TENARIS SA
Form 6-K
August 03, 2018

FORM 6 - K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of

the Securities Exchange Act of 1934

As of August 2, 2018

TENARIS, S.A.

(Translation of Registrant's name into English)

TENARIS, S.A.

29, Avenue de la Porte-Neuve 3rd floor

L-2227 Luxembourg

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or 40-F.

Form 20-F __Ö__ Form 40-F____

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12G3-2(b) under the Securities Exchange Act of 1934.

Yes ____ No __Ö__

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- .

The attached material is being furnished to the Securities and Exchange Commission pursuant to Rule 13a-16 and Form 6-K under the Securities Exchange Act of 1934, as amended. This report contains Tenaris S.A. Half-year report 2018-Interim management report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 2, 2018.

Tenaris, S.A.

By: /s/ Cecilia Bilesio

Cecilia Bilesio

Corporate Secretary

TENARIS S.A.

HALF-YEAR REPORT 2018

TABLE OF CONTENTS

INTERIM MANAGEMENT REPORT

CERTAIN DEFINED TERMS

Unless otherwise specified or if the context so requires:

- References in this half-year report to “the Company” are exclusively to Tenaris S.A., a Luxembourg public limited liability company (*société anonyme*).
- References in this half-year report to “Tenaris”, “we”, “us” or “our” are to Tenaris S.A. and its consolidated subsidiaries.
- References in this half-year report to “San Faustin” are to San Faustin S.A., a Luxembourg public limited liability company (*société anonyme*) and the Company’s controlling shareholder.
- “Shares” refers to ordinary shares, par value $1.00, of the Company.
- “ADSs” refers to the American Depositary Shares, which are evidenced by American Depositary Receipts, and represent two Shares each.
- “OCTG” refers to oil country tubular goods.
- “tons” refers to metric tons; one metric ton is equal to 1,000 kilograms, 2,204.62 pounds, or 1.102 U.S. (short) tons.
- “billion” refers to one thousand million, or 1,000,000,000.
- “U.S. dollars”, “US$”, “USD” or “$” each refers to the United States dollar.

PURPOSE

This half-year report for the six-month period ended June 30, 2018 has been prepared in compliance with Article 4 of the Luxembourg Transparency Law of 11 January 2008, and should be read in conjunction with the annual report for the year ended December 31, 2017 (including the financial statements included therein) and the unaudited consolidated condensed interim financial statements included in this half-year report.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”) and in conformity with IFRS as adopted by the European Union (“EU”).

We publish consolidated financial statements expressed in U.S. dollars. The unaudited consolidated condensed interim financial statements included in this half-year report have been prepared in accordance with IAS 34, “Interim Financial Reporting”. These unaudited consolidated condensed interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS. See Note 2 “Accounting Policies and Basis of Presentation” to our unaudited consolidated condensed interim financial statements included in this half-year report.

The unaudited consolidated condensed interim financial statements included in this half-year report have been reviewed by PricewaterhouseCoopers Société coopérative, *Cabinet de révision agréé*, for purposes of complying with the requirements of the different jurisdictions where the Company is publicly listed.

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

Rounding

Certain monetary amounts, percentages and other figures included in this half-year 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.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This half-year report and any other oral or written statements made by us to the public may contain “forward-looking statements”. Forward looking statements are based on management’s current views and assumptions and involve known and unknown risks that could cause actual results, performance or events to differ materially from those expressed or implied by those statements.

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 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 “Principal Risks and Uncertainties”, 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;
- changes to applicable laws and regulations, including the imposition of tariffs or quotas or other trade barriers; *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 half-year 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.

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.

Over the last two decades, we have expanded our business globally through a series of strategic investments. We now 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.

For more information on the Company, including its competitive strengths, business segments and products see our annual report for the year ended December 31, 2017, and for a discussion and analysis of our financial condition and results of operations see "Business overview - Operating and Financial Review and Prospects" in this half-year report.

PRINCIPAL RISKS AND UNCERTAINTIES

We face certain risks associated to our business and the industry in which we operate. We are a global steel pipe manufacturer with a strong focus on manufacturing products and related services for the oil and gas industry. Demand for our products depends primarily on the level of exploration, development and production activities of oil and gas companies which is affected by current and expected future 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. Furthermore, climate change legislation or regulations could curtail demand for fossil fuels and therefore demand for our products and services could be reduced. When oil and gas prices fall, oil and gas companies are generally expected to hold or reduce purchases of additional steel pipe products. Performance may be further affected by changes in governmental policies, the impact of credit restrictions on our customers' ability to perform their payment obligations with us, and any adverse economic, political or social developments in our major markets. Furthermore, competition in the global market for steel pipe products may cause us to lose market share and hurt our sales and profitability. In addition, there is an increased risk that unfairly-traded steel pipe imports in markets in which Tenaris produces and sells its products may affect Tenaris's market share, deteriorate the pricing environment and hurt sales and profitability. Limitations on our ability to protect our intellectual property rights, including our trade secrets, could cause a loss in revenue and any competitive advantage we hold. Furthermore, cyberattacks could have a material adverse impact on our business and results of operation. Profitability may also be hurt if increases in the cost of raw materials, energy and other costs and limitations or disruptions to the supply of raw materials and energy, resulting in higher costs of production which cannot be offset by higher selling prices or if the limited availability of such resources forces us to curtail production. Disruptions to our manufacturing processes could adversely affect our operations, customer service levels and financial results. Low levels of capacity utilization could also affect our results of operations and financial conditions. A recession in the developed countries, a cooling of emerging market economies or an extended period of below-trend growth in the economies that are major consumers of steel pipe products would likely result in reduced demand of our products, adversely affecting our revenues, profitability and financial condition.

We have significant operations in various countries, including Argentina, Brazil, Canada, Colombia, Indonesia, Italy, Japan, Mexico, Nigeria, Romania, Saudi Arabia and the United States, and we sell our products and services throughout the world. Therefore, like other companies with worldwide operations, our business and operations have been, and could in the future be, affected from time to time to varying degrees by political, economic and social developments and changes in, laws and regulations. These developments and changes may include, among others, nationalization, expropriations 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 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. As a global company, 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, which could adversely affect our financial position and results of operations. In addition, we may be subject to regulatory risks associated with our import and export activities.

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"). Between August 2011 and July 2012, Tenaris and its wholly-owned subsidiary Talta - Trading e Marketing Sociedade Unipessoal Lda ("Talta") initiated two arbitration proceedings against Venezuela before the ICSID in Washington D.C., seeking adequate and effective compensation for the expropriation of their investments in the Venezuelan Companies. On January 29, 2016, the tribunal in the first arbitration proceeding released its award upholding 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, which as of June 30, 2018, amounted to $41 million.

On December 12, 2016, the tribunal in the second arbitration proceeding 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 June 30, 2018, amounted to $94.6 million.

Venezuela submitted requests for annulment of the awards in accordance with the ICSID Convention and Arbitration Rules. Annulment requests are pending final resolution by the ad-hoc committees.

On June 8, 2018, Tenaris and Talta filed two actions in federal court in the District of Columbia to recognize and enforce the awards. Tenaris and Talta are in the process of effecting service on Venezuela in accordance with US law.

For further information on the nationalization of the Venezuelan subsidiaries, see note 31 “Nationalization of Venezuelan Subsidiaries” to our audited consolidated financial statements for the year ended December 31, 2017 and note 17 “Nationalization of Venezuelan Subsidiaries” to our unaudited consolidated condensed interim financial statements as of June 30, 2018, included in this half-year report.

A key element of our business strategy is to develop and offer higher value-added products and services and to continuously identify and pursue growth-enhancing strategic opportunities. Even if we successfully implement our business strategy, it may not yield the expected results. We must necessarily base any assessment of potential acquisitions, joint ventures and investments, on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Failure to successfully implement our strategy, or to integrate future acquisitions and strategic investments, or to sell acquired assets or business unrelated to our business under favorable terms and conditions, could affect our ability to grow, our competitive position and our sales and profitability.

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. At June 30, 2018 we had $1,288 million in goodwill corresponding mainly to the acquisition of Hydril, in 2007 and Maverick, in 2006. 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.

Potential environmental, product liability and other claims arising from the inherent risks associated with the products we sell and the services we render, 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 could create significant liabilities for us. Environmental laws and regulations may, in some cases, impose strict liability (even joint and several strict liability) rendering a person liable for damages to natural resources or threats to public health and safety without regard to negligence or fault. In addition, 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. The cost of complying with such regulations is not always clearly known or determinable since some of these laws have not yet been promulgated or are under revision. These costs, along with unforeseen environmental liabilities, may increase our operating costs or negatively impact our financial condition and profitability.

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.

As a holding company, our ability to pay cash dividends and make other payments to us depends on the results of operations and financial condition of our subsidiaries, which could be restricted by legal, contractual or other limitations, including exchange controls or transfer restrictions, and other agreements and commitments of our subsidiaries.

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

BUSINESS OVERVIEW

Operating and Financial Review and Prospects

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and the related notes included in our annual report for the year ended December 31, 2017, and is based on, and should be read in conjunction with, the unaudited consolidated condensed interim financial statements for the six-month period ended June 30, 2018, included in this half-year report.

Certain information contained in this discussion and analysis and presented elsewhere in this half-year 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 this half-year report. In evaluating this discussion and analysis, you should specifically consider the various risk factors identified in "Principal Risks and Uncertainties", other risk factors identified elsewhere in this half-year report and other factors that could cause results to differ materially from those expressed in such forward-looking statements.

Market Background and Outlook

Shale drilling activity in the USA increased during the first half of the year. The rapid increase in production of crude, liquids and associated natural gas in the Permian region is, however, leading to constraints in pipeline takeaway capacity and wider commodity spreads, which are likely to dampen further growth in US drilling activity in the coming months. In Canada, activity is stable as growth this year has also been affected by takeaway capacity constraints. In Latin America, despite progress on the reform programs in Brazil and Mexico and interest in the Vaca Muerta shale play in Argentina, drilling activity has been slow to pick up. In the rest of the world, however, higher oil prices and growing demand for natural gas are leading to a gradual recovery in onshore drilling activity.

In the second half, we expect shipment volumes to be similar to those of the first half, with higher shipments in North America and lower shipments for East Mediterranean pipeline projects, although these will include a second major offshore pipeline for the Zohr project. Selling prices will show a further moderate increase to compensate for additional costs from US Section 232 tariffs. In the third quarter, we expect EBITDA and operating income, considering seasonal effects, to be close to that of the first two quarters before rising in the fourth quarter.

Although Section 232 tariffs are today being applied to imports of steel pipes into the United States from most countries, any relevant change in the application of these tariffs could have an impact on our future results and market positioning.

Results of Operations

Unaudited consolidated condensed interim income statement

(all amounts in thousands of U.S. dollars, unless otherwise stated)	Six-month period ended June 30,			
	2018		2017	
Continuing operations		%		%
Net sales	3,654,719	100.0	2,396,664	100.0
Cost of sales	(2,532,063)	(69.3)	(1,689,585)	(70.5)
Gross profit	1,122,656	30.7	707,079	29.5
Selling, general and administrative expenses	(687,208)	(18.8)	(621,563)	(25.9)
Other operating income (expense), net	(815)	-	1,988	0.1
Operating income	434,633	11.9	87,504	3.7
Finance Income	18,982	0.5	23,986	1.0
Finance Cost	(20,596)	(0.6)	(11,958)	(0.5)
Other financial results	32,317	0.9	(32,082)	(1.3)
Income before equity in earnings of non-consolidated companies and income tax	465,336	12.7	67,450	2.8
Equity in earnings of non-consolidated companies	86,946	2.4	65,401	2.7
Income before income tax	552,282	15.1	132,851	5.5
Income tax	(150,576)	(4.1)	54,602	2.3
Income for continuing operations	401,706	11.0	187,453	7.8
Discontinued operations				
Result for discontinued operations	-	-	91,542	3.8
Income for the period	401,706	11.0	278,995	11.6
Attributable to:				
Owners of the parent	403,311	11.0	279,651	11.7
Non-controlling interests	(1,605)	-	(656)	-
	401,706		278,995	

7

Selected consolidated financial position data

(all figures are in Thousands)	June 30, 2018	December 31, 2017
Current assets	5,521,319	5,381,154
Property, plant and equipment, net	6,139,845	6,229,143
Other non-current assets	2,829,034	2,787,921
Total assets	14,490,198	14,398,218
Current liabilities	2,208,128	2,070,899
Non-current borrowings	31,826	34,645
Deferred tax liabilities	472,965	457,970
Other non-current liabilities	250,565	253,734
Total liabilities	2,963,484	2,817,248
Capital and reserves attributable to the owners of the parent	11,431,575	11,482,185
Non-controlling interests	95,139	98,785
Equity	11,526,714	11,580,970
Total liabilities and equity	14,490,198	14,398,218
Number of shares outstanding	1,180,537	1,180,537

Six-month period ended June 30, 2018, compared to six-month period ended June 30, 2017

Summary

Our sales in the first half of 2018 increased 52% compared to the first half of 2017. While the increase was mainly due to strong increase in demand in the USA and Canada, sales increased also in the rest of the regions. EBITDA increased 80% to $717 million in the first half of 2018 compared to $399 million in the first half of 2017, following an increase in sales and an improvement in the EBITDA margin, from 17% to 20%. Net income attributable to owners of the parent during the first half of 2018 was $403 million or $0.68 per ADS, which compares with $280 million or $0.47 per ADS in the first half of 2017. The improvement in net income mainly reflects a better operating environment, where a 47% increase in shipments improved the utilization of production capacity and therefore the absorption of fixed costs, a 4% increase in average selling prices, better financial results and results from associated companies, partially offset by raw material cost increases and higher income tax.

Cash flow provided by operating activities amounted to $322 million during the first half of 2018, net of an increase in working capital of $358 million. Following a dividend payment of $331 million in May 2018, and capital expenditures of $196 million during the first half of 2018, we maintained a positive net cash position (i.e., cash, other current and non-current investments less total borrowings) of $423 million at the end of June 2018.

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

Millions of U.S. dollars	For the six-month period ended June 30,				Increase / Decrease
	2018		2017		
Tubes	3,452	94 %	2,260	94 %	53 %
Others	203	6 %	137	6 %	49 %
Total	3,655	100 %	2,397	100 %	52 %

8

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 six-month period ended June 30,		Increase /
	2018	2017	Decrease
Seamless	1,340	1,037	29 %
Welded	431	170	153 %
Total	1,771	1,207	47 %

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 six-month period ended June 30,		Increase /
Net sales	2018	2017	Decrease
- North America	1,634	1,021	60 %
- South America	595	430	38 %
- Europe	331	247	34 %
- Middle East & Africa	755	461	64 %
- Asia Pacific	137	101	36 %
Total net sales	3,452	2,260	53 %
Operating income	391	76	411 %
Operating income (% of sales)	11.3 %	3.4 %	

Net sales of tubular products and services increased 53% to $3,452 million in the first half of 2018, compared to $2,260 million in the first half of 2017, as a result of a 47% increase in shipment and a 4% increase in average selling prices. The increase in sales came from all regions, mainly due to a strong increase in demand in the USA and Canada. In the first half of 2018, the average number of active drilling rigs, or rig count grew 10% worldwide compared to the first half of 2017. Rig count in the United States and Canada grew 17%, while in the rest of the world the rig count grew 2% year on year.

Operating results from tubular products and services increased significantly, from $76 million in the first half of 2017, to $391 million in the first half of 2018. Results improved following a 47% increase in shipment volumes, increasing sales and the utilization of production capacity and therefore the absorption of fixed costs.

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 six-month period ended June 30,		Increase / Decrease
	2018	2017	
Net sales	203	137	49 %
Operating income	44	11	297 %
Operating income (% of sales)	21.6%	8.1 %	

Net sales of other products and services increased 49% to $203 million in the first half of 2018, compared to $137 million in the first half of 2017, mainly due to higher sales of energy related products, i.e., sucker rods and coiled tubing and utility conduits for buildings.

Operating income from other products and services increased significantly, from $11 million in the first half of 2017 to $44 million in the first half of 2018, following the increase in sales and an increase in operating margin from 8% to 22%.

Selling, general and administrative expenses, or SG&A, amounted to $687 million in the first half of 2018 and $622 million in the first half of 2017, representing 19% of sales in 2018 and 26% in 2017. Direct selling expenses, like freights, increased due to higher shipment volumes but were partially offset by lower amortization of intangibles following the full amortization of Hydril intangibles.

Financial results amounted to a gain of $31 million in the first half of 2018, compared to a loss of $20 million in the first half of 2017. The gain in the first half of 2018 corresponds mainly to an FX gain of $28 million; $19 million related to the Argentine peso devaluation on Peso denominated financial, trade, social and fiscal payables at Argentine subsidiaries which functional currency is the U.S. dollar, $14 million related to the Euro depreciation on Euro denominated intercompany liabilities (of which $13 million are offset in the currency translation reserve in equity), partially compensated by a loss of $6 million due to the devaluation of the Canadian dollar.

Equity in earnings of non-consolidated companies generated a gain of $87 million in the first half of 2018, compared to a gain of $65 million in the first half of 2017. These results are mainly derived from our equity investment in Ternium (NYSE:TX).

Income tax amounted to a charge of $151 million in the first half of 2018, compared to a gain of $55 million in the first half of 2017. The increase in income tax charges reflects both the improvement in result and the effect of the Mexican and Argentine peso devaluation on the tax base at our Mexican and Argentine subsidiaries which have U.S. dollar as their functional currency

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 the periods indicated below:

Millions of U.S. dollars	For the six-month period ended June 30,	
	2018	2017
Net cash provided by (used in) operating activities	322	(7)
Net cash provided by investing activities	235	221
Net cash (used in) financing activities	(453)	(348)
Increase (decrease) in cash and cash equivalents	104	(133)
Cash and cash equivalents at the beginning of year	330	399
Effect of exchange rate changes	(7)	5
Increase (decrease) in cash and cash equivalents	104	(133)
Cash and cash equivalents at period end (net of overdrafts)	427	271
Cash and cash equivalents at period end (net of overdrafts)	427	271
Bank overdrafts	1	0

Other current investments	730	1,432
Non Current Investments	193	279
Borrowings	(840)	(853)
Derivatives hedging borrowings and investments	(88)	39
Net cash	423	1,168

Net cash provided by operating activities during the first half of 2018 amounted to $322 million (net of an increase in working capital of $358 million, related to the increase in shipments and production), compared to net cash used in operations of $7 million in the first half of 2017 (net of an increase in working capital of $292 million).

Capital expenditures amounted to $196 million in the first half of 2018, compared to $294 million in the first half of 2017, declining following the start up of our greenfield seamless facility in Bay City, Texas at the end of 2017. Free cash flow amounted to $126 million in the first half of 2018.

Following a dividend payment of $331 million in May 2018, our financial position at June 30, 2018, amounted to a net cash position (i.e., cash, other current and non-current investments less total borrowings) of $423 million.

OTHER SIGNIFICANT EVENTS OF THE PERIOD

Annual General Meeting of Shareholders

On May 2, 2018, the Company's annual general shareholders' meeting approved all resolutions on its agenda.

Among other resolutions adopted at the meeting, the shareholders approved the consolidated financial statements as of and for the year ended December 31, 2017, and the annual accounts as at December 31, 2017, and acknowledged the related management and independent auditors' reports and certifications.

The meeting also approved the payment of a dividend for the year ended December 31, 2017, of $0.41 per share (or $0.82 per ADS), or approximately $484 million, which includes the interim dividend of $0.13 per share (or $0.26 per ADS), or US$ approximately 153 million, paid in November 2017. Tenaris paid the balance of the annual dividend in the amount of $0.28 per share ($0.56 per ADS), or approximately $331 million in May 2018.

The annual general meeting resolved to (i) increase the number of members of the Board of Directors to eleven; (ii) appoint Mr. Germán Curá and Ms. Mónica Tiuba to the Board of Directors, (iii) re-appoint Mr. Roberto Bonatti, Mr. Carlos Condorelli, Mr. Roberto Monti, Mr. Gianfelice Mario Rocca, Mr. Paolo Rocca, Mr. Jaime Serra Puche, Mr. Yves Speeckaert, Mr. Amadeo Vázquez y Vázquez and Mr. Guillermo Vogel to the Board of Directors; each of the persons appointed and re-appointed, respectively, in (i) and (ii) above to hold office until the next annual general meeting of shareholders that will be convened to decide on the Company's 2018 annual accounts.

The board of directors subsequently confirmed and re-appointed Amadeo Vázquez y Vázquez, Jaime Serra Puche and Roberto Monti as members of Tenaris's audit committee and appointed Ms. Tiuba as a new member of the audit committee, with Mr. Vázquez y Vázquez to continue as chairman. All four members of the audit committee qualify as independent directors under the articles and applicable law.

The meeting appointed PricewaterhouseCoopers Société coopérative, *Cabinet de révision agréé* (member firm of PwC International Limited) as Tenaris's independent auditors for the fiscal year ending December 31, 2018.

RELATED PARTY TRANSACTIONS

Tenaris is a party to several related party transactions, which include, among others, purchases and sales of goods (including steel pipes, flat steel products, steel bars, raw materials, gas and electricity) and services (including engineering services and related services) from or to entities controlled by San Faustin or in which San Faustin holds significant interests. Material related party transactions are subject to the review of the audit committee of the Company's board of directors and the requirements of the Company's articles of association and Luxembourg law. For further detail on Tenaris's related party transactions, see Note 15 "*Related party transactions*" to our unaudited consolidated condensed interim financial statements included in this half-year report.

MANAGEMENT CERTIFICATION

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

1. the unaudited consolidated condensed interim financial statements prepared in conformity with International Financial Reporting Standards included in this half year report, give a true and fair view of the assets, liabilities, financial position and profit or loss of Tenaris S.A. and its consolidated subsidiaries, taken as a whole; and

2. the interim management report included in this half year report, includes a fair review of the important events that have occurred during the six-month period ended June 30, 2018, and their impact on the unaudited consolidated condensed interim financial statements for such period, material related party transactions and a description of the principal risks and uncertainties they face.

/s/ Paolo Rocca

Chief Executive Officer

Paolo Rocca

August 1, 2018

/s/ Edgardo Carlos

Chief Financial Officer

Edgardo Carlos

August 1, 2018

FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2018

13

Report of Independent Registered Public Accounting Firm

To the Board of Directors of

Tenaris S.A.

Results of review of financial statements

We have reviewed the accompanying consolidated condensed interim statement of financial position of Tenaris S.A. and its subsidiaries as of 30 June 2018, and the related consolidated condensed interim statements of income and of comprehensive income for the three-month and six-month periods ended 30 June 2018 and 2017 and the consolidated condensed interim statements of changes in equity and of cash flows for the six-month periods ended 30 June 2018 and 2017, including the related notes (collectively referred to as the "consolidated condensed interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated condensed interim financial statements for them to be in conformity with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) as issued by the International Accounting Standards Board and in conformity with IAS 34 as adopted by the European Union.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statement of financial position of the Company as of 31 December 2017 and the related consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated 30 April 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated condensed interim statement of financial position as of 31 December 2017, is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

Basis for review results

These consolidated condensed interim financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

PricewaterhouseCoopers, Société coopérative Luxembourg, 1 August 2018
Represented by

Fabrice Goffin

14

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2018

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

(all amounts in thousands of U.S. dollars, unless otherwise stated)		Three-month period ended June 30,		Six-month period ended June 30,	
	Notes	2018	2017	2018	2017
Continuing operations		(Unaudited)		(Unaudited)	
Net sales	3	1,788,484	1,242,804	3,654,719	2,396,664
Cost of sales	4	(1,226,557)	(865,729)	(2,532,063)	(1,689,585)
Gross profit		561,927	377,075	1,122,656	707,079
Selling, general and administrative expenses	5	(337,574)	(327,132)	(687,208)	(621,563)
Other operating income (expense), net		(1,917)	1,547	(815)	1,988
Operating income		222,436	51,490	434,633	87,504
Finance Income	6	9,609	11,059	18,982	23,986
Finance Cost	6	(10,422)	(6,020)	(20,596)	(11,958)
Other financial results	6	39,383	(20,667)	32,317	(32,082)
Income before equity in earnings of non-consolidated companies and income tax		261,006	35,862	465,336	67,450
Equity in earnings of non-consolidated companies		40,920	30,201	86,946	65,401
Income before income tax		301,926	66,063	552,282	132,851
Income tax		(135,454)	7,357	(150,576)	54,602
Income for continuing operations		166,472	73,420	401,706	187,453
Discontinued operations					
Result for discontinued operations	14	-	-	-	91,542
Income for the period		166,472	73,420	401,706	278,995
Attributable to:					
Owners of the parent		168,328	74,524	403,311	279,651
Non-controlling interests		(1,856)	(1,104)	(1,605)	(656)
		166,472	73,420	401,706	278,995
Earnings per share attributable to the owners of the parent during the period:					
Weighted average number of ordinary shares (thousands)		1,180,537	1,180,537	1,180,537	1,180,537
Continuing operations					
Basic and diluted earnings per share (U.S. dollars per share)		0.14	0.06	0.34	0.16
Basic and diluted earnings per ADS (U.S. dollars per ADS) (1)		0.29	0.13	0.68	0.32
Continuing and discontinued operations					
Basic and diluted earnings per share (U.S. dollars per share)		0.14	0.06	0.34	0.24
Basic and diluted earnings per ADS (U.S. dollars per ADS) (1)		0.29	0.13	0.68	0.47

(1) Each ADS equals two shares.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(all amounts in thousands of U.S. dollars)	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Income for the period	166,472	73,420	401,706	278,995
Items that may be subsequently reclassified to profit or loss:				
Currency translation adjustment	(111,526)	62,347	(79,062)	90,297
Change in value of cash flow hedges and instruments at fair value	(12,417)	8,239	(14,300)	12,066
Share of other comprehensive income of non-consolidated companies:				
- Currency translation adjustment	(33,459)	(8,593)	(38,411)	(3,862)
- Changes in the fair value of derivatives held as cash flow hedges and others	(51)	4,662	(40)	4,652
Income tax relating to components of other comprehensive income	31	-	52	23
	(157,422)	66,655	(131,761)	103,176
Items that will not be reclassified to profit or loss:				
Remeasurements of post employment benefit obligations	508	605	508	605
Income tax on items that will not be reclassified	(36)	(219)	(52)	(219)
Remeasurements of post employment benefit obligations of non-consolidated companies	(207)	(134)	(263)	1,461
	265	252	193	1,847
Other comprehensive (loss) income for the period, net of tax	(157,157)	66,907	(131,568)	105,023
Total comprehensive income for the period	9,315	140,327	270,138	384,018
Attributable to:				
Owners of the parent	11,504	141,090	271,934	384,287
Non-controlling interests	(2,189)	(763)	(1,796)	(269)
	9,315	140,327	270,138	384,018
Total comprehensive income for the period attributable to Owners of the parent arises from				
Continuing operations	11,504	141,090	271,934	292,745
Discontinued operations	-	-	-	91,542
	11,504	141,090	271,934	384,287

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. These Consolidated Condensed Interim Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2017.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2018

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(all amounts in thousands of U.S. dollars)	Notes	At June 30, 2018 (Unaudited)		At December 31, 2017	
ASSETS					
Non-current assets					
Property, plant and equipment, net	8	6,139,845		6,229,143	
Intangible assets, net	9	1,614,043		1,660,859	
Investments in non-consolidated companies	13	663,261		640,294	
Available for sale assets		21,572		21,572	
Other investments	10	197,158		128,335	
Deferred tax assets		177,266		153,532	
Receivables, net		155,734	8,968,879	183,329	9,017,064
Current assets					
Inventories, net		2,530,072		2,368,304	
Receivables and prepayments, net		142,276		135,698	
Current tax assets		151,964		132,334	
Trade receivables, net		1,536,323		1,214,060	
Derivative financial instruments	11	2,484		8,231	
Other investments	10	730,240		1,192,306	
Cash and cash equivalents	10	427,960	5,521,319	330,221	5,381,154
Total assets			14,490,198		14,398,218
EQUITY					
Capital and reserves attributable to owners of the parent			11,431,575		11,482,185
Non-controlling interests			95,139		98,785
Total equity			11,526,714		11,580,970
LIABILITIES					
Non-current liabilities					
Borrowings		31,826		34,645	
Deferred tax liabilities		472,965		457,970	
Other liabilities		214,599		217,296	
Provisions		35,966	755,356	36,438	746,349
Current liabilities					
Borrowings		808,669		931,214	
Derivative financial instruments	11	91,615		39,799	
Current tax liabilities		158,235		102,405	
Other liabilities		219,890		157,705	
Provisions		27,181		32,330	
Customer advances		89,566		56,707	
Trade payables		812,972	2,208,128	750,739	2,070,899
Total liabilities			2,963,484		2,817,248
Total equity and liabilities			14,490,198		14,398,218

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. These Consolidated Condensed Interim Financial Statements should be read in conjunction with our audited Consolidated

Financial Statements and notes for the fiscal year ended December 31, 2017.

16

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the six-month period ended June 30, 2018

CONSOLIDATED CONDENSED INTERIM 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
									(Unaudited)
Balance at December 31, 2017	1,180,537	118,054	609,733	(824,423)	(320,569)	10,718,853	11,482,185	98,785	11,580,970
Changes in accounting policies (Note 2)	-	-	-	-	2,786	5,220	8,006	12	8,018
Balance at December 31, 2017	1,180,537	118,054	609,733	(824,423)	(317,783)	10,724,073	11,490,191	98,797	11,588,988
Income (loss) for the period	-	-	-	-	-	403,311	403,311	(1,605)	401,706
Currency translation adjustment	-	-	-	(78,891)	-	-	(78,891)	(171)	(79,062
Remeasurements of post employment benefit obligations, net of taxes	-	-	-	-	482	-	482	(26)	456
Change in value of instruments at fair value through other comprehensive income and cash flow hedges, net of taxes	-	-	-	-	(14,254)	-	(14,254)	6	(14,248
Share of other comprehensive income of non-consolidated companies	-	-	-	(38,411)	(303)	-	(38,714)	-	(38,714
Other comprehensive (loss) for the period	-	-	-	(117,302)	(14,075)	-	(131,377)	(191)	(131,568

Total comprehensive income (loss) for the period	-	-	-	(117,302)	(14,075)	403,311	271,934	(1,796)	270,138
Acquisition of non-controlling interests	-	-	-	-	-	-	-		