TENARIS SA
Form 20-F
April 30, 2013
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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

x **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2012**

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 3rd floor

L-2227 Luxembourg

(Address of principal executive offices)

Adelia Soares

29, Avenue de la Porte-Neuve 3rd floor

L-2227 Luxembourg

Tel. + (352) 26 47 89 78, Fax. + (352) 26 47 89 79, e-mail: asoares@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 x 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 x

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 x 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 x

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

Large accelerated filer x Accelerated Filer ¨ Non-accelerated filer ¨

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 x 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 x

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 refer exclusively to Tenaris S.A., a Luxembourg public limited liability company (société anonyme).

References in this annual report to Tenaris , we , us or our refer to Tenaris S.A. and its consolidated subsidiaries. See Accounting Policies (AP) A and B to our audited consolidated financial statements included in this annual report.

References in this annual report to San Faustin refer to San Faustin S.A. (formerly known as San Faustin N.V.), 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.

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 adopted by the European Union, or IFRS. IFRS differ in certain significant respects from generally accepted accounting principles in the United States, commonly referred to as U.S. GAAP.

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, 2012, 2011 and 2010.

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.

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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 , expect , project , intend , plan , believe and words and terms of similar substance to identify forward-looking statements, but they are not the or 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;
- trends in the levels of investment in oil and gas exploration and drilling worldwide;
- general macroeconomic and political conditions and developments in the countries in which we operate or distribute pipes; *and*
- our ability to absorb cost increases and to secure supplies of essential raw materials and energy.

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 herein. Our consolidated financial statements were prepared in accordance with IFRS, and were audited by PricewaterhouseCoopers Société Coopérative (formerly PricewaterhouseCoopers S.à r.l.), *Réviseur d entreprises agréé*, an independent registered public accounting firm, as of December 31, 2012 and 2011 and for the two years in the period ended December 31, 2012, and were audited by Price Waterhouse & Co. S.R.L. for the year ended December 31, 2010. Both firms are member firms of PwC International Limited (PWC). IFRS differ 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 .

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Thousands of U.S. dollars (except number of shares and per share amounts)	For the year ended December 31, 2012	2011	2010	2009	2008
Selected consolidated income statement data[1]					
Continuing operations					
Net sales	10,834,030	9,972,478	7,711,598	8,149,320	11,987,760
Cost of sales	(6,637,293)	(6,273,407)	(4,748,767)	(4,935,170)	(6,779,318)
Gross profit	4,196,737	3,699,071	2,962,831	3,214,150	5,208,442
Selling, general and administrative expenses	(1,883,789)	(1,859,240)	(1,522,410)	(1,483,369)	(1,799,002)
Other operating income (expenses), net	43,659	5,050	78,629	3,000	(375,873)
Operating income	2,356,607	1,844,881	1,519,050	1,733,781	3,033,567
Interest income	33,459	30,840	32,855	30,831	48,711
Interest expense	(55,507)	(52,407)	(64,103)	(118,301)	(179,885)
Other financial results	(28,056)	11,268	(21,305)	(64,230)	(99,850)
Income before equity in earnings of associated companies and income tax	2,306,503	1,834,582	1,466,497	1,582,081	2,802,543
Equity in earnings (losses) of associated companies	(63,534)	61,509	70,057	87,041	89,423
Income before income tax	2,242,969	1,896,091	1,536,554	1,669,122	2,891,966
Income tax	(541,558)	(475,370)	(395,507)	(433,385)	(923,251)
Income for continuing operations	1,701,411	1,420,721	1,141,047	1,235,737	1,968,715
Discontinued operations					
Result for discontinued operations				(28,138)	306,905
Income for the year [2]	1,701,411	1,420,721	1,141,047	1,207,599	2,275,620
Income attributable to [2]:					
Owners of the parent	1,699,047	1,331,157	1,127,367	1,161,555	2,124,802
Non-controlling interests	2,364	89,564	13,680	46,044	150,818
Income for the year [2]	1,701,411	1,420,721	1,141,047	1,207,599	2,275,620
Depreciation and amortization	(567,654)	(554,345)	(506,902)	(504,864)	(532,934)
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 per share for continuing operations	1.44	1.13	0.95	1.00	1.49
Basic and diluted earnings per share	1.44	1.13	0.95	0.98	1.80
Dividends per share[3]	0.43	0.38	0.34	0.34	0.43

(1) Certain comparative amounts have been re-presented to conform to: (a) changes in the accounting of our Mexican employee statutory profit sharing provision, which since January 1, 2012 is included under labor costs instead of under income tax and (b) changes in presentation in 2009 due to the nationalization of certain Venezuelan subsidiaries. For more information on the nationalization of these Venezuelan subsidiaries, see note 31 Nationalization of Venezuelan Subsidiaries to our audited consolidated financial statements included in this annual report.

(2) 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).

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

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Thousands of U.S. dollars (except number of shares)			At December 31,		
	2012	**2011**	**2010**	**2009**	**2008**
Selected consolidated financial position data					
Current assets	6,987,116	6,393,221	5,955,536	5,621,841	7,252,417
Property, plant and equipment, net	4,434,970	4,053,653	3,780,580	3,254,587	2,982,871
Other non-current assets	4,541,839	4,416,761	4,628,215	4,606,880	4,865,424
Total assets	15,963,925	14,863,635	14,364,331	13,483,308	15,100,712
Current liabilities	2,829,374	2,403,699	2,378,546	1,970,470	3,790,017
Non-current borrowings	532,407	149,775	220,570	655,181	1,241,048
Deferred tax liabilities	749,235	828,545	934,226	860,787	1,053,838
Other non-current liabilities	292,583	308,673	280,409	276,034	313,922
Total liabilities	4,403,599	3,690,692	3,813,751	3,762,472	6,398,825
Capital and reserves attributable to the owners of the parent	11,388,016	10,506,227	9,902,359	9,092,164	8,176,571
Non-controlling interests	172,310	666,716	648,221	628,672	525,316
Equity	11,560,326	11,172,943	10,550,580	9,720,836	8,701,887
Total liabilities and equity	15,963,925	14,863,635	14,364,331	13,483,308	15,100,712
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

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, a recession in the developed countries or a cooling of emerging market economies would likely result in reduced demand of our products, adversely affecting our revenues, profitability and financial condition.

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, 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. The competitive environment, therefore, is expected to become more 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 affect operations at our facilities in Argentina. Similarly, in Mexico, existing constraints in natural gas transportation capacity have led to increased imports of liquefied natural gas, which, from April 1, 2013, resulted in increased natural gas transportation costs and, thus, higher steel pipe products production costs. See Item 3.D. Key Information Risks 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 . 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. In addition, 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.

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, exchange controls, regulatory and taxation changes, and other adverse political, economic or social developments of the countries in which we operate.

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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, approximately 8% of Tenaris s consolidated net assets are located in Argentina and we derive approximately 20% of our revenues from that country, including sales to the domestic and export markets. Our business may be materially and adversely affected by economic, political, 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. 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, such efforts might not be sufficient to avoid an adverse impact on our production in Argentina and we might not be able to similarly 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 Pesos, or ARS, exchange rate, and implemented restrictions on capital inflows into Argentina and capital outflows from Argentina. Since 2001, Argentine subsidiaries are required to repatriate U.S. dollars collected in connection with exports from Argentina (including U.S. dollars obtained through advance payment and pre-financing facilities) into Argentina and convert them into ARS at the official floating exchange rate applicable on the date of repatriation. Since the last quarter of 2011, the Argentine government tightened its controls on transactions that would represent capital outflows from Argentina, prohibiting the purchase of foreign currency for saving purposes and limiting the ability of Argentine companies to transfer funds (including in connection with the payment of dividends or royalties) outside of Argentina. These existing controls, and any additional restrictions of this kind that may be imposed in the future, could expose us to the risk of losses arising from fluctuations in the exchange rate of the ARS or 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 pay dividends or royalties 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 .

The Argentine government has imposed export taxes on certain activities, mainly in connection with commodities, gas and oil. If the Argentine government were to increase export taxes or impose export restrictions concerning our activities, our business and operations in Argentina could be adversely affected.

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The Argentine government has recently implemented import regulations. All payments on import of goods and services must be approved by the Argentine federal tax authority and other authorities, such as the Secretary of Commerce. The criteria followed to authorize or object to a transaction are not determined in the applicable regulations. Such import regulations could delay imports and as result, adversely affect our business, operations in Argentina. In addition, they could affect our exports from Argentina, considering that foreign countries may adopt and implement counter-measures.

Following the Argentine default in 2002, Argentina s access to international capital markets has been limited and may continue to be limited in the future. A lack of financial alternatives could impair Argentina s ability to sustain the economy s activity level and foster economic growth.

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

We have a significant share of the market for oil country tubular goods, or OCTG, products. We enjoy 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 addition, we have: (i) a 70% interest in the share capital of Tavsa, Tubos de Acero de Venezuela S.A., or Tavsa, the sole producer of seamless steel pipe products in Venezuela, (ii) a 50.2% interest in Matesi Materiales Siderúrgicos S.A., or Matesi, an industrial facility that produces hot briquetted iron, or HBI, and (iii) a minority interest in Complejo Siderúrgico de Guayana, or Comsigua, another Venezuelan HBI producer. In 2009, Venezuela s former President Hugo Chávez announced the nationalization of, among other companies, Tavsa, Matesi and Comsigua. In August, 2009, Venezuela, acting through the transition committee appointed by the Minister of Basic Industries and Mines of Venezuela, unilaterally assumed exclusive operational control over Matesi, and in November, 2009, Venezuela, acting through PDVSA Industrial S.A. (a subsidiary of Petroleos de Venezuela S.A.), formally assumed exclusive operational control over the assets of Tavsa. In 2010, Venezuela s National Assembly declared Matesi s assets to be of public and social interest and ordered the Executive Branch to take the necessary measures for the expropriation of such assets. In June 2011 former President Chavez issued Decree 8280/2011, which ordered the expropriation of Matesi s assets as may be required for the implementation of a state-owned project for the production, sale and distribution of briquettes, and further instructed to commence negotiations and take any actions required for the acquisition of such assets. Our investments in these Venezuelan companies are protected under applicable bilateral investment treaties, including the bilateral investment treaty between Venezuela and the Belgian-Luxembourgish Union, and we continue to reserve all of our rights under contracts, investment treaties and Venezuelan and international law, and we have consented to the jurisdiction of the ICSID in connection with the nationalization process. In August 2011 and July 2012, respectively, Tenaris 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, in Washington D.C., pursuant to the bilateral investment treaties entered into by Venezuela with the Belgium-Luxembourg Economic Union and Portugal. In these proceedings, Tenaris and Talta seek adequate and effective compensation for the expropriation of their investments in Matesi, Tavsa and Comsigua. However, we can give no assurance that the Venezuelan government will agree to pay a fair and adequate compensation for our interests in Tavsa, Matesi and Comsigua, or that any such compensation will be freely convertible into or exchangeable for foreign currency. For more information on the nationalization of these Venezuelan companies, see note 31 Nationalization of Venezuelan Subsidiaries to our audited consolidated financial statements included in this annual report.

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 remained high and 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.

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 higher 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 the customer s supply chain, and continuing to pursue strategic investment opportunities. Any of these components of our overall business strategy could cost more than anticipated or may not be successfully implemented or could be delayed or abandoned. For example, we may fail to develop products 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.

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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 EU, 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 can 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.

If we are unable to agree with our joint venture partner in Japan regarding the strategic direction of our joint operations, our operations in Japan may be adversely impacted.

In 2000, we entered into a joint venture agreement with a term of 15 years with NKK Corporation, or NKK, to form NKKTubes. In September 2002, NKK and Kawasaki Steel, one of our main competitors, completed a business combination through which they became subsidiaries of JFE Holdings Inc., or JFE. JFE s continued operation of the former Kawasaki Steel steel pipe business in competition with NKKTubes, or JFE s potential lack of interest in the continued development of NKKTubes, could place NKKTubes at a disadvantage and adversely impact our operations in Japan. We are currently discussing the extension of the joint venture agreement, but we cannot guarantee a successful outcome in this negotiation.

Future acquisitions, capital investments and strategic partnerships 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, in January 2012, through our subsidiary Confab Industrial S.A., or Confab, we acquired a participation in Usinas Siderúrgicas de Minas Gerais S.A., or Usiminas, representing 5.0% of the shares with voting rights and 2.5% of the total share capital and in May 2012, we acquired all the remaining minority interests in Confab. In addition, in 2012, we decided to build a new 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 and partnerships 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, 2012, we had $1,806.9 million in goodwill, which correspond mainly to the acquisition of Maverick Tube Corporation, or Maverick, in 2006 ($771.3 million in goodwill) and Hydril Company, or Hydril, in 2007 ($919.9 million in goodwill). As of December 31, 2012, an impairment test over our investment in Usiminas was performed and subsequently, the goodwill of such investment was written down by $73.7 million. The impairment was mainly due to expectations of a weaker industrial environment in Brazil, where industrial production and consequently steel demand have been suffering downward adjustments. In addition, a higher degree of uncertainty regarding the future prices of iron ore led to a reduction in the forecast of long term iron ore prices that affected cash flow expectations. As of December 31, 2012, following the impairment charge, our investment in associated companies in connection with our investment in Usiminas amounted to $346.9 million. For a discussion of the Usiminas impairment, see note 27 Business combinations and other acquisitions Acquisition of participation in Usiminas . If our management were 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 .

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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 EU, 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 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.

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, 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 Item 3.D. Key Information - Risks 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 .

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, 2013, 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 Item 3.D. Key Information Risk Factors 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 material 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,

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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 May 12, 2017. 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 public limited liability company (*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.

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.

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 public limited liability company (*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 8000, 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. Siat, an Argentine welded steel pipe manufacturer, was acquired 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. These investments included the acquisition, directly or indirectly, of controlling or strategic interests in the following companies:

Tubos de Acero de México S.A., or Tamsa, the sole Mexican producer of seamless steel pipe products (June 1993);

Dalmine S.p.A., or Dalmine, a leading Italian producer of seamless steel pipe products (February 1996);

Tavsa, the sole Venezuelan producer of seamless steel pipe products (October 1998)[1];

Confab Industrial S.A., or Confab, the leading Brazilian producer of welded steel pipe products (August 1999). During the second quarter of 2012, we acquired all the remaining non-controlling interests in Confab;

NKKTubes, a leading Japanese producer of seamless steel pipe products (August 2000);

Algoma Tubes Inc., or AlgomaTubes, the sole Canadian producer of seamless steel pipe products (October 2000);

S.C. Silcotub S.A., or Silcotub, a leading Romanian producer of seamless steel pipe products (July 2004);

Maverick, a leading North American producer of welded steel pipe products with operations in the United States, Canada and Colombia (October 2006)*;*

Hydril, a leading North American manufacturer of premium connection products for oil and gas drilling production (May 2007);

SPIJ, an Indonesian OCTG processing business with heat treatment and premium connection threading facilities (April 2009);

- Pipe Coaters Nigeria Ltd, the leading company in the Nigerian coating industry (October 2011); *and*

- Usiminas, where through our subsidiary Confab, we hold an interest representing 5.0% of the shares with voting rights and 2.5% of the total share capital (January 2012).

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*

[1] In 2009, the Venezuelan government nationalized Tavsa. For more information on the Tavsa nationalization process, see note 31 *Nationalization of Venezuelan Subsidiaries* to our audited consolidated financial statements included in this annual report.

- 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 selected markets, enhance our global competitive position and capitalize on potential operational synergies. Our track record on acquisitions is described above (See Item 4.A. Information on the Company History and Development of the Company Tenaris).

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 our customers 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.

Enhancing our offer of technical and pipe management services

We continue to enhance our offer of technical and pipe management services for our customers worldwide. Through the provision of these services, we seek to enable our customers to optimize their operations, reduce costs and 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 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 50 years of operating experience; *and* our strong financial condition.

Business Segments

Following the acquisition of the remaining non-controlling interests in Confab and its further delisting, the Company has changed its internal organization and therefore combined the Tubes and Projects segments, that had been reported in the Consolidated Financial Statements as of December 31, 2011.

In the past, the operations of the Projects segment consisted mainly of activities of Confab in Brazil. Historically, most of the sales of the Projects segment were of line pipe for onshore pipelines and equipment for petrochemical and mining applications. With the development of the Brazilian offshore pre-salt projects, our business in Brazil has changed and we are positioning ourselves as a supplier of mainly OCTG and offshore line pipe, very similar to the rest of the Tubes segment. In order to strengthen Tenaris s position in Brazil, in 2012, we acquired the remaining non-controlling interests in Confab and changed its internal organization in order to fully integrate the Brazilian operations with the rest of the Tubes operations.

Therefore, as from September 2012, after including the operations of the formerly Projects segment into Tubes, Tenaris has one major business segment, Tubes, which is also our reportable operating segment.

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Additionally, the coiled tubing operations, which were previously included in the Tubes segment and which accounted for 1% of total net sales in 2011, have been reclassified to Others.

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 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, welded steel pipes for electric conduits, industrial equipment, coiled tubing, energy and raw materials that exceed internal requirements.

Comparative amounts have been reclassified to conform to changes in segment reporting. For more information on our business segments, see accounting policy C 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 Hydril s premium connections business, we market 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.

Other Products. We also manufacture sucker rods used in oil extraction activities, coiled tubing used for oil and gas drilling and well workovers and for subsea pipelines, welded steel pipes for electric conduits used in the construction industry, and industrial equipment of various specifications and diverse applications, including liquid and gas storage equipment. In addition, we sell 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 50 years, which translates into solid industrial know-how;

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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 welded steel pipes for electric conduits in the United States and Colombia, tubular accessories such as sucker rods (used in oil drilling) at facilities in Argentina, Brazil, Mexico and Romania, couplings in the United States, Argentina, China, 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 production of American Petroleum Institute, or API, and premium joints in the United States, Canada, China, Indonesia, Nigeria, the United Kingdom and Saudi Arabia.

The following table shows our aggregate installed production capacity of seamless and welded steel pipes and steel bars at the dates indicated as well as the aggregate actual production volumes for the periods indicated. 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,		
	2012	**2011**	**2010**
Thousands of tons			
Steel Bars			
Effective Capacity (annual) (1)	3,635	3,575	3,450
Actual Production	2,721	2,963	2,800
Tubes Seamless			
Effective Capacity (annual)(1)	3,740	3,770	3,320
Actual Production	2,806	2,683	2,399
Tubes Welded(2)			
Effective Capacity (annual) (1)	2,620	2,710	2,710
Actual Production	1,188	1,073	983

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

(2) Following the change in our business segments, our Tubes-Welded production figures include also the production historically attributed to the Projects segment.

Since 2011, our seamless production capacity increased following the completion of our new small diameter seamless pipes mill at our integrated facility in Veracruz, Mexico. In addition, our steelmaking production capacity increased following investments at our steel shops in Veracruz and Dalmine, Italy. On the other hand, our welded production capacity decreased by 90,000 tons, following the cessation of production at our facility in Counce, Tennessee.

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, three threading plants and a couplings manufacturing facility 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 Mexican state oil company Petróleos Mexicanos, 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 1,000,000 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, four-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 facilities, 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, 2012, are as follows:

	Effective Annual Production Capacity (thousands of tons)[1]
Steel Shop	1,000
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 and assuming the maximum number of possible working shifts and a continued flow of supplies to the production process.

In 2011, we completed the construction of the new seamless pipes mill in Veracruz. Located adjacent to our existing facility, the new mill, which includes premium threading and upsetting machines, finishing and heat treatment lines, incorporates the latest rolling technology and produces from 2 $^{3}/_{8}$ up to 7 inches seamless pipes. The new plant has a capacity of 450,000 tons per year, which could eventually be expanded in the future by adding more finishing lines, which would allow Tenaris to take advantage of the full capacity of the mill. In addition, the reallocation of small diameter pipes production to the new mill will make operations more efficient. Since 2011, after the start-up of the new rolling mill, in order to supplement the steel requirements of our Mexican seamless steel pipe operation, we have been sourcing steel bars from Ternium s Mexican facilities, 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. The new facility required an investment of approximately $1.0 billion over two years.

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.

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.

In the Houston area we have the Texas Arai coupling facility with an annual capacity of approximately 4.4 million couplings in OCTG sizes ranging from 2 $^{3}/_{8}$ through 20 inches in carbon and alloy steel grades. Furthermore, as part of the acquisition of Hydril, we added 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; *and*

- *Bakersfield*: a threading facility in California, mainly used as a repair shop.

In addition, in 2012, we decided 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 2016 within a budget of $1.5 billion.

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 2 to 9 $^{7}/_{8}$ inches. The effective annual production capacity of the facility is approximately 250,000 tons. To source steel bars, in 2007, we signed a 10-year contract with Rio Tinto Fer et Titane (ex-QIT), a Canadian producer of titanium dioxide and high purity iron, under which Rio Tinto Fer et Titane supplies up to 100,000 tons of round steel bars per year at U.S. dollar prices adjusted in accordance with variations in raw material costs. In 2012 we signed a new contract, with an evergreen feature, to extend and enhance the original contract. The new contract will accommodate 50% of our steel bar needs up to a maximum of 160,000 tons in 2013 and 180,000 tons in 2014. We use steel bars produced in our integrated facilities in Argentina and Romania for the remainder of our round steel bar requirements.

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.

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. In 2010, we closed a repair shop in Dartmouth, Nova Scotia. At the same time, we entered into a lease agreement for the equipment with a third party in Nova Scotia so that we can continue to provide this service to the East Coast.

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 facilities, upsetting machines, threading and inspection equipment and make-up facilities;

a cold-drawing mill; *and*

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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, 2012, 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 and assuming 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 6 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 1959, 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.

Colombia

In Colombia we have the 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.

Europe

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

Italy

Our principal manufacturing facility in Europe is an integrated plant located in the town of Dalmine in the industrial region 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 790,000 tons of seamless steel pipes and 935,000 tons of steel bars.

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The Dalmine facility comprises:

- a steel shop, including an electric arc furnace, two ladle furnaces, one vacuum degassing, two continuous casters and a cooling bed;
- a continuous floating mandrel mill with one heat treatment and two finishing lines;
- 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, 2012, are as follows:

	Effective Annual Production Capacity (thousands of tons) [(1)]
Steel Shop	935
Pipe Production	
Mandrel Mill:	
Floating Mandrel Mill Small Diameter	140
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 and assuming the maximum number of possible working shifts and a continued flow of supplies to the production process.

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 950,000 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 280 mm (0.47 to 11.00 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.

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 plant 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 180,000 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 400,000 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;
- three finishing lines, including heat treatment facilities, 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.

Middle East and Africa

In 2010, we began operating a newly constructed threading facility for the production of premium joints and accessories in Saudi Arabia. The facility has an annual production capacity of approximately 40,000 tons of premium joints.

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, the Warri threading facility will be reconverted into a repair shop to enlarge our services and better support our customer base. 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.

Far East and Oceania

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. For a discussion of NKK s business combination with Kawasaki Steel, see Item 4.B. Information on the Company Business Overview Competition .

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.

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. In addition, we hold 77.45% of SPIJ, an Indonesian OCTG processing business with heat treatment, premium connection threading facilities and coupling shop, which has an annual processing capacity of approximately 120,000 tons.

Production Facilities - Others

We have facilities for the manufacture of sucker rods in the city of Villa Mercedes, San Luis, Argentina, in Moreira Cesar, São Paulo, Brazil and in Veracruz, Mexico. In addition, in February 2012, we acquired a sucker rods business in Campina, Romania. These plants have a combined annual production capacity of approximately 2.4 million units.

In Moreira Cesar, São Paulo, Brazil, we also have facilities for the manufacture of industrial equipment.

We have a welded steel pipe business for electric conduits with manufacturing facilities in Louisville, Kentucky, Cedar Springs, Georgia and Cartagena, Colombia. These plants process steel coils into conduit tubing and have a combined annual production capacity of approximately 240,000 tons.

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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.

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 $10,834.0 million in 2012, compared to $9,972.5 million in 2011 and $7,712.6 million in 2010. 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,**					
	2012		**2011**		**2010**	
Tubes	10,023.3	93%	9,111.7	91%	7,032.4	91%
Others	810.7	7%	860.8	9%	679.2	9%
Total	**10,834.0**	100%	**9,972.5**	100%	**7,711.6**	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,**					
	2012		**2011**		**2010**	
Tubes						
North America	4,953.6	49%	4,060.9	45%	3,068.2	44%
South America	2,305.4	23%	2,079.5	23%	1,546.7	22%
Europe	1,042.1	10%	1,056.5	12%	740.1	11%
Middle East and Africa	1,246.7	12%	1,330.7	15%	1,245.5	18%
Far East and Oceania	475.5	5%	584.1	6%	431.8	6%
Total Tubes	**10,023.3**	100%	**9,111.7**	100%	**7,032.4**	100%

North America

Sales to customers in North America accounted for 49% of our sales of tubular products and services in 2012, compared to 45% in 2011 and 44% in 2010.

We have significant sales in each of the United States, Canada and Mexico. During the last few years, we have consolidated a leading position in the U.S. market with an integrated product and service offering, and strengthened our position in the Canadian market following the acquisitions of Maverick and Hydril.

The use of welded OCTG products in less complex applications has become well established in the United States and Canada due to the standard product specifications required, the development of ERW technology and the marketing efforts of local welded pipe producers.

Sales to our oil and gas customers in the United States and Canada are sensitive to oil prices and North American natural gas prices. Due to the relative weakness in the price of natural gas compared with the price of oil, drilling activity historically dedicated to natural gas, has switched to the exploration and production of oil. In the past few years, drilling of productive shale gas reserves, made possible by drilling technology developments, has led to a reduction in conventional gas drilling activity and has resulted in a fifth consecutive year of increasing U.S. gas production in spite of a reduction in overall gas drilling activity compared to the previous five years. A similar trend is underway in the Canadian market.

The same horizontal drilling and hydraulic fracturing technology developments that have led to the development of shale gas reserves are also being applied to the development of tight and shale oil reserves. Following 25 years of declining production, U.S. crude oil production began to increase in 2009 and in 2012 rose significantly, increasing 14% year on year. Oil drilling activity in the United States and Canada has increased rapidly during the past three years. In Canada, the increase in oil drilling activity includes investments in thermal projects to extract and process extra heavy oil from Canada s oil sands reserves.

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In 2010 and 2011 and the first half of 2012, demand for our OCTG products in the United States and Canada increased led by substantially higher oil drilling activity along with investments in natural gas shales and liquid rich plays and due to a lower level of imports of Chinese products, following the introduction by the United States and Canadian governments of antidumping and countervailing duties on the import of Chinese OCTG products. In the second half of 2012, there was a slowdown in drilling activity in the United States and Canada as producer cash flows were affected by continuing low natural gas prices and liquids prices were affected by infrastructure (transportation and processing) restraints.

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 U.S. Gulf of Mexico and the consequent 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 has gradually picked up and returned to pre-Macondo levels and permit activity and rig counts suggest that deepwater activity will continue to grow.

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 state-owned oil company, one of the world s largest crude oil and condensates producers. In 1994, we began supplying Pemex under just-in-time, or JIT, agreements, which allow us to provide it with comprehensive pipe management services on a continuous basis. These agreements provide for delivery of pipe to our customers on short notice, usually within 72 hours. Under JIT and stocking supply arrangements, we are kept informed of our customers drilling program and pipe requirements. In addition, we are permitted to bring our engineers to the customers drilling locations in order to maintain adequately supplied warehouse inventories. In January 2012, we renewed our JIT agreement with Pemex for a period of five years.

In 2010, drilling activity in Mexico declined from 2008 and 2009 levels, following increases in the previous two years, as low production rates at the Chicontepec reserve led Pemex to curtail the pace of the drilling program that it had previously initiated for the development of the reserve in response to declining oil production from Mexico s principal field. In addition, low North American natural gas prices also led to a reduction of drilling activity in the Burgos basin in the north of the country. In the second half of 2011, Pemex resumed its drilling program at the Chicontepec reserve leading to a recovery in activity. In 2012, drilling activity continued to recover.

Sales to non-oil related customers in Mexico are made directly to those customers or through authorized distributors. The principal Mexican end users, other than Pemex, rely on our products primarily for automotive, thermal, mechanical, conduction and hydraulic uses. Sales to these non-oil customers are primarily affected by trends in North American industrial production activity.

South America

Sales to customers in South America accounted for 23% of our sales of tubular products and services in 2012, compared to 23% in 2011 and 22% in 2010.

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

We have manufacturing subsidiaries in Argentina, Brazil and Colombia. Our seamless pipe manufacturing facility in Venezuela was nationalized in 2009. For more information on the nationalization of this Venezuelan company, see note 31 Nationalization of Venezuelan Subsidiaries to our audited consolidated financial statements included in this annual report.

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, including measures adopted in 2002 in response to the crisis in Argentina, such as the taxation of oil and gas exports, measures affecting gas prices in the domestic market, restrictions on certain transfers of currency abroad, mandatory repatriation of export revenues and other matters affecting the investment climate. Sales in Venezuela are also affected by governmental actions and policies and their consequences, such as nationalization and other measures relating to the taxation and ownership of oil and gas production activities, general strikes, agreements to vary domestic production pursuant to quotas established by the Organization of the Petroleum Exporting Countries, or OPEC, and other matters affecting the investment climate. 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 .

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

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In Argentina, we have a significant share of the market for OCTG products. We have longstanding business relationships with YPF S.A., or YPF, (in which the Argentine government nationalized a 51% interest on May 7, 2012) and with other operators in the oil and gas sector. In 2010 and 2011, drilling activity and demand from oil and gas customers has recovered in Argentina from the decline in 2009, led by an increase in oil-related drilling, and returned to the level shown in 2008 and it increased further in 2012. Significant discoveries of unconventional reserves, including shale oil, have been announced and an increase in exploration and appraisal activity is expected in the coming years. However, growth in oil and gas activity and supply has been affected by governmental actions including the application of additional taxes on the export of oil and gas and the freezing for an extended period of domestic gas tariffs for consumers. More recently, the government has put in place programs to encourage new exploration and production activity. In addition, domestic gas tariffs for consumers have begun to increase as a result of the removal of subsidies and to cover the higher costs of natural gas imports.

In Brazil, we have a longstanding business relationship with Petrobras S.A. 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. Demand for complex OCTG and line pipe products used in deepwater applications has grown strongly in the past few years but the rate of growth is expected to slow down. Demand for line pipe for onshore pipeline projects declined to a very low level in 2010, and has recovered gradually since then.

In Colombia, we have established a leading position in the market for OCTG products in the past few years following the acquisition of TuboCaribe, a welded pipe manufacturing facility located in Cartagena. The market in the past few years has grown rapidly as the country encouraged investment in its hydrocarbon industry and opened its national oil company to private investment. In 2010 and 2011, drilling activity increased together with demand for pipes but declined slightly in 2012. Our principal customer in Colombia is Ecopetrol, which we supply under a JIT arrangement.

In Venezuela, we have a significant share of the market for OCTG products. We enjoy 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 were 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 10% of our sales of tubular products and services in 2012, compared to 12% in 2011 and 11% in 2010.

Our single largest country market in Europe is Italy. The market for steel pipes in Italy (as in most of the EU) 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 were particularly affected during the second half of 2008 and throughout 2009, by the financial and economic crisis, as these industries adjusted activity levels drastically in response to uncertain demand conditions; after a brief recovery in 2010 and 2011 due to higher industrial activity, demand has declined again in 2012. Sales of pipes for HPI projects were also negatively affected by the crisis up until 2010. After recovering partially during 2011, due to resumption of investments in HPI projects, they declined again in 2012.

The European market also includes the North Sea region and other areas, such as Romania and Turkey, where oil and gas drilling takes place. In 2012, consumption and our sales of OCTG products rose in Europe and there has been exploration activity in new areas such as unconventional shale plays in Eastern Europe and offshore drilling in the Black Sea and the Eastern Mediterranean. 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.

Middle East and Africa

Sales to customers in the Middle East and Africa accounted for 12% of our sales of tubular products and services in 2012, compared to 15% in 2011 and 18% in 2010.

Our sales in the Middle East and Africa are 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. They are also increasing investments to maintain or add oil production capacity. In addition, there has been a significant increase in drilling activity in Iraq as that country seeks to reactivate its oil and gas industry. In Africa, international oil companies have been increasing investments in exploration and production in offshore projects and seeking new opportunities in less explored Sub Saharan countries, including gas exploration activity in East Africa.

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In 2011 and 2012, however, 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 2012 U.S. and EU sanctions affected production and exports in Iran. In response to the loss of Libyan and Iranian exports, Saudi Arabia raised its oil production output and increased its level of activity but has recently reduced it following the resumption of Libyan production and increased production from Iraq.

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 that 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.

Far East and Oceania

Sales to customers in the Far East and Oceania accounted for 5% of our sales of tubular products and services in 2012 and 6% in 2011 and 2010.

Our largest markets in the Far East and Oceania are China, Japan and Indonesia. Our sales in China are concentrated on premium OCTG products used in oil and gas drilling activities. Although apparent consumption of pipes in China has increased significantly during the past three years, this increase has been met by higher sales of pipes produced by local producers, who have been increasing their production capacity. Imports of high-value pipe products not manufactured by local producers have stabilized in the past three years.

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. Apparent demand in 2010 showed a recovery from the sharp drop during the 2008-2009 crisis but in the second half of 2012 fell back as Japan s industrial production activity weakened.

In recent years, we have consolidated and expanded our regional presence in Indonesia based on our local heat treatment and premium threading facilities. Sales to Indonesia and other markets in the Far East and Oceania are affected by the level of oil and gas drilling activity in these countries and engineering activity related to investment in gas processing, petrochemical plants and oil refineries.

Others

Our other products and services include sucker rods used in oil extraction activities, coiled tubes used in oil and gas extraction activities, welded steel pipes for electric conduits, 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. Net sales of other products and services decreased 6% in 2012, compared to 2011, mainly due to lower sales of industrial equipment in Brazil.

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 specialized 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. New production capacity continues to be installed in various regions 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. The competitive environment, therefore, is expected to become more intense in the coming years and effective competitive differentiation will be a key success factor for Tenaris.

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

Vallourec, a Franco-German venture, has mills in Brazil, 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 Sumitomo. In the last few years, Vallourec has been increasing its production capacity through building a new mill in Brazil jointly with Sumitomo, which is aimed primarily at export markets and was commissioned in 2011, and has built 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 U.S. 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 under which it would distribute products from the Chinese producer in markets outside China.

Nippon Steel & Sumitomo Metal Corporation, or NSSMC, and JFE (the seamless pipe business of the former Kawasaki Steel) in the aggregate 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, TMK, a Russian company, has led consolidation of the Russian steel pipe industry, invested to modernize and expand its production capacity in Russia and has expanded internationally through acquisitions into Eastern Europe and the United States where it acquired IPSCO s tubular operations comprising both seamless and welded pipe mills and the Ultra family of connections and thereby a significant position in the U.S. market. 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, particularly to the United States, the European Union and Canada before anti-dumping restrictions were placed 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 and heat treatment and pipe finishing 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 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 announced plans to build a new seamless pipe mill in Louisiana. North American pipe producers are largely focused on supplying the U.S. and Canadian markets, where they have their production facilities.

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. In 2006, ArcelorMittal created a tubes division through several acquisitions and has mills in North America, Eastern Europe, Venezuela, Algeria and South Africa. ArcelorMittal is also building 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 JIT arrangements, as discussed above.

Capital Expenditure Program

During 2012, our capital expenditures, including investments at our plants and investments in information systems, amounted to $789.7 million, compared to $862.7 million in 2011 and $847.3 million in 2010. Of these capital expenditures, investment at our plants amounted to $746.9 million in 2012, compared to $826.3 million in 2011 and $819.8 million in 2010. In 2012, we focused our

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investments on consolidating the capacity at our seamless pipe facility in Mexico, as well as on expanding our production capacity for high-end products, improving environmental performance and also expanding our R&D and training facilities. The major highlights of our capital spending program during 2012 include:

- completion of the steel shop expansion and fume treatment system expansion at the Veracruz facility in Mexico;
- completion of the investment program at our new small diameter rolling mill at the Veracruz facility in Mexico;
- expansion of the forming area and production range at our SAW line in Brazil;
- completion of the new finishing and heat treatment facility for thermal products in our facility in Romania;
- completion of the steel shop expansion and completion of the new premium threading facility at the Dalmine facility in Italy;
- installation of a new Dopeless® coating lines at the McCarty plant in Houston, United States and at the Dalmine facility in Italy;
- expansion of the new fume exhaust system and remodeling of the main entrance and purchase area offices at our Siderca facility in Argentina; *and*
- increase in capacity for protectors production in Argentina.

During 2013 we expect our investments to be spread among our global industrial system, in line with what already occurred during 2012. These investments will mainly aim at enhancing product differentiation, increasing capacity on critical areas, increasing local finishing capabilities, improving the efficiency of our process, enhancing plant s safety and minimizing environmental impact. Major projects for 2013 include:

- completion of the new R&D center in Rio de Janeiro and expansion of the production range of our SAW line in Brazil;
- increase of heat treatment capacity and renewal of the straightener machine at our Siderca facility in Argentina;
- increase the production capacity for couplings at our Veracruz facility in Mexico;
- installation of new heat treatment and finishing lines for seamless OCTG in Colombia and Saudi Arabia;
- installation of a new straightening machine in the heat treatment line in the Algoma facility in Canada;
- installation of new premium threading lines in Romania;

- construction of a new cold drawn line in the Costa Volpino facility in Italy;
- construction of a new service center in Ecuador; *and*
- increase the production capacity of sucker rods.

In addition, in 2012, we decided 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 2016 within a budget of $1.5 billion. During 2013, we expect that capital expenditures related to this project should be limited to acquiring the land, developing the detailed engineering and obtaining project approvals.

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 $42.8 million in 2012, compared to $35.8 million in 2011, and $27.2 million in 2010.

Raw Materials and Energy

The majority of our seamless steel pipe products are manufactured in integrated steel making 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 steel making 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 30%, 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 . Despite showing high levels of volatility, on average, the costs of steelmaking raw materials and of steel coils and plates decreased in 2012 compared to 2011, reflecting weak steel consumption due to uncertain macroeconomic conditions. Our operating margin increased in 2012 due to an increase in average selling prices, lower raw material costs and operating efficiency improvements.

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 75% 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. Our costs for these materials remained relatively stable during 2012, below levels experienced in 2011, as demand from European economies weakened. For example, prices for Scrap Shredded East Coast USA, published by CRU, averaged $425 per ton in 2011 and $381 per ton in 2012.

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 ranges between 1,000,000 and 1,500,000 tons and is supplied from Brazil primarily by *Companhia Vale do Rio Doce* and *Samarco Mineração S.A.* During 2012, prices decreased, with less volatility than in previous years, as Chinese demand growth softened and European uncertainty continued. However, towards the end of 2012 and beginning of 2013 prices have increased due to expectations of increased demand from China. As a reference, prices for Iron Ore IODEX 62% Fe (CFR North China), published by Platts, averaged $169 per ton in 2011 and $130 per ton in 2012.

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 had a long-term agreement with Rio Tinto Fer et Titane (ex-QIT), a Canadian producer of titanium dioxide and high purity iron, under which Rio Tinto Fer et Titane was supplying up to 100,000 tons of round steel bars per year, at U.S. dollar prices adjusted in accordance with variations in raw material costs. In 2012 we signed a new contract, with an evergreen feature, to extend and enhance the original contract. The new contract will accommodate 50% of our steel bar needs up to a maximum of 160,000 tons in 2013 and 180,000 tons in 2014. We use steel bars produced in our integrated facilities in Argentina and Romania for the remainder of our round steel bar requirements.

In Mexico, since 2011, after the start-up of the new rolling mill, in order to supplement the steel requirements of our Mexican seamless steel pipe operation, we have been sourcing steel bars from Ternium s Mexican facilities, 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 declined during 2012, reflecting weak steel consumption due to uncertain macroeconomic conditions. As a reference, prices for hot rolled coils, HRC Midwest USA Mill, published by CRU, averaged $814 per ton in 2011 and $713 per ton in 2012.

For our welded pipe operations in the United States, a significant part of our requirements for steel coils are supplied by Nucor 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 Hickman facility, in 2007 we entered into a five year purchase contract with Nucor, which after a one-year extension expired on December 31, 2012. While a new contract is being negotiated, the previous agreement has been extended through May 2013.

In Canada, we have agreements with our main steel suppliers for our welded pipe operations with prices referenced to market levels in U.S. dollars (i.e., CRU). These main suppliers are: ArcelorMittal Dofasco, which has steel coil manufacturing facilities in Hamilton, Ontario, and Essar Steel Algoma, which has steel coil manufacturing facilities in Sault Ste. Marie, Ontario.

We also purchase steel coils and plates for our welded pipe operations in South America (Colombia, Brazil and Argentina) principally from Usiminas (in which Confab holds shares) 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.

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 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.

We consume substantial volumes of natural gas in Argentina, particularly in the generation of DRI and to operate our power generation facilities. Panamerican Energy and YPF are our principal suppliers of natural gas in Argentina. The balance of our natural gas requirements is supplied by several companies, including Tecpetrol S.A., or 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 significant but non-controlling interests, corresponding to capacity of 1,000,000 cubic meters per day until April 2017. 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. During winter, if available, we also contract transportation capacity from other suppliers, when Gasban transportation is restricted. For the final transportation phase, we have a supply contract with Gasban that expires in September 2013.

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. Energy costs have continued to increase since 2010. Over the course of the last several years, demand for electricity in Argentina 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 and by governmental policies that cut back subsidies for consumption of natural gas by certain users. 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

At each of our steel shops we coordinate our purchases of ferroalloys worldwide. The international costs of ferroalloys can vary substantially. Our costs of ferroalloys decreased in 2012, in line with international prices for these materials.

Product Quality Standards

Our steel pipes are manufactured in accordance with the specifications of the American Petroleum Institute, or 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 our Campana plant in Argentina, at our Veracruz plant in Mexico, at our Dalmine plant in Italy, at the product testing facilities of NKKTubes in Japan and at the research facilities of the *Centro Sviluppo Materiali S.p.A,* or CSM, in Rome. We have an 8% interest in CSM. In addition, we are building a new R&D center at Ilha do Fundao, Rio de Janeiro, Brazil, which we expect will start operating in 2014. 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; *and*
- sucker rods.

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 intellectual property, from R&D and innovation, through the use of patents and trademarks that allow us to differentiate ourselves from our competitors.

We spent $83.0 million for R&D in 2012, compared to $68.4 million in 2011 and $61.8 million in 2010.

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.

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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.

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 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).

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 EUR 9.4 million (approximately $ 12.6 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 EUR 750 thousand (approximately $ 1.0 million) for products delivered to NIDC in prior years. An outstanding balance of EUR 172 thousand (approximately $ 0.2 million) is still due to TGS. In addition, TGS has not yet fully performed its obligation to allow technical visits to Tenaris s mills by twenty NIDC experts at TGS s cost.

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 AED 16.5 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, or OIEC, and Pars Oil and Gas Company, or POGC, which are controlled by the Government of Iran. In 2012, TGS delivered products under the Global FZE agreement for a total value of AED 16.3 million (approximately $ 4.4 million), and collected a total amount of AED 15.4 million (approximately $ 4.2 million).

As of December 31, 2012, a balance of AED 862 thousand (approximately $ 0.2 million) was outstanding, and will only become due after the end of the warranty period.

In March 2011, TGS entered into an agreement for the provision of technical field service assistance to ENI Iran B.V. for its project in Darquain, Iran, for a value of EUR 246 thousand (approximately $ 0.3 million). As of December 31, 2012, the entire contract amount was still outstanding. Tenaris has been informed that ENI Iran operates the Darquain project pursuant to a service contract with the National Iranian Oil Company, or NIOC.

In May 2011, our subsidiary Dalmine entered into an agreement with Edison International S.p.A., or Edison, an Italian company, for the supply of OCTG casing for a development project in Iran, for a value of EUR 926 thousand (approximately $ 1.2 million). In 2012, Dalmine collected EUR 1.1 million (approximately $ 1.4 million) on account of material delivered to Edison during 2011. Dalmine has been informed that Edison operates such project under an exploration and development service contract with NIOC.

Except as otherwise stated above, there are no pending obligations of Tenaris or its subsidiaries under the agreements described above. While the Tenaris subsidiaries identified above intend to perform their pending obligations under existing agreements, neither Tenaris nor any of its subsidiaries has plans to make new sales of products or services to Iran.

Tenaris estimates that the sales of products and services to, or for use by, customers controlled by the Government of Iran in 2012 by its subsidiaries as indicated above generated a profit before tax of approximately $0.8 million.

Tenaris believes that its activities concerning Iran do not violate any United States or foreign law, and has procedures in place 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 steel-making 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.

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In response to our inquiry, Tenova informed us that:

During 2012, Tenova and its subsidiaries supplied certain products and performed certain services, in the context of the engineering and supply of equipment for the steel-making industry, to companies believed by Tenova to be subsidiaries of development agencies of the Government of Iran.

None of the activities performed is connected to the activities described in Sections 5(a) or (b) of the Iran Sanctions Act of 1996, Section 105A(b)(2) of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 or has been 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 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.

Since several of Tenova s Iran-related contracts are still currently being executed, Tenova is required to perform all outstanding obligations under such contracts.

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 2012 with regard to the foregoing transactions amounted to $19.8 million, which represents 1.1% of its total sales revenue for 2012.

Tenova also estimated that its net profits from such transactions, after internal cost allocation and taxes, were in the range of $2.6 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, 2012, 2011 and 2010.

Company	Country of Organization	Main Activity	Percentage Ownership 2012	2011	2010
Algoma Tubes Inc.	Canada	Manufacture of seamless steel pipes	100%	100%	100%
Confab Industrial S.A.	Brazil	Manufacture of welded steel pipes and capital goods	100%	41%	41%
Dalmine S.p.A	Italy	Manufacture of seamless steel pipes	99%	99%	99%
Hydril Company	U.S.A.	Manufacture and marketing of premium connections	100%	100%	100%
Maverick Tube Corporation	U.S.A.	Manufacture of welded steel pipes	100%	100%	100%
NKKTubes K.K.	Japan	Manufacture of seamless steel pipes	51%	51%	51%
PT Seamless Pipe Indonesia Jaya	Indonesia	Manufacture of seamless steel pipes	77%	77%	77%
Prudential Steel ULC	Canada	Manufacture of welded steel pipes	100%	100%	100%
S.C. Silcotub S.A.	Romania	Manufacture of seamless steel pipes	100%	100%	100%
Siat S.A.	Argentina	Manufacture of welded steel pipes	100%	82%	82%
Siderca S.A.I.C.	Argentina	Manufacture of seamless steel pipes	100%	100%	100%

Tenaris Coiled Tubes LLC (and predecessors)	U.S.A.	Manufacture of coiled tubing	100%	100%	100%
Tenaris Connection Limited	St. Vincent & Grenadines	Ownership and licensing of technology	100%	100%	100%
Tenaris Financial Services S.A.	Uruguay	Financial services	100%	100%	100%
Tenaris Global Services S.A.	Uruguay	Holding company and marketing of steel pipes	100%	100%	100%
Tenaris Investments S.àr.l Luxembourg, Zug Branch	Switzerland	Holding company and financial services	100%	100%	100%
Tubos de Acero de México S.A.	Mexico	Manufacture of seamless steel pipes	100%	100%	100%
Tubos del Caribe Ltda.	Colombia	Manufacture of welded 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 company that was formed by San Faustin in a reorganization of its flat and long steel interests. Ternium s securities are listed on the New York Stock Exchange, or NYSE, since February 1, 2006, following an initial public offering of ADSs. As of March 31, 2013, the Company held 11.46% of Ternium s share capital (including treasury shares).

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We acquired our investment in Ternium through the exchange of our prior indirect investments in Sidor for an interest in Ternium.

The Company is a party to a shareholders agreement with Techint Holdings S.à r.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.

Exiros

Exiros, which we own 50%/50% with Ternium, has offices located in various countries and is in charge of the procurement of a majority of our purchases of raw materials and other products or services. Exiros s objectives are to procure better purchase conditions and prices by exercising the improved bargaining power that results from combining the demand of products and services by both Ternium and Tenaris.

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 is 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 Nippon Steel (now NSSMC), Mitsubishi, Metal One and *Caixa dos* Previdência Usiminas, an Usiminas employee fund, governing the parties rights within the Usiminas control group. As a result, Usiminas control group, which holds, in the aggregate, 322.7 million ordinary shares representing approximately 63.9% of Usiminas voting capital, is now formed as follows: Nippon Group (comprising Nippon Steel & Sumitomo Metal Corporation, Mitsubishi and Metal One), which holds approximately 46.1% of the total shares held by the control group; Ternium/Tenaris Group (comprising Ternium Investments, Siderar, Prosid and TenarisConfab), which holds approximately 43.3% (with 35.6% corresponding to Ternium and the remaining 7.7% corresponding to Tenaris) of the total shares held by the control group; and Previdência Usiminas, which holds the remaining 10.6%. The rights of Confab and Ternium and its subsidiaries within the Ternium/Tenaris Group are governed under a separate shareholders agreement. For a discussion of the investment in Usiminas, see note 27 Business combinations and other acquisitions Acquisition of participation in Usiminas and note 12 Investments in associated companies to our audited consolidated financial statements included in this annual report.

D. Property, Plants and Equipment

For a description of our property, plants and equipment, please see Item 4.B. Information on the Company Business Overview Production Process and Facilities and Item 4.B. Information on the Company 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.

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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 and power facilities. Over the last two decades, we have expanded our business globally through a series of strategic investments, and 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 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.

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 required. 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.

In 2012, global drilling activity remained relatively stable as compared to 2011 levels, while in the United States and Canada the rig count decreased 1% in 2012 as compared to 2011. In the first half of 2012, oil directed drilling activity increased due to strong oil prices, offsetting a decline in gas directed drilling activity, however, drilling activity in the second half of 2012 was affected by continuing low natural gas prices and lower liquids prices largely resulting from regional pipeline and processing infrastructure restraints. In 2013, we expect drilling activity to recover gradually from current levels but to remain, on average, slightly below the level of 2012.

In the rest of the world, although the overall rig count remained relatively stable in 2012, consumption of OCTG premium products has been increasing led by growth in the development of deepwater and unconventional reserves as well as complex conventional gas drilling.

In 2013, we expect higher levels of demand for premium OCTG products particularly in regions such as the Middle East and sub-Saharan Africa. Overall sales growth is expected to be moderate as higher oil and gas sales in Eastern Hemisphere markets are largely offset by lower sales in North America and in European industrial markets.

Operating margins in 2013 are expected to remain around 2012 levels with product mix and industrial efficiency improvements offsetting the impact of lower prices in less differentiated products.

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.

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, in addition to round steel bars, for use in our production of our seamless pipe products. In addition, we purchase substantial quantities of steel coils and plates for use in the production of our welded pipe products. Our production costs, therefore, are sensitive to prices of steelmaking raw materials and certain steel products, which reflect supply and demand factors in the global steel industry and in the countries where we have our manufacturing facilities.

Despite showing high levels of volatility, on average, the costs of steelmaking raw materials and of steel coils and plates decreased in 2012 compared to 2011, reflecting weak steel consumption due to uncertain macroeconomic conditions. We expect these costs to remain stable during 2013.

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 global operations.

The Company believes that due to the high level of integration in terms of sales and supply chain of its worldwide operations in the Tubes segment, the U.S. dollar is the currency that best reflects the economic environment in which it operates, which is consistent with that of the oil and gas industry.

Starting January 1, 2012, the Company changed the functional currency of its Mexican, Canadian and Japanese subsidiaries from their respective local currencies to the U.S. dollar.

In Mexico, following the start up of a new rolling mill for the production of seamless pipes at its subsidiary Tamsa, the Company has concluded that the most appropriate functional currency for Tamsa is the U.S. dollar. The new added capacity is converting Tamsa into a major exporter of seamless steel pipes, as a great majority of its production is expected to be exported to major oil and gas markets with a U.S. dollar economic environment; in addition, seamless pipes sales are denominated and settled in U.S. dollars.

In Canada, the Company has concluded that the most appropriate functional currency for its two major steel pipe production facilities (Algoma and Prudential) is the U.S. dollar, due to a significant increase in the level of integration of the local operations within Tenaris s international supply chain system, evidenced by a higher level of imports as well as a higher level of exports from the Canadian production facilities to the U.S. market.

As a result of these changes in functional currency, a majority of the Company s subsidiaries (other than its Italian and Brazilian subsidiaries) have the U.S. dollar as their functional currency.

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 differ 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 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, 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 the 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. Tenaris uses cash flow projections for a five year period with a terminal value calculated based on perpetuity and appropriate discount rates.

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 2010, Tenaris reversed the impairment registered in 2008 corresponding to Prudential CGU s Customer Relationships.

In 2012 and 2011, none of Tenaris s CGUs including long-lived assets with finite useful lives, were tested for impairment as no impairment indicators were identified.

2010 Impairment reversal

In 2010, Tenaris reversed the impairment registered in 2008 corresponding to Prudential CGU s Customer Relationships as there had been an improvement in the outlook of the economic and competitive conditions for the Canadian oil and gas market compared to that foreseen at the end of 2008. The main key assumptions that Tenaris considered were the expected oil and natural gas prices evolution and the level of drilling activity in Canada. Tenaris used the average number of active oil and gas drilling rigs, or rig count, as published by Baker Hughes, as a general indicator of activity in the oil and gas sector. The rig count in Canada increased 59% from an annual average of 221 in 2009 to an annual average of 351 in 2010. In this environment, Tenaris expected that its competitive conditions and activity levels will continue to improve.

The recoverable amount of the Prudential (Canada) CGU was estimated based on the value in use. Value in use was calculated in the same way as that for CGU containing goodwill. The discount rate used was based on a weighted average cost of capital (WACC) of 10.7%.

Tenaris has increased the carrying amount of the Customer Relationships by $67.3 million to its recoverable amount which in accordance with IAS 36 is the one that would have been determined (net of amortization) had no impairment loss been recognized for the asset in the year 2008. In addition, the Company recognized the respective deferred tax effect of $16.9 million in *Income tax* in the consolidated income statement.

2012 Impairment on associated companies - Usiminas

An impairment test over the investment in Usiminas was performed as of December 31, 2012, and subsequently the goodwill of such investment was written down by $73.7 million. The impairment was mainly due to expectations of a weaker industrial environment in Brazil, where industrial production and consequently steel demand have been suffering downward adjustments. In addition, a higher degree of uncertainty regarding future prices of iron ore led to a reduction in the forecast of long term iron ore prices that affected cash flow expectations.

To determine the recoverable value, the value in use was used, which was calculated as the present value of the expected cash flows, considering the expected prices for the years covered by the projection. As of December 31, 2012 the discount rate used to test the investment in Usiminas for impairment was 9.6%.

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. 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 2012. 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.

Inventory Reserves: 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 or purchased from third parties, 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, except for some minor subsidiaries, 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 or similar surety, are fully provisioned.

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Historically, losses from uncollectible accounts receivables have been within expectations and in line with 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.

Loss 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 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,**		
	2012	**2011**	**2010**
Selected consolidated income statement data[1]			
Continuing Operations			
Net sales	10,834,030	9,972,478	7,711,598
Cost of sales	(6,637,293)	(6,273,407)	(4,748,767)
Gross profit	4,196,737	3,699,071	2,962,831
Selling, general and administrative expenses	(1,883,789)	(1,859,240)	(1,522,410)
Other operating income (expenses), net	43,659	5,050	78,629
Operating income	2,356,607	1,844,881	1,519,050
Interest income	33,459	30,840	32,855
Interest expense	(55,507)	(52,407)	(64,103)
Other financial results	(28,056)	11,268	(21,305)
Income before equity in earnings of associated companies and income tax	2,306,503	1,834,582	1,466,497
Equity in earnings (losses) of associated companies	(63,534)	61,509	70,057
Income before income tax	2,242,969	1,896,091	1,536,554
Income tax	(541,558)	(475,370)	(395,507)
Income for the year	1,701,411	1,420,721	1,141,047
Income attributable to [2]:			
Owners of the parent	1,699,047	1,331,157	1,127,367
Non-controlling interests	2,364	89,564	13,680
	1,701,411	1,420,721	1,141,047
Depreciation and amortization	(567,654)	(554,345)	(506,902)
Weighted average number of shares outstanding	1,180,536,830	1,180,536,830	1,180,536,830
Basic and diluted earnings per share for continuing operations	1.44	1.13	0.95
Basic and diluted earnings per share	1.44	1.13	0.95
Dividends per share[3]	0.43	0.38	0.34

(1) Certain comparative amounts have been re-presented to conform to changes in the accounting of our Mexican employee statutory profit sharing provision, which since January 1, 2012 is included under labor costs instead of under income tax. For more information, see accounting policy A Basis of presentation to our audited consolidated financial statements included in this annual report.
(2) International Accounting Standard No. 1 (IAS 1) (revised), requires that income for the year as shown on the income statement 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.
(3) Dividends per share correspond to the dividends proposed or paid in respect of the year.

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Thousands of U.S. dollars (except number of shares)	At December 31, 2012	2011
Selected consolidated financial position data		
Current assets	6,987,116	6,393,221
Property, plant and equipment, net	4,434,970	4,053,653
Other non-current assets	4,541,839	4,416,761
Total assets	15,963,925	14,863,635
Current liabilities	2,829,374	2,403,699
Non-current borrowings	532,407	149,775
Deferred tax liabilities	749,235	828,545
Other non-current liabilities	292,583	308,673
Total liabilities	4,403,599	3,690,692
Capital and reserves attributable to the owners of the parent	11,388,016	10,506,227
Non-controlling interests	172,310	666,716
Equity	11,560,326	11,172,943
Total liabilities and equity	15,963,925	14,863,635
Share capital	1,180,537	1,180,537
Number of shares outstanding	1,180,536,830	1,180,536,830

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

Percentage of net sales	For the year ended December 31, 2012	2011	2010
Continuing Operations			
Net sales	100.0	100.0	100.0
Cost of sales	(61.3)	(62.9)	(61.6)
Gross profit	38.7	37.1	38.4
Selling, general and administrative expenses	(17.4)	(18.6)	(19.7)
Other operating income (expenses), net	0.4	0.1	1.0
Operating income	21.8	18.5	19.7
Interest income	0.3	0.3	0.4
Interest expense	(0.5)	(0.5)	(0.8)
Other financial results	(0.3)	0.1	(0.3)
Income before equity in earnings of associated companies and income tax	21.3	18.4	19.0
Equity in earnings of associated companies	(0.6)	0.6	0.9
Income before income tax	20.7	19.0	19.9
Income tax	(5.0)	(4.8)	(5.1)
Income for the year	15.7	14.2	14.8
Income attributable to:			
Owners of the parent	15.7	13.3	14.6
Non-controlling interests	0.0	0.9	0.2

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Fiscal Year Ended December 31, 2012, Compared to Fiscal Year Ended December 31, 2011

Changes in Segment Reporting

Following the acquisition of the remaining non-controlling interests in Confab, we have changed our internal organization and therefore combined the Tubes and Projects segments.

Therefore, as from September 2012, after including the operations of the formerly Projects segment into Tubes, Tenaris has one major business segment, Tubes, which is also our reportable operating segment.

Additionally, the coiled tubing operations, which were previously included in the Tubes segment and which accounted for 1% of total sales in 2011, have been reclassified to Others.

Comparative amounts have been reclassified to conform to changes in presentation in 2012. For more information on our business segments, see accounting policy C Segment information to our audited consolidated financial statements included in this annual report.

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)**
	2012		**2011**		
Tubes	10,023.3	93%	9,111.7	91%	10%
Others	810.7	7%	860.8	9%	(6%)
Total	10,834.0	100%	9,972.5	100%	9%

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)**
	2012	**2011**	
Seamless	2,676	2,613	2%
Welded	1,188	1,134	5%
Total	3,864	3,747	3%

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,**		**Increase / (Decrease)**
	2012	**2011**	
Net sales			
- North America	4,953.6	4,060.9	22%
- South America	2,305.4	2,079.5	11%
- Europe	1,042.1	1,056.5	(1%)
- Middle East & Africa	1,246.7	1,330.7	(6%)
- Far East & Oceania	475.5	584.1	(19%)
Total net sales	10,023.3	9,111.7	10%

Operating income	2,251.8	1,702.2	32%
Operating income (% of sales)	22%	19%	

Net sales of tubular products and services increased 10% to $10,023.3 million in 2012, compared to $9,111.7 million in 2011, reflecting a 3% increase in volumes and a 7% increase in average selling prices, driven by an improvement in the mix of products which offset the impact of lower prices in less differentiated products. In North America, the increase in sales was mainly driven by higher liquids drilling activity, together with a recovery in activity in the Gulf of Mexico and higher drilling activity in Mexico. In South America, sales increased led by higher demand from offshore projects in Brazil and increasing activity levels in Argentina, which more than offset lower demand in the Andean region. In Europe, we had higher sales of OCTG products in the North Sea and Romania due to higher oil and gas drilling activity, which were offset by lower demand for mechanical products. In the Middle East and Africa, sales decreased mainly due to lower shipments of line pipe products and lower selling prices. In the Far East and Oceania, sales decreased mainly due to lower shipments of OCTG products to China and Indonesia, partially offset by higher shipments to regional hydrocarbon process industry, or HPI, projects.

Operating income from tubular products and services increased 32% to $2,251.8 million in 2012, from $1,702.2 million in 2011. The increase in the operating income was mainly driven by a 10% increase in sales and a higher operating margin (22% in 2012 vs. 19% in 2011). Our operating margin increased in 2012 due to an increase in average selling prices, lower raw material costs and operating efficiency improvements.

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,**		**Increase /**
	2012	**2011**	**(Decrease)**
Net sales	810.7	860.8	(6%)
Operating income	104.8	142.7	(27%)
Operating income (% of sales)	13%	17%	

Net sales of other products and services decreased 6% to $810.7 million in 2012, compared to $860.8 million in 2011, mainly due to lower sales of industrial equipment in Brazil, partially offset by higher sales of sucker rods.

Operating income from other products and services decreased 27% to $104.8 million in 2012, from $142.7 million in 2011, reflecting the reduction in activity levels in our industrial equipment business in Brazil, which had a negative impact in operating performance and margins.

Selling, general and administrative expenses, or SG&A, decreased as a percentage of net sales to 17.4% in 2012 compared to 18.6% in 2011, mainly due to the better absorption of fixed and semi-fixed expenses on higher sales.

Other operating income and expenses, net resulted in income of $43.7 million in 2012, compared to income of $5.1 million in 2011. This significant increase is attributable to a $49.2 million judgment that Confab, our Brazilian subsidiary, collected in 2012, from the Brazilian government, representing interest and monetary adjustment over a tax benefit obtained in 1991.

Net interest expenses totaled $22.0 million in 2012, compared to $21.6 million in 2011, which included $5.2 million in losses on interest rate swaps in 2011 and none in 2012. Excluding the effect of interest rate swaps in 2011, net interest expenses increased during 2012, mainly due to an increase in net debt of $595.0 million (mainly due to $700.0 million syndicated loans taken to finance investments in Brazil), partially offset by lower cost of debt.

Other financial results generated a loss of $28.1 million in 2012, compared to a gain of $11.3 million during 2011. These results largely reflect gains and losses on net foreign exchange transactions ($10.9 million loss in 2012 compared with $65.4 million gain in 2011) and the fair value of derivative instruments ($3.2 million loss in 2012 compared with $49.3 million loss in 2011) and are to a large extent offset by changes to our net equity position. These results are mainly attributable to variations in the exchange rates between the U.S. dollar and the Brazilian real, Argentine peso and Mexican peso.

Equity in earnings (losses) of associated companies generated a loss of $63.5 million in 2012, compared to a gain of $61.5 million in 2011. During 2012 we recorded impairment charges amounting to $73.7 million on our investment in Usiminas, reflecting changes to the operating environment in Brazil, particularly in relation to Usiminas   mining projects. In addition, the $275.3 million impairment charge recorded by Ternium in 2012 on its investment in Usiminas had, indirectly, a negative impact on our 11.5% participation in Ternium.

Income tax charges totaled $541.6 million in 2012, equivalent to 23.5% of income before equity in earnings of associated companies and income tax, compared to $475.4 million in 2011, equivalent to 25.9% of income before equity in earnings of associated companies and income tax.

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Net income increased to $1,701.4 million in 2012, compared to $1,420.7 million in 2011, mainly reflecting higher operating results, partially offset by losses from associated companies.

Income attributable to owners of the parent was $1,699.0 million, or $1.44 per share ($2.88 per ADS), in 2012, compared to $1,331.2 million, or $1.13 per share ($2.26 per ADS) in 2011.

Income attributable to non-controlling interest was $2.4 million in 2012, compared to $89.6 million in 2011, as during the second quarter of 2012, we acquired all the non-controlling interests in Confab, which thereby became our wholly-owned subsidiary.

Fiscal Year Ended December 31, 2011, Compared to Fiscal Year Ended December 31, 2010

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)**
	2011		**2010**		
Tubes	9,111.7	91%	7,032.4	91%	30%
Others	860.8	9%	679.2	9%	27%
Total	9,972.5	100%	7,711.6	100%	29%

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)**
	2011	**2010**	
Seamless	2,613	2,206	18%
Welded	1,134	902	26%
Total	3,747	3,108	21%

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,**		**Increase / (Decrease)**
	2011	**2010**	
Net sales			
- North America	4,060.9	3,068.2	32%
- South America	2,079.5	1,546.7	34%
- Europe	1,056.5	740.1	43%
- Middle East & Africa	1,330.7	1,245.5	7%
- Far East & Oceania	584.1	431.8	35%
Total net sales	9,111.7	7,032.4	30%
Operating income	1,702.2	1,427.4	19%
Operating income (% of sales)	19%	20%	

Net sales of tubular products and services increased 30% to $9,111.7 million in 2011, compared to $7,032.4 million in 2010, reflecting a 21% increase in volumes and a 7% increase in average selling prices. In North America, higher drilling activity in the United States and Canada, particularly higher oil drilling activity along with increased investments in liquid rich gas shale plays, led to significantly higher shipments partially offset by lower demand in Mexico in the first half of 2011 due to lower drilling activity at Chicontepec, where activity recovered in the second half of the year. In South America, sales increased mainly driven by higher demand in Argentina and Colombia, led by higher oil-related drilling activity and a recovery in pipeline construction activity in Brazil and Argentina, driven by projects for gas, ethanol and mineral slurry pipelines in Brazil and investments in the gas distribution network in Argentina. In Europe, we had higher sales of OCTG products in the North Sea and Romania due to higher oil and gas drilling activity, as well as a recovery in sales of line pipe and mechanical products due to higher demand for HPI projects and higher industrial activity. In the Middle East and Africa, despite geopolitical turmoil, which negatively affected drilling activity in countries such as Libya and Yemen, sales increased due to higher demand for complex products in the Middle East, led by Saudi Arabia which raised its oil production output and increased its level of activity in response to the loss of Libyan exports. In the Far East and Oceania, sales grew strongly, mainly due to higher sales of OCTG in China and Indonesia and higher sales of standard pipe products in Japan related to the restoration of areas affected by the earthquake and tsunami in March 2011.

Operating income from tubular products and services, increased 19% to $1,702.2 million in 2011, from $1,427.4 million in 2010. In 2010, operating income included a gain of $67.3 million from the reversal of a 2008 impairment on Prudential s customer relationships. Excluding the gain from the impairment reversal in 2010, operating income increased 25%, mainly driven by a 30% increase in sales and a lower operating margin (18.7% in 2011 vs. 19.3% in 2010-excluding impairment reversal gain). Our operating margin decreased in the first half of 2011, following the increase in the costs of steelmaking raw materials and hot rolled coils and due to the lagged effect of pipes price variations, but recovered in the second half.

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,**		**Increase / (Decrease)**
	2011	**2010**	
Net sales	860.8	679.2	27%
Operating income	142.7	91.7	56%
Operating income (% of sales)	17%	13%	

Net sales of other products and services increased 27% to $860.8 million in 2011, compared to $679.2 million in 2010. Approximately 60% of the increase was due to higher sales of industrial equipment in Brazil, driven by higher investments in petrochemical, oil processing and nuclear facilities in the country, and the rest of the increase was due to higher sales of sucker rods in the Americas and welded pipes for electric conduits in the United States and Canada.

Operating income from other products and services, increased 56% to $142.7 million in 2011, from $91.7 million in 2010, reflecting the increase in net sales of industrial equipment, sucker rods and welded pipes for electric conduits, explained in the previous paragraph, and an improvement in operating margins.

Selling, general and administrative expenses*, or SG&A, decreased* as a percentage of net sales to 18.6% in 2011 compared to 19.7% in 2010, mainly due to the better absorption of fixed and semi-fixed expenses on higher sales.

Other operating income and expenses, net resulted in net income of $5.1 million in 2011, compared to a net income of $78.6 million in 2010, when we recorded a gain of $67.3 million from the reversal of an impairment at our Canadian welded operations.

Net interest expenses totaled $21.6 million in 2011, compared to $31.2 million in 2010. Our net interest expenses decreased due to lower losses on interest rate swaps ($5.2 million in 2011 vs. $15.6 million in 2010) and a lower average financial position, both assets and liabilities, partially offset by slightly higher interest rates.

Other financial results generated a gain of $11.3 million in 2011, compared to a loss of $21.3 million during 2010. These results largely reflect gains and losses on net foreign exchange transactions ($65.4 million gain in 2011 compared with $26.6 million loss in 2010) and the fair value of derivative instruments ($49.3 million loss in 2011 compared with $7.2 million gain in 2010) and are to a large extent offset by changes to our net equity position. These results are mainly attributable to variations in the exchange rates between our subsidiaries functional currencies (other than the U.S. dollar) and the U.S. dollar in accordance with IFRS, principally the variations of Brazilian real and the Mexican peso against the U.S. dollar (Brazilian real rate at the beginning of 2011 was USD/Brazilian real 1.67 and at the end of 2011 USD/Brazilian real 1.88; while the Mexican peso rate at the beginning of 2011 was USD/Mexican peso 12.36 and at the end of 2011 USD/Mexican peso 13.98).

Equity in earnings (losses) of associated companies generated a gain of $61.5 million in 2011, compared to $70.1 million in 2010. These gains were derived mainly from our equity investment in Ternium, which generated $60.1 million gain in 2011 and $71.3 million gain in 2010.

Income tax charges totaled $475.4 million in 2011, equivalent to 25.9% of income before equity in earnings of associated companies and income tax, compared to $395.5 million in 2010, equivalent to 27.0% of income before equity in earnings of associated companies and income tax.

Net income increased to $1,420.7 million in 2011, compared to $1,141.0 million in 2010, mainly reflecting higher operating results.

Income attributable to owners of the parent was $1,331.2 million, or $1.13 per share ($2.26 per ADS), in 2011, compared to $1,127.4 million, or $0.95 per share ($1.91 per ADS) in 2010.

Income attributable to non-controlling interest was $89.6 million in 2011, compared to $13.7 million in 2010, mainly reflecting higher results at our Brazilian subsidiary, Confab. Income attributable to non-controlling interests in Confab amounted to $77.3 million in 2011 and $23.9 million in 2010, which was partially offset by losses at our Japanese subsidiary, NKK Tubes.

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,**		
	2012	**2011**	**2010**
Net cash provided by operating activities	1,860.4	1,283.3	870.8
Net cash used in investing activities	(1,484.3)	(603.0)	(920.8)
Net cash used in financing activities	(425.5)	(667.9)	(651.6)
Increase (Decrease) in cash and cash equivalents	(49.5)	12.4	(701.6)
Cash and cash equivalents at the beginning of year	815.0	820.2	1,528.7
Effect of exchange rate changes	7.1	(17.6)	(6.9)
Increase (Decrease) in cash and cash equivalents	(49.5)	12.4	(701.6)
Cash and cash equivalents at the end of year	772.7	815.0	820.2

Our financing strategy aims at maintaining adequate financial resources and access to additional liquidity. During 2012, we counted on cash flows from operations as well as additional bank financing to fund our transactions, including investments of $1.3 billion in Brazil to acquire a participation in Usiminas and the remaining non-controlling interests in Confab. Short-term bank borrowings were used as needed throughout the year. As a result, we moved from a net cash position of $323.6 million at December 31, 2011 to a net debt position of $271.3 million at December 31, 2012.

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 historical cost which approximates fair market value.

At December 31, 2012, liquid financial assets as a whole (i.e., cash and cash equivalents and other current investments) were 9.2% of total assets compared to 8.4% at the end of 2011.

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, 2012, U.S. dollar denominated liquid assets represented 79%, of total liquid financial assets compared to 66% at the end of 2011. As of December 31, 2011, an estimated 20% of our liquid financial assets were momentarily invested in Brazilian real-denominated instruments held at our Brazilian subsidiary, in anticipation of Confab s planned disbursement of the purchase price for the acquisition of a participation in Usiminas, which was completed in January 2012.

Cash and cash equivalents (excluding bank overdrafts) increased by $4.7 million, to $828.5 million at December 31, 2012, compared with $823.7 million at December 31, 2011. Other current investments also increased, by $213.6 million to $644.4 million as of December 31, 2012 from $430.8 million as of December 31, 2011.

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Fiscal Year Ended December 31, 2012, Compared to Fiscal Year Ended December 31, 2011

Operating activities

Net cash provided by operations during 2012 was $1,860.4 million, compared to $1,283.3 million during 2011. This 45% increase was mainly attributable to higher operating results and lower investments in working capital, partially offset by higher income tax payments. Working capital increased by $303.0 million during 2012, compared with an increase of $649.6 million in 2011, reflecting more stable values of our inventories and trade receivables, following a more gradual growth of sales, 9% in 2012, compared to 29% in 2011.

Investing activities

Net cash used in investing activities in 2012 was $1,484.3 million, compared to $603.0 million in 2011. The increase was due to:

- higher investments in acquisition of subsidiaries and associated companies ($510.8 million in 2012, compared to $9.4 million in 2011), as in 2012 we acquired a participation in Usiminas for a total consideration of $504.6 million;

- an increase in investments in short term securities of $213.6 million in 2012, while in 2011 we reduced our short term investments by $245.4 million; *partially offset by*

- lower capital expenditures, $789.7 million in 2012, compared to $862.7 million in 2011, as we have already completed most of the investments at our small diameter rolling mill at our Veracruz facility in Mexico.

Financing activities

Net cash used in financing activities, including dividends paid, proceeds and repayments of borrowings and acquisitions of non-controlling interests, was $425.5 million in 2012, compared to $667.9 million in 2011.

Dividends paid during 2012 amounted to $448.6 million, compared to $401.4 million in 2011.

Investments in non-controlling interest amounted to $758.6 million in 2012, compared to $16.6 million in 2011, as in 2012 we acquired the remaining non-controlling interests in Confab.

Net proceeds from borrowings (proceeds less repayments) totaled $782.6 million in 2012, compared to net repayments of borrowings of $227.2 million in 2011, as a result of borrowings under two syndicated loan agreements used to finance the acquisition of our participation in Usiminas and the remaining non-controlling interests in Confab.

Our total liabilities to total assets ratio was 0.28:1 as of December 31, 2012 and 0.25:1 as of December 31, 2011.

Fiscal Year Ended December 31, 2011, Compared to Fiscal Year Ended December 31, 2010

Operating activities

Net cash provided by operations increased $412.5 million, from $870.8 million during 2010 to $1,283.3 million during 2011, mainly due to an increase in operating income. Working capital increased by $649.6 million during 2011, compared with an increase of $676.6 million in 2010, reflecting the continued positive trend in the level of activity. The increase in working capital during 2011 is mainly the result of the following:

- an increase in inventories of $335.3 million, as a result of increased business activity;

- an increase in trade receivables of $456.9 million, due to higher sales; *partially offset by*

- a decrease in receivables and prepayments of $122.4 million.

Investing activities

Net cash used in investing activities in 2011 was $603.0 million, compared to $920.8 million in 2010, due to the following:

- capital expenditures ($862.7 million in 2011, compared to $847.3 million in 2010), primarily attributable to the completion of the new small diameter rolling mill at our Veracruz facility in Mexico; *partially offset by*

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a reduction in our investments in short term securities (divestments of short term securities of $245.4 million in 2011, compared to investments of $96.5 million in 2010).

Financing activities

Net cash used in financing activities, including dividends paid, proceeds and repayments of borrowings, was $667.9 million in 2011, compared to $651.6 million in 2010.

Dividends paid, including dividends paid to non-controlling shareholders in subsidiaries, amounted to $424.1 million in 2011, compared to $433.3 million paid in 2010.

Net repayments of borrowings (repayments less proceeds) totaled $227.2 million in 2011, compared to $215.3 million in 2010.

Our total liabilities to total assets ratio was 0.25:1 as of December 31, 2011 and 0.27:1 as of December 31, 2010.

Principal Sources of Funding

During 2012, we counted on cash flows from operations as well as additional bank financing to fund our transactions including investments of $1.3 billion in Brazil. Short-term bank borrowings were used as needed throughout the year.

Financial liabilities

During 2012, total financial debt increased by $813.3 million, to $1,744.2 million at December 31, 2012, from $930.9 million at December 31, 2011. During 2012, we entered into two syndicated loan agreements, one in January 2012, amounting to $350 million, to finance our investment in Usiminas and one in April 2012, amounting to $350 million, to finance the acquisition of the remaining minority interest in Confab.

Our financial liabilities (other than trade payables and derivative financial instruments) consist mainly of bank loans, including syndicated loans. As of December 31, 2012 U.S. dollar-denominated financial debt plus debt denominated in other currencies swapped to the U.S. dollar represented 81% of total financial debt. For further information about our financial debt, please see note 20 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, 2012 and 2011:

Thousands of U.S. dollars	**2012**	**2011**
Bank borrowings	1,686,213	921,905
Bank overdrafts	55,802	8,711
Finance lease liabilities	2,177	260
Total borrowings	1,744,192	930,876

The weighted average interest rates before tax (considering hedge accounting), amounted to 2.60% at December 31, 2012 and to 3.84% at December 31, 2011.

The maturity of our financial debt is as follows:

Thousands 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, 2012							
Borrowings	1,211,785	231,422	162,400	83,971	45,847	8,767	1,744,192
Interests to be accrued(*)	18,615	12,802	5,753	3,344	748	230	41,492
Total	**1,230,400**	**244,224**	**168,153**	**87,315**	**46,595**	**8,997**	**1,785,684**

(*) Includes the effect of hedge accounting.

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Our current debt to total debt ratio decreased from 0.84:1 as of December 31, 2011 to 0.69:1 as of December 31, 2012.

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 25 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 or floating rates, please see Item 11. Quantitative and Qualitative Disclosure about Market Risk .

Significant Borrowings

Our most significant borrowings as of December 31, 2012 were as follows:

Millions of U.S. dollars

Disbursement date	Borrower	Type	Original & Outstanding	Final maturity
2012	Tamsa	Several bank loans	420.8	2013 & 2014
January 2012	Confab	Syndicated	350.0	January 2017
April 2012	Maverick	Syndicated	350.0	April 2015
2012	Siderca	Several bank loans	223.7	Mainly 2013
2012	Dalmine	Several bank loans	162.7	Mainly 2013

The main covenants in our syndicated loan agreements are limitations on liens and encumbrances, limitations on the sale of certain assets, restrictions on distributions, restrictions on investments, compliance with financial ratios (i.e., leverage ratio and interest coverage ratio) and restrictions on amendments or payments of subordinated indebtedness.

As of December 31, 2012, Tenaris was in compliance with all of its financial and other covenants.

For more information on our borrowings, please see note 20 Borrowings to our audited consolidated financial statements included in this annual report.

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.

Drilling activity in the United States and Canada is sensitive to the level of regional gas prices as well as oil prices, as a significant proportion of wells drilled are gas wells. In the rest of the world, however, a majority of wells drilled are oil wells, though the development of gas reserves for regional consumption and export in the form of LNG has been increasing. Whereas oil prices are similar in most parts of the world because oil is a fully tradable commodity, gas prices are influenced by regional factors. In North America, where gas production is extensively developed and there is an extensive regional pipeline system, these factors include available gas storage capacity and seasonal weather patterns, particularly winter temperatures in the United States. LNG prices are usually established in relation to international oil prices.

International oil prices depend on diverse factors. On the supply side, major oil- and gas-producing nations and companies frequently collaborate to control the supply (and thus the price) of oil in the international markets. A major vehicle for this collaboration is OPEC. Many of our customers are state-owned companies in member countries of OPEC, or otherwise cooperate with OPEC in controlling the supply and price of oil. Another factor that has affected the international price level of oil has to do with the political and socioeconomic conditions of oil-producing countries, such as Nigeria and Venezuela and the persistence of 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.

With the onset of the global economic and financial crisis and its impact on global consumption of oil and gas, oil and gas prices collapsed in the second half of 2008, after four years of persistently high oil and gas prices that encouraged oil and gas companies to increase their spending and drilling activity to offset declining rates of production from mature fields and to explore and develop new reserves. In 2009, global oil prices rose from their low of $30 per barrel and subsequently fluctuated within a $70-$90 per barrel range until the end of 2010 as global oil demand, led by increased consumption in non-OECD countries, began to recover in the second half of the year and OPEC producers adjusted their production output. Since the end of 2010, oil prices have risen further and have increased in volatility following political uprisings in North Africa and the Middle East and increased geopolitical tensions in the Middle East. North American gas prices, however, remained low (less than $6 per million BTU) and fell to a low of $2 per million BTU in April 2012 as increases in production have exceeded increases in consumption putting pressure on gas storage capacity. Prices have risen since then to $4 per million BTU as low prices have encouraged consumption particularly through coal to gas switching for electric power production. Advances in drilling technology have encouraged producers to develop productive gas shale deposits, which resulted in continuing increases in U.S. gas production in the last four years despite a substantial drop in gas drilling activity compared to the five years from 2003 to 2008. This development initially impacted gas prices in the rest of the world, as it coincided with an increase in LNG capacity, much of which was built in the expectation of growing demand for gas imports in the United States, but in 2011, spot LNG prices rose to high levels due to increases in demand, particularly following the shutdown of nuclear capacity in the aftermath of the Fukushima disaster in Japan.

Global drilling activity, following the decrease in 2009, recovered in 2010 and 2011 but this recovery slowed down in 2012; the annual average of the international count of active drilling rigs, published by Baker Hughes, increased 2% in 2012 compared to 2011 (excluding Iraq, which has been included since June 2012) and 7% in 2011 compared to 2010, while the corresponding rig count in the United States and Canada, decreased 1% in 2012 compared to 2011 after increasing 21% in 2011 compared to 2010. Drilling activity in the United States and Canada, in the past two years, has been driven by a surge in oil drilling deploying the horizontal drilling and hydraulic fracturing technologies applied in shale gas drilling, which has largely compensated for declining gas drilling.

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, 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, are expected to continue to demand new and high value products and services in most areas of the world.

The tables below show the annual average number of active oil and gas drilling rigs, or rig count, in the United States, Canada, International (worldwide other than the United States and Canada and excluding Iran, Sudan, onshore China, Russia and 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

	2012	2011	2010	2009	2008
International(*)	1,234	1,168	1,094	997	1,079
Canada	365	423	351	221	379
United States	1,919	1,875	1,541	1,086	1,878
Worldwide	3,518	3,466	2,985	2,304	3,336

(*) International rig count average in 2012 excluding Iraq was 1,192.

Percentage increase (decrease) over the previous year

	2012	2011	2010	2009
International	6%(*)	7%	10%	(8%)

Canada	(14%)	21%	59%	(42%)
United States	2%	22%	42%	(42%)
Worldwide	2%	16%	30%	(31%)

(*) 2% excluding Iraq.

We expect that demand for tubular products for complex applications will grow at a faster pace than that for products for standard applications as investments will take place in more difficult operating environments. In 2013, drilling activity in North America is

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expected to gradually increase from current levels but remain slightly below the level of 2012 for the year as an average. In the rest of the world, drilling activity is expected to increase led by growth in the development of deepwater and unconventional reserves as well as complex conventional gas drilling. Overall sales growth is expected to be limited as higher oil and gas sales in the rest of the world are offset by lower sales in North America and in European industrial markets.

E. Off-Balance Sheet Arrangements

We do not use off-balance sheet arrangements as such term is defined by applicable SEC rules. However, we do have various off-balance sheet commitments, as described in note 26 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, 2012, and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

Thousands 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, 2012							
Financial lease	630	415	403	372	225	132	2,177
Other borrowings	1,211,155	231,007	161,997	83,599	45,622	8,635	1,742,015
Total borrowings	**1,211,785**	**231,422**	**162,400**	**83,971**	**45,847**	**8,767**	**1,744,192**
Interest to be accrued (*)	18,615	12,802	5,753	3,344	748	230	41,492
Total contractual obligations and commitments	**1,230,400**	**244,224**	**168,153**	**87,315**	**46,595**	**8,997**	**1,785,684**

(*) Includes the effect of hedge accounting.

We have no significant purchase commitments at December 31, 2012. Purchase commitments disclosed in previous filings had expired at December 31, 2012. For more information on our purchase commitments see note 26 Contingencies, commitments and restrictions on the distribution of profits to our audited consolidated financial statements included in this annual report.

G. Recent Developments

CSN Lawsuit Seeking Tender Offer to Minority Holders of Usiminas Ordinary Shares

Companhia Siderúrgica Nacional, or CSN, and various entities affiliated with CSN filed a lawsuit in Brazil against Confab and various subsidiaries of Ternium. The entities named in the CSN lawsuit had acquired a participation in Usiminas 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 minority holders of Usiminas ordinary shares for a price per share equal to 80% of the price per share paid in such acquisition, or 28.8 Brazilian reais, or BRL, 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 the offer.

On March 20, 2013, Confab and the other defendants filed their response to the CSN lawsuit.

Tenaris believes that CSN s allegations are groundless and without merit, as confirmed by several opinions of Brazilian counsel and previous decisions by Brazil s securities regulator Comissão de Valores Mobiliários, including a February 2012 decision determining that the above mentioned acquisition did not trigger any tender offer requirement. Accordingly, no provision was recorded in the audited consolidated financial statements included in this annual report.

Annual Dividend Proposal

On February 21, 2013 the Company s board of directors proposed, for the approval of the annual general shareholders meeting to be held on May 2, 2013, the payment of an annual dividend of $0.43 per share ($0.86 per ADS), or approximately $507.6 million, which includes the interim dividend of $0.13 per share ($0.26 per ADS) or approximately $153.5 million, paid in November 2012. If the annual dividend is approved by the shareholders, a dividend of $0.30 per share ($0.60 per ADS), or approximately $354.2 million will be paid on May 23, 2013, with an ex-dividend date of May 20, 2013. Our audited consolidated financial statements included in this annual report do not reflect this dividend payable.

Appointment of Chief Financial Officer

Effective as of July 1, 2013, Edgardo Carlos will assume the position of Chief Financial Officer, replacing Ricardo Soler.

Mr. Carlos previously served as our financial director, as administration & finance director for Mexico and Central America, and currently holds the position of economic and financial planning director.

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 stock exchange, the minimum number of directors must be five. The Company s current board of directors is composed of ten directors.

The board of directors is required to meet as often as required by the interests of the Company and at least four times per year. 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 May 12, 2017, 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. However, under the Company s articles of association, the Company s existing shareholders shall have a preferential right to subscribe for any new Shares issued pursuant to the authorization granted to its board of directors, except in the following cases (in which cases no 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).

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The following table sets forth the name of the Company s current directors, their respective positions on the board, their principal occupation, their years of service as board members and their age.

Name	Position	Principal Occupation	Years as Director	Age at December 31, 2012
Roberto Bonatti(1)	Director	President of San Faustin	10	63
Carlos Condorelli	Director	Director of Tenaris and Ternium	6	61
Carlos Franck	Director	President of Santa María	10	62
Roberto Monti	Director	Member of the board of directors of Petrobras Energia	8	73
Gianfelice Mario Rocca(1)	Director	Chairman of the board of directors of San Faustin	10	64
Paolo Rocca(1)	Director	Chairman and chief executive officer of Tenaris	11	60
Jaime Serra Puche	Director	Chairman of SAI Consultores	10	61
Alberto Valsecchi	Director	Director of Tenaris	5	68
Amadeo Vázquez y Vázquez	Director	Director of Gas Natural Ban S.A.	10	70
Guillermo Vogel	Director	Vice chairman of Tamsa	10	62

(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. 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.

Carlos Franck. Mr. Franck is a member of the Company s board of directors. He is president of Santa María S.A.I.F. and Inverban S.A. and a member of the board of directors of Siderca, Techint Financial Corporation N.V.**,** Techint Holdings S.à r.l.**,** Siderar and Tecgas N.V. He has financial planning and control responsibilities in subsidiaries of San Faustin. He serves as treasurer of the board of the Di Tella University. Mr. Franck is an Argentine citizen.

Roberto Monti. Mr. Monti is a member of the Company s board of directors. He is member of the board of directors of Petrobras Energia. He has served as vice president of Exploration and Production of Repsol YPF and chairman and chief executive officer of YPF. He was also president of Dowell, a subsidiary of Schlumberger and president of Schlumberger Wire & Testing division for East Hemisphere Latin America. Mr. Monti is an Argentine citizen.

Gianfelice Mario Rocca. Mr. Rocca is a member of the Company s board of directors. He is a grandson of Agostino Rocca. He is chairman of the board of directors of San Faustin, a member of the board of directors of Ternium, president of the Humanitas Group and honorary president of the board of directors of Techint Compagnia Tecnica Internazionale S.p.A. and 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 chairman of the board of the Italian Institute of Technology. He is a member of the Advisory Board of Allianz Group, 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 chairman of the board of directors of Tamsa. 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. Mr. Rocca is a member of the International Advisory Committee of the New York Stock Exchange. 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 Chiquita Brands International, the Mexico Fund, Grupo Vitro, Grupo Modelo and Grupo Financiero BBVA Bancomer. Mr. Serra Puche served as Mexico s Undersecretary of Revenue, Secretary of Trade and Industry, and Secretary of Finance. He led the negotiation and implementation of NAFTA. Mr. Serra Puche is a Mexican citizen.

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 has been elected as the 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 member of the board of directors of Gas Natural Ban S.A. He is a member of the *Asociación Empresaria Argentina*, of the *Fundación Mediterránea*, and of the Advisory Board of the *Fundación de Investigaciones Económicas Latinoamericanas*. He served as chief executive officer of Banco Río de la Plata S.A. until August 1997 and was also the 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. He is the vice chairman of Tamsa, the chairman of Grupo Collado S.A.B. de C.V, the vice chairman of Estilo y Vanidad S.A. de C.V. and a member of the board of directors of each of Alfa S.A.B. de C.V., the American Iron and Steel Institute, the North American Steel Council, the *Universidad Panamericana* and the IPADE. In addition, he is a member of the board of directors and the investment committee of the *Corporación Mexicana de Inversiones de Capital*. Mr. Vogel is a Mexican citizen.

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 auditor or 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 the 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, 2012, appointed by the shareholders meeting held on May 2, 2012, was PricewaterhouseCoopers Société Coopérative., *Réviseur d entreprises agree.*

Senior Management

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

Name	Position	Age at December 31, 2012
Paolo Rocca	Chairman and Chief Executive Officer	60
Ricardo Soler(*)	Chief Financial Officer	61
Gabriel Casanova	Supply Chain Director	54
Alejandro Lammertyn	Planning Director	47
Carlos Pappier	Chief Process and Information Officer	51
Marco Radnic	Human Resources Director	63
Marcelo Ramos	Technology Director	49
Vincenzo Crapanzano	Industrial Director	60
Germán Curá	North American Area Manager	50
Sergio de la Maza	Central American Area Manager	56
Renato Catallini	Brazilian Area Manager	46
Javier Martínez Alvarez	Southern Cone Area Manager	46
Gabriel Podskubka	Eastern Hemisphere Area Manager	39
Luca Zanotti	European Area Manager	45

(*) Effective as of July 1, 2013, Edgardo Carlos will replace Ricardo Soler as chief financial officer.

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 chairman of the board of directors of Tamsa. 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. Mr. Rocca is a member of the International Advisory Committee of the New York Stock Exchange. Mr. Rocca is an Italian citizen.

Ricardo Soler. Mr. Soler currently serves as our chief financial officer, a position that he assumed in October 2007. Previously he served as chief executive officer of Hydril and from 1999 until November 2006 served as managing director of our welded pipe operations in South America and as executive vice-president of Confab and Siat. He started his career in the Techint group in 1973 as a planning analyst at Siderar. He served as Siderca s financial director from 1993 until 1995. Mr. Soler is an Argentine citizen.

Edgardo Carlos. Mr. Carlos who will assume the position of chief financial officer on July 1, 2013, currently serves as our economic & financial planning director, reporting to the chief financial officer. 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 & financial manager for North America and in 2007 he became administration & financial director for Central America. In 2009 he was appointed economic & financial planning director. Mr. Carlos is an Argentine 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 that he assumed in April 2013. Mr. Lammertyn began his career with Tenaris in 1990. Previously he served as assistant to the CEO for marketing, organizational model and mill allocation matters, supply chain director, commercial director and Eastern Hemisphere area manager. Mr. Lammertyn is an Argentine citizen.

Carlos Pappier. Mr. Pappier currently serves as our chief process and information officer. Previously, he served as planning director. He began his career within the Techint group in 1984 as a cost analyst in Siderar. After holding several positions within Tenaris and other Techint group companies in 2002, he became chief of staff of Tenaris. He assumed his current position in May 2010. Mr. Pappier is an Argentine citizen.

Marco Radnic. Mr. Radnic currently serves as our human resources director. He began his career within the Techint group in the Industrial Engineering Department of Siderar in 1975. Later he held several positions in the technical departments of Siderca and various companies within the Techint group. After holding several positions in the marketing and procurement areas in Europe, in 1996 he became commercial director of Dalmine. In 1998, he became the director of our Process and Power Services business unit. In 2001, he was appointed chief of staff for Paolo Rocca in Buenos Aires. He assumed his current position in December 2002. Mr. Radnic is an Argentine citizen.

Marcelo Ramos. Mr. Ramos currently serves as our technology director, with responsibility over technology and quality. Previously he served as quality director and managing director of NKKTubes and our Japanese operations. He joined the Techint group in 1987 and has held various positions within Tenaris including quality control director at Siderca. He assumed his current position in April 2010, when the quality and technology departments were combined. Mr. Ramos is an Argentine citizen.

Vincenzo Crapanzano. Mr. Crapanzano currently serves as our industrial director, a position he assumed in April 2011. Previously he served as our European area manager, Mexican area manager and executive vice president of Tamsa. Prior to joining Tenaris, he held various positions at Grupo Falck from 1979 to 1989. When Dalmine acquired the tubular assets of Grupo Falck in 1990, he was appointed managing director of the cold drawn tubes division. He is also vice president of Centro Sviluppo Materiali S.p.A, and of Federacciai. Mr. Crapanzano is an Italian 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 the American Petroleum Institute (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 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 4 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.

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Luca Zanotti. Mr. Zanotti currently serves as our European area manager, a position he assumed in April 2011. He joined Tenaris in 2002 as planning and administration director in Exiros, the supply management area. He was later appointed raw materials director and in July 2007 became managing director of Exiros, a position he held until June 2010. In July 2010 he became the senior assistant to the European area manager. Before joining Tenaris, he was a senior manager at A.T. Kearney in Milan, where he worked from 1998 to 2002, and prior to that he held various business development positions in the Far East for Lovato Electric. Mr. Zanotti is an Italian citizen.

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 2012 a fee of $80,000. The chairman of the audit committee received as additional compensation a fee of $60,000 while the other members of the audit committee received an additional fee of $50,000. 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.

The aggregate cash compensation received by directors and senior management for the years ended December 31, 2012, 2011 and 2010, amounted to $24.3 million, $25.7 million and $18.6 million, respectively. In addition, directors and senior management received 542 thousand, 555 thousand and 485 thousand units, for a total amount of $5.2 million, $4.9 million and $4.1 million, respectively, in connection with our employee retention and long term incentive program described in note O (d) *Employee benefits Employee retention and long term incentive program* 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 Item 6.A. Directors, Senior Management and Employees 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 2, 2012, 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.

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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:

	At December 31, 2012
Argentina	6,621
Mexico	4,930
United States	3,522
Brazil	3,161
Italy	2,493
Romania	1,534
Canada	1,334
Indonesia	752
Colombia	623
Japan	593

Other Countries	1,110
Total employees	**26,673**

At December 31, 2011 and December 31, 2010, the number of persons employed by Tenaris was 26,980 and 25,422 respectively.

The number of our employees remained relatively stable during 2012.

Approximately 55% 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), the revaluation of local currencies against the U.S. dollar, together with inflationary pressures, negatively 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 Shares or ADSs) beneficially owned by our directors and senior management as of March 31, 2013 was 1,404,785, which represents 0.12% 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	1,325,446
Carlos Condorelli	67,211
Ricardo Soler	8,182
Gabriel Podskubka	3,946
Total	1,404,785

Item 7. Major Shareholders and Related Party Transactions.

A. Major Shareholders

The following table shows the beneficial ownership of the Shares by (1) the Company s major shareholders (persons or entities that have notified the Company of holdings in excess of 5% of the Company s voting rights), (2) non-affiliated public shareholders, and (3) the Company s directors and senior management as a group. The information below is based on the most recent information notified to the Company.

Identity of Person or Group	Number	Percent
San Faustin (1)	713,605,187	60.45%
Aberdeen Asset Management PLC s Fund Management Operating Subsidiaries (2)	59,184,400	5.01%
Directors and senior management as a group	1,404,785	0.12%
Public	406,342,458	34.42%
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 shares in San Faustin sufficient in number to control San Faustin. No person or group of persons controls RP STAK.

(2) On April 27, 2011, Aberdeen Asset Management PLC s Fund Management Operating Subsidiaries informed Tenaris, pursuant to the Luxembourg Transparency Law, that as of April 26, 2011, it is deemed to be the beneficial owner of 59,184,400 ordinary shares of Tenaris, par value U.S.$ 1.00 per share, representing 5.01% of Tenaris s issued and outstanding capital and votes.

As of March 31, 2013, 145,365,210 ADSs (representing 290,730,420 Shares, or 25% of all issued and outstanding Shares of the Company) were registered in the name of approximately 408 holders resident in the United States.

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.

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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 done under a long term agreement, for use in our seamless steel pipe operations in Mexico, which amounted to $163.1 million in 2012 and $77.9 million in 2011.

- Purchases of flat steel products for use in the production of welded pipes and accessories, which amounted to $52.4 million, $86.6 million and $126.5 million in 2012, 2011 and 2010, respectively.

- Purchases of pig iron, DRI, scrap and other raw materials for use in the production of seamless pipes, which amounted to $0.1 million, $2.3 million and $19.8 million in 2012, 2011 and 2010, respectively.

- Purchases of metal building components for our facilities in Mexico, which amounted to $2.8 million in 2011 and $18.5 million in 2010.

In Brazil, in the ordinary course of business we purchase flat steel products for use in our welded steel pipe operations, from Usiminas, which became a related party in January 2012 after we acquired 5.0% of its shares with voting rights and 2.5% of the total share capital. These purchases, which are made on similar terms and conditions as sales made by this company to unrelated third parties, amounted to $193.1 million in 2012.

Additionally, in 2012 we bought ferroalloys amounting to $35.1 million from Exiros B.V., in which the Company has a 50% share ownership.

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 $34.4 million, $27.8 million and $29.5 million in 2012, 2011 and 2010, respectively.

- Sales of steam and operational services from our Argentine electric power generating facility in San Nicolás. These sales amounted to $10.0 million, $14.0 million and $14.1 million in 2012, 2011 and 2010, respectively.

Purchase Agency Services

Exiros, in which we have a 50% share ownership and Ternium has the remaining 50% share ownership, provides our subsidiaries with purchase agency services in connection with our purchases of raw materials and other products or services. In connection with Exiros services, Tenaris paid fees amounting to $38.4 million, $38.7 million and $33.9 million in 2012, 2011 and 2010, respectively.

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 $7.6 million, $15.2 million and $12.2 million in 2012, 2011 and 2010, respectively.

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 $1.1 million, $1.4 million and $1.2 million in 2012, 2011 and 2010, respectively.

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Litoral Gas s sales to Tenaris totaled $2.3 million, $2.5 million and $2.5 million in 2012, 2011 and 2010, respectively.

Energy Consulting Services s sales to Tenaris totaled $2.1 million in 2012.

Provision of Engineering and Labor Services

We contract with certain companies controlled by San Faustin engineering and non-specialist manual labor services, such as cleaning, general maintenance, handling of by-products and construction services. Fees accrued for these services in the aggregate amounted to $79.2 million, $101.1 million and $127.7 million in 2012, 2011 and 2010, respectively.

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 $78.0 million, $110.4 million and $105.8 million in 2012, 2011 and 2010, respectively.

Sales of Other Products and Services

In addition to sales of pipes and sucker rods, we enter into sales transactions with companies controlled by San Faustin for the sale of other products and services. Within them:

- We provide technology and information services to companies controlled by San Faustin. Sales of these services amounted to $4.1 million, $4.5 million and $4.3 million in 2012, 2011 and 2010, respectively.

- We provide administrative services to Exiros and other related parties. Sales of these services amounted to $1.6 million, $1.7 million and $2.3 million in 2012, 2011 and 2010, respectively.

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 $12.8 million, $12.4 million and $10.8 million in 2012, 2011 and 2010, respectively.

Other Transactions

We contracted pipe coating services from Socotherm Brasil S.A. (an associated company in which we hold 50% of the share capital), for an amount of $60.2 million, $37.1 million and $17.3 million in 2012, 2011 and 2010, respectively.

We purchased welded steel pipes from Ternium, amounting to $0.7 million and $4.5 million in 2011 and 2010, respectively, which were sold by Tamsa as part of major projects.

We entered into various contracts with Tenova S.pA., a company controlled by San Faustin, for the provision of furnaces, spare parts, accessories and related services for our facilities. Supplies received amounted to $9.8 million, $10.3 million and $14.7 million in 2012, 2011 and 2010, respectively.

We sold industrial equipment to companies controlled by San Faustin for an amount of $4.0 million in 2012.

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-58 for our audited consolidated financial statements.

Legal Proceedings

Tenaris is involved in litigation arising from time to time in the ordinary course of business. Based on management s assessment it is not anticipated that the ultimate resolution of pending litigation will result in amounts in excess of recorded provisions that would be material to Tenaris s consolidated financial condition, results of operations or cash flows.

Outstanding Legal Proceedings

The following legal proceedings were outstanding as of the date of this report:

Conversion of tax loss carry-forwards

On December 18, 2000, the Argentine tax authorities notified Siderca of an income tax assessment related to the conversion of tax loss carry-forwards into Debt Consolidation Bonds under Argentine Law No. 24.073. The adjustments proposed by the tax authorities represent an estimated contingency in ARS of approximately ARS 116.7 million (approximately $23.8 million) at December 31, 2012, in taxes and penalties. Tenaris believes that it is not probable that the ultimate resolution of the matter will result in an obligation. Accordingly, no provision was recorded in our consolidated financial statements.

Collection of Court Judgment in Brazil

In August 2012, Confab collected from the Brazilian government an amount, net of attorney fees and other related expenses, in BRL of approximately BRL 99.8 million (approximately $49.2 million), recorded in other operating income. The income tax effect on this gain amounted to approximately $17.1 million. This payment was ordered by a final court judgment that represents Confab s right to interest and monetary adjustment over a tax benefit that had been paid to Confab in 1991 and determined the amount of such right. While certain extraordinary appeals from the Brazilian government seeking to reverse the court judgment are still pending, Tenaris believes that the likelihood of a reversal is remote.

CSN Lawsuit Seeking Tender Offer to Minority Holders of Usiminas Ordinary Shares

CSN and various entities affiliated with CSN filed a lawsuit in Brazil against Confab and various subsidiaries of Ternium. The entities named in the CSN lawsuit had acquired a participation in Usiminas 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 minority 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 the offer.

On March 20, 2013, Confab and the other defendants filed their response to the CSN lawsuit.

Tenaris believes that CSN s allegations are groundless and without merit, as confirmed by several opinions of Brazilian counsel and previous decisions by Brazil s securities regulator Comissão de Valores Mobiliários, including a February 2012 decision determining that the above mentioned acquisition did not trigger any tender offer requirement. Accordingly, no provision was recorded in the audited consolidated financial statements included in this annual report.

Other proceedings

We are also involved in legal proceedings incidental to the normal conduct of our business, for which we have made provisions in accordance with our corporate policy and any applicable rules. We believe that our provisions are adequate. Based on the information currently available to us, we do not believe that the outcomes of these proceedings are likely to be, individually or in the aggregate, material to our consolidated financial condition, results of operations or cash flows.

Previously Reported Legal Proceedings

Settlement with U.S. governmental authorities

In 2009, Tenaris announced that it had learned from one of its customers in Central Asia that certain sales agency payments made by one of the Company s subsidiaries may have improperly benefited employees of the customer and other persons, potentially in violation of the U.S. Foreign Corrupt Practices Act (FCPA). The audit committee of the Company s board of directors engaged external counsel in connection with a review of these payments and related matters. The Company voluntarily notified the SEC and the DOJ, and cooperated in the investigations conducted by the SEC and the DOJ.

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On May 17, 2011, Tenaris settled the SEC s and the DOJ s FCPA investigations. The settlements describe conduct by former Tenaris regional sales personnel relating to payments to officials of a state controlled oil and gas production company in the Caspian region, as well as certain record keeping and internal control failures relating to this conduct. The settlements also state that Tenaris voluntarily disclosed this conduct to the SEC and the DOJ in a timely and complete manner, conducted an internal investigation, provided thorough, real time cooperation to the SEC and the DOJ, and undertook remediation efforts, including voluntary enhancements to its compliance program. In the settlement with the SEC, Tenaris agreed to pay approximately $5.4 million in disgorgement of profits and interest, and in the settlement with the DOJ Tenaris agreed to pay a $3.5 million penalty. Tenaris timely paid those amounts to the DOJ and the SEC.

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 since 2008:

	Approved dividend			Dividend payment date	
Shareholders meeting date	**Amount (USD million)**	**Per share (USD)**	**Per ADS (USD)**	**Interim Dividend**	**Dividend Balance**
June 4, 2008	449	0.38	0.76	November 2007	June 2008
June 3, 2009	508	0.43	0.86	November 2008	June 2009
June 2, 2010	401	0.34	0.68	November 2009	June 2010
June 1, 2011	401	0.34	0.68	November 2010	June 2011
May 2, 2012	449	0.38	0.76	November 2011	May 2012

On February 21, 2013 the Company s board of directors proposed, for the approval of the annual general shareholders meeting to be held on May 2, 2013, the payment of an annual dividend of $0.43 per share ($0.86 per ADS), or approximately $507.6 million, which includes the interim dividend of $0.13 per share ($0.26 per ADS) or approximately $153.5 million, paid in November, 2012. If the annual dividend is approved by the shareholders, a dividend of $0.30 per share ($0.60 per ADS), or approximately $354.2 million will be paid on May 23, 2013, with an ex-dividend date of May 20, 2013.

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 . The Company s ability to pay cash dividends depends on the results of operations and the financial condition of its subsidiaries and may 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, 2012, 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.

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As of March 31, 2013, a total of 1,180,536,830 Shares were registered in the Company s shareholder register. As of March 31, 2013, a total of 290,730,420 Shares were registered in the name of the depositary for the Company s ADR program. March 2013, month end closing sale price for the ADSs on the NYSE was $40.78, the closing sale price of the Shares on the Italian Stock Exchange was Euro 15.85, on the Buenos Aires Stock Exchange was ARS 173.50 and on the Mexico Stock Exchange was Mexican pesos 254.88.

New York Stock Exchange

As of March 31, 2013, a total of 145,365,210 ADSs were registered of record. Each ADS represents two Shares of the Company s share capital. For the year ended December 31, 2012, The Bank of New York Mellon acted as the Company s depositary for issuing ADS evidencing Shares. On March 13, 2013, Deutsche Bank Trust Company Americas became the Company s depositary for issuing ADSs evidencing Shares, as successor depositary agent to The Bank of New York Mellon. 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	
	High	**Low**
2008		
Full year	74.50	15.39

	Price per ADS	
	High	**Low**
2009		
Full year	42.93	15.10

	Price per ADS	
	High	**Low**
2010		
Full year	49.09	33.50

	Price per ADS	
	High	**Low**
2011		
First quarter	49.46	43.37
Second quarter	50.79	43.55
Third quarter	47.70	25.45
Fourth quarter	38.28	24.08
Full year	50.79	24.08

	Price per ADS	
	High	**Low**
2012		
First quarter	42.16	37.89
Second quarter	39.52	30.50
Third quarter	44.51	34.50
Fourth quarter	42.42	36.19
Full year	44.51	30.50

	Price per ADS	
	High	**Low**
Last Six Months		
October 2012	42.42	37.62

November 2012	39.94	36.19
December 2012	42.09	38.38
January 2013	42.80	40.74
February 2013	42.78	39.64
March 2013	41.05	40.05

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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	
	High	**Low**
2008		
Full year	23.33	6.34

	Price per Share	
	High	**Low**
2009		
Full year	15.04	5.97

	Price per Share	
	High	**Low**
2010		
Full year	18.65	13.04

	Price per Share	
	High	**Low**
2011		
First quarter	18.51	15.70
Second quarter	17.68	15.19
Third quarter	16.42	9.51
Fourth quarter	14.29	9.06
Full year	18.51	9.06

	Price per Share	
	High	**Low**
2012		
First quarter	15.94	14.30
Second quarter	14.68	12.10
Third quarter	17.02	14.06
Fourth quarter	16.32	14.20
Full year	17.02	12.10

	Price per Share	
	High	**Low**
Last Six Months		
October 2012	16.32	14.24
November 2012	15.31	14.20
December 2012	15.82	14.80
January 2013	16.24	15.30
February 2013	15.95	14.76
March 2013	15.89	15.36

The Italian Stock Exchange, managed by Borsa Italiana, S.p.A., was founded in 1997 following the privatization of the exchange and became operational on January 2, 1998. Borsa Italiana is now part of the London Stock Exchange Group.

Borsa Italiana S.p.A. organizes and manages the Italian Stock Exchange with the participation of nearly 130 domestic and international brokers who operate in Italy or from abroad through remote membership, using a completely electronic trading system for the real-time execution of trades. Blue-chip securities shall be traded using the auction and continuous trading method from 8:00 A.M. to 5:35 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	
	High	Low
2008		
Full year	117.86	27.49

	Price per Share	
	High	Low
2009		
Full year	80.70	28.47

	Price per Share	
	High	Low
2010		
Full year	98.60	65.86

	Price per Share	
	High	Low
2011		
First quarter	104.20	91.30
Second quarter	108.00	93.90
Third quarter	100.20	59.80
Fourth quarter	90.20	56.75
Full year	108.00	56.75

	Price per Share	
	High	Low
2012		
First quarter	105.00	90.00
Second quarter	115.00	95.00
Third quarter	141.00	115.20
Fourth quarter	140.00	121.00
Full year	141.00	90.00

	Price per Share	
	High	Low
Last Six Months		
October 2012	133.30	121.00
November 2012	136.80	126.40
December 2012	140.00	126.45
January 2013	162.50	141.70
February 2013	167.40	154.00
March 2013	173.80	158.60

The Buenos Aires Stock Market, which is affiliated with the Buenos Aires Stock Exchange, is the largest stock market in Argentina. The Buenos Aires Stock Market is a corporation whose approximately 130 shareholder members are the only individuals and entities authorized to trade in securities listed on the Buenos Aires Stock Exchange. 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.

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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	
	High	Low
2008		
Full year	349.72	105.36

	Price per Share	
	High	Low
2009		
Full year	281.77	122.44

	Price per Share	
	High	Low
2010		
Full year	305.00	218.82

	Price per Share	
	High	Low
2011		
First quarter	303.44	270.00
Second quarter	298.00	259.10
Third quarter	365.00	160.60
Fourth quarter	258.55	186.31
Full year	365.00	160.60

	Price per Share	
	High	Low
2012		
First quarter	273.50	248.30
Second quarter	253.03	223.01
Third quarter	274.23	239.15
Fourth quarter	268.40	244.91
Full year	274.23	223.01

	Price per Share	
	High	Low
Last Six Months		
October 2012	260.00	246.82
November 2012	244.91	244.91
December 2012	268.40	255.63
January 2013	268.83	257.75
February 2013	267.00	267.00
March 2013	261.00	254.88

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 Item 9.A. The Offer and Listing Offer and Listing Details .

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

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, 2013, 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 May 12, 2017, 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. However, under the Company s articles of association, the Company s existing shareholders shall have a preferential right to subscribe for any new Shares issued pursuant to the authorization granted to its board of directors, except in the following cases (in which cases no 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.

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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, 2012. 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 Luxembourg Official Gazette and in a leading newspaper having general circulation in Luxembourg and by issuing a press release informing of the calling of such meeting. If an extraordinary general shareholders meeting is adjourned for lack of a quorum, a new convening notice must be published at least 17 days prior to the date for which the second-call meeting is being called. 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 be adopted by a two-thirds majority votes of the Shares represented at the meeting. If a proposed resolution consists of changing the Company s nationality or of increasing the shareholders commitments, the unanimous consent of all shareholders is required. 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 Thursday May 2, 2013 at 9:30 A.M., Luxembourg time.

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

A description of the items of the agenda of the meeting is incorporated by reference to the sections titled Annual General Meeting of Shareholders to be held on 2 May, 2013 in the report of foreign issuer (Rules 13a-16 and 15d-16) on Form 6-K, filed by the Company on March 29, 2013, (File No. 001-31518 13725479).

A description of the procedures for attending and voting at the meeting is incorporated by reference to Holders of Shares: procedures for attending and voting at the Meeting and Holders of ADRs: procedures for voting at the Meeting the report of foreign issuer (Rules 13a-16 and 15d-16) on Form 6-K, filed by the Company on March 29, 2013, (File No. 001-31518 13725479).

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 the Meeting in the report of foreign issuer (Rules 13a-16 and 15d-16) on Form 6-K, filed by the Company on March 29, 2013, (File No. 001-31518 13725479), 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 titled Holders of ADRs: procedures for voting at the Meeting in the report of foreign issuer (Rules 13a-16 and 15d-16) on Form 6-K, filed by the Company on March 29, 2013, (File No. 001-31518 13725479), 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.

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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.

BNP Paribas Securities Services (Luxembourg branch) maintains the Company s share register.

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 Purchases 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 has exchange controls or limitations on capital flows, including requirements for the repatriation of export proceeds, in place.

Argentina

At December 31, 2012, approximately 8% of Tenaris s consolidated net assets were located in Argentina. Since 2002, the Argentine government has maintained a dirty flotation of the Argentine peso/U.S.-dollar exchange rate, through frequent interventions in the market. In addition, the government has imposed foreign exchange restrictions affecting the free flow of capital. These restrictions have proven to change frequently, driven mainly by the need of the government to control the volatility of the foreign exchange rate and to try to impede the flight of capital from Argentina. Since October 2011, the government has significantly raised the restrictions on the purchase of foreign currencies and transfers made abroad, mainly for investment and saving purposes, and in 2012, it reduced drastically the timeframe for repatriating the proceeds from the exports of goods and services into Argentina. The most relevant restrictions on foreign exchange transactions that may affect Tenaris are described below.

Investments in foreign currency

As from July 2012, the Central Bank banned purchases of foreign currency for investment and saving purposes. Until that date, Tenaris s Argentine subsidiaries were entitled to transfer abroad up to $2,000,000 per month, subject to clearance by the Argentine tax authorities.

Exports of Goods and Services

All proceeds from exports of goods and services must be repatriated and converted into Argentine pesos within the timeframes provided in the applicable regulations. In April 2012, timeframes were drastically shortened by the government. For most sales made by Tenaris s Argentine subsidiaries, timeframes were shortened to 30 days from the shipment date.

Imports of Goods

Since February 2012, customs clearances of imports of goods and remittances to pay for imports are subject to prior approval by the Argentine tax authorities and the Argentine Secretary of Commerce. The criteria for approval of import transactions are not determined in the applicable regulations. Notwithstanding the foregoing, Tenaris s Argentine subsidiaries have not suffered significant delays in obtaining the necessary approvals for its imports of raw materials and equipments during 2012.

Imports of Services

Since April 2012, remittances to pay fees and royalties to foreign services providers or technology suppliers are conditioned upon the receipt of prior approval by the Argentine tax authorities. In addition, since April 2012, when the beneficiary of the payment is an affiliate of the payer, the remittance is subject to prior Central Bank approval. Approvals are discretionary and the approval process has proven to be lengthy. Since April 2012, we have not been able to make any payments of royalties to our affiliates abroad. If restrictions on such payments continue and we are not able to make payments of royalties abroad, our capacity to produce certain products in Argentina could be limited.

Dividends and other distributions

Since February 2013, all remittances of dividends from Argentina must be approved by the Argentine tax authorities before the transfer is made. In addition, since mid-2012, Argentine authorities have applied informal limitations on remittances of dividends and other cash distributions from Argentina to abroad. As a result of these restrictions, Tenaris s Argentine subsidiaries may be unable to remit dividends from Argentina to the Company.

Foreign Indebtedness

Foreign lending to Argentine companies (including Tenaris s Argentine subsidiaries) is subject to certain restrictions, including the following:

Proceeds from disbursements must be transferred into Argentina and converted into Argentine pesos;

30% of the disbursed funds must be deposited with a bank in Argentina in a non-assignable, non-interest bearing account for 365 days (unless the lender is a multilateral credit organization, an export agency or development bank eligible under Central Bank s regulations, or if the funds have been disbursed under a facility to finance foreign trade or in the form of a primary offering of bonds registered and listed in Argentina, among other exceptions);

No principal payments are allowed for a period of one year following the disbursement (except in the case of foreign trade financing facilities);

Mandatory and voluntary pre-payments are severely restricted; and

Since February 2013 all remittances to cancel interest must be approved by the Argentine tax authorities.

For additional information regarding factors affecting the Argentine economy, see Item 3. Key Information D. Risk Factors *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 United States 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 United States 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) 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 public limited liability company (*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. 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 recorded a special reserve for tax purposes in a significant amount. The Company expects that, as a result of its corporate reorganization, its current overall tax burden will not increase, as all or substantially all of its dividend income will come from high income tax jurisdictions. In addition, the Company expects that dividend distributions for the foreseeable future will be imputed to the special reserve and therefore should be exempt from 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 if they are realized on a sale of Shares or ADSs that takes place within the first six months following their acquisition.

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[2] will be taxable at a special rate.

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 28.80% for the fiscal year ending 2012 for a corporate holder established in Luxembourg-City. An exemption from such taxes may be available to the holder pursuant to Article 1 of the Grand Ducal Decree dated December 21st, 2001 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 (together with his or her spouse 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 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 21st, 2001 in combination with Article 166 of the Luxembourg Income Tax Law subject in each case to fulfillment of the conditions set out therein.

[2] 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 5 years.

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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.

Tax regime applicable to distributions

Withholding tax

Distributions imputed for tax purposes to newly accumulated profits of the Company (on an unconsolidated basis) are subject to a withholding tax of 15% computed on the gross amount distributed. The rate of the withholding tax may be reduced pursuant to double tax avoidance treaty existing between Luxembourg and the country of residence of the relevant holder, subject to the fulfillment of the conditions set forth therein.

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 30th, 2011 concerning the common fiscal regime applicable to parent and subsidiary companies of different member states (2011/96/UE),

- 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 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 Euro 1,200,000.

Luxembourg Holders

With the exception of a 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.

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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 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,

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