of Tenaris S.A.

**Significant operating subsidiaries**

We conduct all our operations through subsidiaries. The following table shows the significant operating subsidiaries of the Company and its direct and indirect ownership in each subsidiary as of December 31, 2016, 2015 and 2014.

| | | | Percentage of ownership | | |
|---|---|---|---|---|---|
| **Company** | **Country of Organization** | **Main activity** | **2016** | **2015** | **2014** |
| ALGOMA TUBES INC. | Canada | Manufacturing of seamless steel pipes | 100% | 100% | 100% |
| CONFAB INDUSTRIAL S.A. | Brazil | Manufacturing of welded steel pipes and capital goods | 100% | 100% | 100% |
| DALMINE S.p.A. | Italy | Manufacturing of seamless steel pipes | 100% | 99% | 99% |
| EXIROS B.V. | Netherlands | Procurement of raw materials and other products or services | 50% | 50% | 50% |
| HYDRIL COMPANY | USA | Manufacturing and marketing of premium connections | 100% | 100% | 100% |
| MAVERICK TUBE CORPORATION | USA | Manufacturing of welded steel pipes | 100% | 100% | 100% |
| METALMECANICA S.A. | Argentina | Manufacturing of sucker rods | 100% | 100% | 100% |
| NKKTUBES | Japan | Manufacturing of seamless steel pipes | 51% | 51% | 51% |
| PT SEAMLESS PIPE INDONESIA JAYA | Indonesia | Manufacturing of seamless steel products | 77% | 77% | 77% |
| PRUDENTIAL STEEL ULC | Canada | Manufacturing of welded steel pipes | 100% | 100% | 100% |
| S.C. SILCOTUB S.A. | Romania | Manufacturing of seamless steel pipes | 100% | 100% | 100% |
| SIAT SOCIEDAD ANONIMA | Argentina | Manufacturing of welded and seamless steel pipes | 100% | 100% | 100% |
| SIDERCA S.A.I.C. | Argentina | Manufacturing of seamless steel pipes | 100% | 100% | 100% |
| TENARIS COILED TUBES LLC (and predecessors) | USA | Manufacturing of coiled tubing | 100% | 100% | 100% |
| TENARIS CONNECTIONS B.V. | Netherlands | Ownership and licensing of technology | 100% | 100% | 100% |
| TENARIS FINANCIAL SERVICES S.A. | Uruguay | Financial company | 100% | 100% | 100% |
| TENARIS GLOBAL SERVICES S.A. | Uruguay | Holding company and marketing of steel products | 100% | 100% | 100% |
| TUBOS DE ACERO DE MEXICO S.A. | Mexico | Manufacturing of seamless steel pipes | 100% | 100% | 100% |
| TENARIS TUBOCARIBE LTDA. | Colombia | Manufacturing of welded and seamless steel pipes | 100% | 100% | 100% |

Exhibit 12.1

CERTIFICATE

I, PAOLO ROCCA, CERTIFY THAT:

1. I have reviewed this annual report on Form 20-F of Tenaris S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; *and*

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; *and*

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; *and*

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 1, 2017

/s/ Paolo Rocca

Name: Paolo Rocca
Title: Chief Executive Officer

Exhibit 12.2

CERTIFICATE

I, EDGARDO CARLOS, CERTIFY THAT:

1. I have reviewed this annual report on Form 20-F of Tenaris S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; *and*

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; *and*

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; *and*

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 1, 2017

/s/ Edgardo Carlos

Name: Edgardo Carlos
Title: Chief Financial Officer

Exhibit 13.1

**CERTIFICATION**

**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

**(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Tenaris S.A. (the " Company "), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 20-F for the year ended December 31, 2016 (the " Report "), fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2017

/s/ Paolo Rocca
Name: Paolo Rocca
Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 13.2

**CERTIFICATION**

**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

**(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Tenaris S.A. (the " Company "), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 20-F for the year ended December 31, 2016 (the " Report "), fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2017

/s/ Edgardo Carlos
Name: Edgardo Carlos
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.