

TENARIS SA
Form 6-K
August 03, 2017

FORM 6 - K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

As of August 2, 2017

TENARIS, S.A.
(Translation of Registrant's name into English)

TENARIS, S.A.
29, Avenue de la Porte-Neuve 3rd floor
L-2227 Luxembourg
(Address of principal executive offices)

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

Form 20-F Form 40-F

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

Yes No

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

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The attached material is being furnished to the Securities and Exchange Commission pursuant to Rule 13a-16 and Form 6-K under the Securities Exchange Act of 1934, as amended. This report contains Tenaris's Press Release announcing 2017 Second Quarter Results.

SIGNATURE

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

Date: August 2, 2017.

Tenaris, S.A.

By: /s/ Cecilia Bilesio
Cecilia Bilesio
Corporate Secretary

Giovanni Sardagna
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Tenaris Announces 2017 Second Quarter Results

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

Luxembourg, August 2, 2017. - Tenaris S.A. (NYSE, Buenos Aires and Mexico: TS and MTA Italy: TEN) (“Tenaris”) today announced its results for the quarter ended June 30, 2017 in comparison with its results for the quarter ended June 30, 2016.

Summary of 2017 Second Quarter Results

(Comparison with first quarter 2017 and second quarter of 2016, with Conduit operations reclassified as discontinued operations)

| | 2Q | | | 2Q 2016 | |
|--|--------|---------|--------|---------|-------|
| | 2017 | 1Q 2017 | | | |
| Net sales (\$ million) | 1,243 | 1,154 | 8 % | 1,055 | 18 % |
| Operating income (loss) (\$ million) | 51 | 36 | 43 % | (62) | 184 % |
| Net income (loss) (\$ million) | 73 | 206 | (64 %) | (9) | 900 % |
| Shareholders' net income (loss) (\$ million) | 75 | 205 | (64 %) | (13) | 662 % |
| Earnings (losses) per ADS (\$) | 0.13 | 0.35 | (64 %) | (0.02) | 662 % |
| Earnings (losses) per share (\$) | 0.06 | 0.17 | (64 %) | (0.01) | 662 % |
| EBITDA* (\$ million) | 200 | 198 | 1 % | 101 | 98 % |
| EBITDA margin (% of net sales) | 16.1 % | 17.2 % | | 9.6 % | |

*EBITDA includes severance charges of \$13 million in Q2 2017, \$9 million in Q1 2017 and \$43 million in Q2 2016. If these charges were not included EBITDA would have been \$213 million (17%) in Q2 2017, \$207 million (18%) in Q1 2017, and \$144 million (14%) in Q2 2016.

Our sales rose by 8% in the second quarter, with sequential increases in North and South America and a further sequential decline in shipments to the Middle East. In North America, our Rig Direct™ program continues to gain traction and, even with the Canadian seasonal effect, our sales rose 16% sequentially. Our EBITDA margin showed a slight sequential decline and included additional costs associated with the start up of our Bay City mill, the reopening of our Prudential mill in Calgary and the preparation of our Confab mill in Brazil for producing line pipe for the Zohr project. For the third consecutive quarter we had positive operating and net income.

During the quarter, we had a build up of working capital of \$260 million and net cash flow used in operations amounted to \$33 million. After capital expenditures of \$155 million and the payment of \$331 million in dividends, our net cash position (cash, other current investments and fixed income investments held to maturity less total borrowings) declined to \$1.1 billion at the end of the quarter.

Market Background and Outlook

The recovery in shale drilling in the USA and Canada continued at a rapid pace in the first half of the year but is now slowing down as some operators revise their drilling plans for the second half following a dip in oil prices below \$50 per barrel in June. In the rest of the world, recovery remains more elusive, as oil and gas companies continue to focus on strengthening cash flow and their financial position. In Latin America, however, drilling activity in Argentina is starting to pick up with various operators moving forward with investments in the Vaca Muerta shale play, and recent offshore discoveries in Mexico will provide further impetus to the energy reform program.

In the second half, we expect growth in demand from Rig Direct™ customers in North America, supported by the start up of our Bay City mill, and in Argentina, while, in the third quarter, we will have slower sales in the Middle East and Europe. Pricing conditions continue to improve gradually but the recent rise in raw material costs will impact our cost of sales, dampening margin improvements. Our EBITDA should grow, particularly in the fourth quarter, when our volumes will be enhanced by shipments for East Mediterranean offshore gas pipelines.

Analysis of 2017 Second Quarter Results

Tubes

The following table indicates, for our Tubes business segment, sales volumes of seamless and welded pipes for the periods indicated below:

| Tubes Sales volume (thousand metric tons) | 2Q | | 2Q 2016 | |
|---|------|---------|---------|----------|
| | 2017 | 1Q 2017 | | |
| Seamless | 529 | 509 | 4 % | 395 34 % |
| Welded | 96 | 74 | 29 % | 80 20 % |
| Total | 624 | 583 | 7 % | 475 31 % |

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:

| Tubes | 2Q 2017 | | 1Q 2017* | | 2Q 2016 | |
|--------------------------------------|---------|-------|----------|--------|---------|--|
| (Net sales - \$ million) | | | | | | |
| North America | 548 | 472 | 16% | 266 | 105% | |
| South America | 227 | 203 | 12% | 245 | (7%) | |
| Europe | 132 | 115 | 15% | 162 | (28%) | |
| Middle East & Africa | 212 | 249 | (15%) | 276 | (16%) | |
| Asia Pacific | 55 | 46 | 21% | 36 | 55% | |
| Total net sales (\$ million) | 1,175 | 1,085 | 8% | 985 | 19% | |
| Operating income (loss) (\$ million) | 46 | 31 | 48% | (65) | (171%) | |
| Operating margin (% of sales) | 3.9% | 2.8% | | (6.6%) | | |

*Includes inter-regional reclassifications

Net sales of tubular products and services increased 8% sequentially and 19% year on year. The sequential increase reflects a volume increase of 7% and an average price increase of 1%. In North America we had higher sales in the United States onshore market, reflecting an increase in drilling activity, and in Mexico to private operators participating in the energy reform, partially offset by lower sales in Canada due to the spring break-up season. In South America we had higher sales in Argentina (Vaca Muerta) and in the Andean region, partially offset by lower sales of connectors in Brazil following shipment advancements in the previous quarter. In Europe we had higher sales to the European industrial sector. In the Middle East and Africa sales were down 15% sequentially reflecting further declines in shipments to Middle East and North African customers. In Asia Pacific, sales increased due to higher offshore line pipe sales.

Operating results from tubular products and services increased 48% sequentially, from a gain of \$31 million in the previous quarter to a gain of \$46 million in the second quarter of 2017. In addition to the effect of higher sales, the increase in shipments improved the utilization of production capacity and therefore the absorption of fixed costs, positively impacting costs and margins and offsetting the increase in the cost of steel scrap and other steelmaking raw materials.

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:

| Others | 2Q | | 1Q 2017 | 2Q 2016 | |
|-------------------------------|-------|------|---------|---------|-------|
| | 2017 | | | | |
| Net sales (\$ million) | 68 | 68 | 0% | 70 | (3 %) |
| Operating income (\$ million) | 6 | 5 | 5% | 4 | 60% |
| Operating income (% of sales) | 8.3 % | 7.9% | | 5.0% | |

Net sales of other products and services remained flat sequentially and declined 3% year on year. Operating income increased sequentially mainly due to improved results at our coiled tubing business.

Selling, general and administrative expenses, or SG&A, amounted to \$327 million, or 26.3% of net sales, in the second quarter of 2017, compared to \$294 million, 25.5% in the previous quarter and \$333 million, 31.6% in the second quarter of 2016. SG&A during the quarter increased due to higher logistic costs and a lower recovery of doubtful accounts, partially offset by lower amortization of intangibles following the full amortization of Hydril intangibles acquired ten years ago.

Financial results amounted to a loss of \$16 million in the second quarter of 2017, compared to a loss of \$4 million in the previous quarter and a gain of \$10 million in the second quarter of 2016. The reason for the loss in the second quarter of 2017 is an FX loss of \$23 million, the great majority corresponding to the Euro appreciation on Euro denominated intercompany liabilities, fully offset in the currency translation reserve in equity.

Equity in earnings of non-consolidated companies amounted to \$30 million in the second quarter of 2017, compared to \$35 million in the previous quarter and \$19 million in the second quarter of last year. These results are mainly derived from our equity investment in Ternium (NYSE:TX).

Income tax amounted to a gain of \$7 million in the second quarter of 2017, primarily reflecting the effect of the Mexican peso revaluation on the tax base used to calculate deferred taxes at our Mexican subsidiaries which have the U.S. dollar as their functional currency.

Cash Flow and Liquidity of 2017 Second Quarter

Net cash used by operating activities during the second quarter of 2017 was \$33 million, compared to cash provided by operations of \$26 million in the first quarter of 2017 and \$380 million in the second quarter of last year. During the second quarter of 2017 we used \$260 million for the increase in working capital related to the increase in shipments and production.

Capital expenditures amounted to \$155 million for the second quarter of 2017, compared to \$139 million in the previous quarter and \$211 million in the second quarter of 2016. Capital expenditures mainly relates to the progress in the construction of the greenfield seamless facility in Bay City, Texas.

Following a dividend payment of \$331 million in May 2017, we maintained a net cash position (i.e., cash, other current investments and fixed income investments held to maturity less total borrowings) of \$1.1 billion at the end of the quarter.

Analysis of 2017 First Half Results

| | H1 2017 | H1 2016 | Increase/(Decrease) |
|---------------------------------------|---------|---------|---------------------|
| Net sales (\$ million) | 2,397 | 2,261 | 6% |
| Operating income (loss) (\$ million) | 88 | (32) | 372% |
| Net income (\$ million) | 279 | 19 | 1,386% |
| Shareholders' net income (\$ million) | 280 | 5 | 5,613% |
| Earnings per ADS (\$) | 0.47 | 0.01 | 5,613% |
| Earnings per share (\$) | 0.24 | 0.00 | 5,613% |
| EBITDA* (\$ million) | 399 | 292 | 36% |
| EBITDA margin (% of net sales) | 16.6% | 12.9% | |

* EBITDA includes severance charges of \$22 million in H1 2017 and \$56 million in H1 2016. If these charges were not included EBITDA would have been \$420 million (18%) in H1 2017 and \$348 million (15%) in H1 2016.

Our sales in the first half of 2017 increased 6% compared to the first half of 2016, mainly due to strong increase in demand in the USA and Canada, partially offset by lower sales in South America and in the Middle East and Africa. EBITDA increased 36% to \$399 million in the first half of 2017 compared to \$292 million in the first half of the previous year, following an increase in sales and an improvement in the EBITDA margin, from 12.9% to 16.6%. EBITDA includes severance charges, due to the adjustment of the workforce, which amounted to \$22 million in the first half of 2017 and \$56 million in the first half of 2016. Net income attributable to owners of the parent during the first half of 2017 was \$280 million or \$0.47 per ADS, which compares with \$5 million or \$0.01 per ADS in the first half of 2016. The improvement in net income mainly reflects a better operating environment, where a 22% increase in shipments improved the utilization of production capacity and therefore the absorption of fixed costs, a reduction in severance costs, a positive income tax of \$55 million reflecting primarily the effect of the Mexican peso revaluation on the tax base used to calculate deferred taxes at our Mexican subsidiaries which have the U.S. dollar as their functional currency, and a gain of \$90 million from the sale of Republic Conduit.

Cash flow used in operating activities amounted to \$7 million during the first half of 2017 (including an increase in working capital of \$365 million). Following a dividend payment of \$331 million in May 2017, and capital expenditures of \$294 million during the first half of 2017, we maintained a positive net cash position (i.e., cash, other current investments and fixed income investments held to maturity less total borrowings) of \$1.1 billion at the end of June 2017, including the \$328 million we collected from the sale of Republic Conduit.

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

| Net sales (\$ million) | H1 2017 | H1 2016 | Increase/(Decrease) |
|------------------------|---------|---------|---------------------|
| Tubes | 2,260 | 2,115 | 7% |
| Others | 137 | 146 | (6%) |
| Total | 2,397 | 2,261 | 6% |

Tubes

The following table indicates, for our Tubes business segment, sales volumes of seamless and welded pipes for the periods indicated below:

| Tubes Sales volume (thousand metric tons) | H1 2017 | H1 2016 | Increase/(Decrease) |
|---|---------|---------|---------------------|
| Seamless | 1,037 | 761 | 36% |
| Welded | 170 | 226 | (25%) |
| Total | 1,207 | 987 | 22% |

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:

| Tubes | H1 2017 | H1 2016 | Increase/(Decrease) |
|---------------------------------------|---------|---------|---------------------|
| (Net sales - \$ million) | | | |
| North America | 1,021 | 646 | 58% |
| South America | 430 | 595 | (28%) |
| Europe | 247 | 295 | (16%) |
| Middle East & Africa | 461 | 515 | (10%) |
| Asia Pacific | 101 | 64 | 58% |
| Total net sales (\$ million) | 2,260 | 2,115 | 7% |
| Operating income (loss) (\$ million)* | 76 | (44) | 274% |
| Operating income (% of sales) | 3.4% | (2.1%) | 257% |

*Tubes operating income includes severance charges of \$20 million in the first half of 2017 and \$51 million in the first half of 2016. If these charges were not included Tubes operating income would have been \$96 million in the first half of 2017 and \$8 million in the first half of 2016.

Net sales of tubular products and services increased 7% to \$2,260 million in the first half of 2017, compared to \$2,115 million in the first half of 2016, as a result of a 22% increase in shipment volumes partially offset by a 13% decline in average selling prices. Sales grew due to strong increase in demand in the USA and Canada, partially offset by lower sales in South America and in the Middle East and Africa. In the first half of 2017, the average number of active drilling rigs, or rig count, in the United States and Canada averaged 1,022, a 72% increase when compared to the 594 average in the first half of 2016. In the rest of the world the rig count declined 3% year on year, from 979 in the first half of 2016 to 948 in the first half of 2017.

Operating results from tubular products and services increased from a loss of \$44 million in the first half of 2016, to a gain of \$76 million in the first half of 2017. Results improved following a 22% increase in shipment volumes, increasing sales and the utilization of production capacity and therefore the absorption of fixed costs. Additionally, severance charges were lower as market conditions improved.

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:

| Others | H1 2017 | H1 2016 | Increase/(Decrease) |
|-------------------------------|---------|------------|---------------------|
| Net sales (\$ million) | 137 | 146 | (6%) |
| Operating income (\$ million) | 11 | 12 | (6%) |
| Operating margin (% of sales) | 8.1% | 8.0% | |

Net sales of other products and services decreased 6% to \$137 million in the first half of 2017, compared to \$146 million in the first half of 2016, mainly due to lower sales of industrial equipment in Brazil.

Operating income from other products and services decreased 6%, in line with the decline in sales as margins remained flat.

Selling, general and administrative expenses, or SG&A, amounted to \$622 million in the first half of 2017 and \$612 million in the first half of 2016, representing 26% of sales in 2017 and 27% in 2016. Direct selling expenses, like freights, increased due to higher shipment volumes but were partially offset by lower labor costs (lower severance costs). Amortization of intangibles also declined following the full amortization of Hydril intangibles acquired ten years ago.

Financial results amounted to a loss of \$20 million in the first half of 2017, compared to a loss of \$5 million in the first half of 2016. The main reason for the loss in the first half of 2017 is an FX loss of \$33 million, mainly due to the Euro appreciation on Euro denominated intercompany liabilities, fully offset in the currency translation reserve in equity.

Equity in earnings of non-consolidated companies generated a gain of \$65 million in the first half of 2017, compared to a gain of \$30 million in the first half of 2016. These results are mainly derived from our equity investment in Ternium (NYSE:TX).

Income tax amounted to a gain of \$55 million in the first half of 2017, compared to a gain of \$4 million in the first half of 2016. In the first half of 2017 this result reflects primarily the effect of the Mexican peso revaluation on the tax base used to calculate deferred taxes at our Mexican subsidiaries which have the U.S. dollar as their functional currency.

Results attributable to non-controlling interests amounted to a loss of \$1 million in the first half of 2017, compared to a gain of \$14 million in the first half of 2016. Results during the first half of 2016 were mainly attributable to our pipe coating subsidiary in Nigeria.

Cash Flow and Liquidity of 2017 First Half

Net cash used in operating activities during the first half of 2017 amounted to \$7 million (net of an increase in working capital of \$365 million, related to the increase in shipments and production), compared to cash provided by operations of \$689 million in the first half of 2016 (including working capital reductions of \$410 million).

Capital expenditures amounted to \$294 million in the first half of 2017, compared to \$441 million in the first half of 2016, as we continue progressing in the construction of the greenfield seamless facility in Bay City, Texas.

Following a dividend payment of \$331 million in May 2017, our financial position at June 30, 2017, amounted to a net cash position (i.e., cash, other current investments and fixed income investments held to maturity less total borrowings) of \$1.1 billion, including the \$328 million we collected from the sale of Republic Conduit.

Tenaris Files Half-Year Report

Tenaris S.A. announces that it has filed its half-year report for the six-month period ended June 30, 2017 with the Luxembourg Stock Exchange. The half-year report can be downloaded from the Luxembourg Stock Exchange's website at www.bourse.lu and from Tenaris's website at www.tenaris.com/investors.

Holders of Tenaris's shares and ADSs, and any other interested parties, may request a hard copy of the half-year report, free of charge, at 1-888-300-5432 (toll free from the United States) or 52-229-989-1159 (from outside the United States).

Conference call

Tenaris will hold a conference call to discuss the above reported results, on August 3, 2017, at 8:00 a.m. (Eastern Time). Following a brief summary, the conference call will be opened to questions. To access the conference call dial in +1 877 730 0732 within North America or +1 530 379 4676 Internationally. The access number is "59393286". Please dial in 10 minutes before the scheduled start time. The conference call will be also available by webcast at www.tenaris.com/investors

A replay of the conference call will be available on our webpage <http://ir.tenaris.com/> or by phone from 11:00 am ET on Aug 3, through 11:59 pm on Aug 11, 2017. To access the replay by phone, please dial +1 855 859 2056 or +1 404 537 3406 and enter passcode "59393286" when prompted.

Some of the statements contained in this press release are "forward-looking statements". Forward-looking statements are based on management's current views and assumptions and involve known and unknown risks that could cause actual results, performance or events to differ materially from those expressed or implied by those statements. These risks include but are not limited to risks arising from uncertainties as to future oil and gas prices and their impact on investment programs by oil and gas companies.

Consolidated Condensed Interim Income Statement

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

| | Three-month period | | Six-month period | |
|--|------------------------|------------------------|------------------------|------------------------|
| | ended June 30, 2017 | ended June 30, 2016 | ended June 30, 2017 | ended June 30, 2016 |
| | Unaudited | | Unaudited | |
| Continuing operations | | | | |
| Net sales | 1,242,804 | 1,054,917 | 2,396,664 | 2,261,267 |
| Cost of sales | (865,729) | (779,623) | (1,689,585) | (1,676,685) |
| Gross profit | 377,075 | 275,294 | 707,079 | 584,582 |
| Selling, general and administrative expenses | (327,132) | (333,160) | (621,563) | (612,008) |
| Other operating income (expense), net | 1,547 | (3,644) | 1,988 | (4,774) |
| Operating income (loss) | 51,490 | (61,510) | 87,504 | (32,200) |
| Finance Income | 11,059 | 24,212 | 23,986 | 44,107 |
| Finance Cost | (6,020) | (4,814) | (11,958) | (9,118) |
| Other financial results | (20,667) | (9,830) | (32,082) | (39,928) |
| Income (loss) before equity in earnings of non-consolidated companies and income tax | 35,862 | (51,942) | 67,450 | (37,139) |
| Equity in earnings of non-consolidated companies | 30,201 | 18,612 | 65,401 | 30,339 |
| Income (loss) before income tax | 66,063 | (33,330) | 132,851 | (6,800) |
| Income tax | 7,357 | 10,416 | 54,602 | 3,975 |
| Income (loss) for continuing operations | 73,420 | (22,914) | 187,453 | (2,825) |
| Discontinued operations | | | | |
| Result for discontinued operations | - | 13,737 | 91,542 | 21,598 |
| Income (loss) for the period | 73,420 | (9,177) | 278,995 | 18,773 |
| Attributable to: | | | | |
| Owners of the parent | 74,524 | (13,266) | 279,651 | 4,895 |
| Non-controlling interests | (1,104) | 4,089 | (656) | 13,878 |
| | 73,420 | (9,177) | 278,995 | 18,773 |

Consolidated Condensed Interim Statement of Financial Position

| (all amounts in thousands of U.S. dollars) | At June 30, 2017 | | At December 31, 2016 | |
|---|------------------|------------|-------------------------|------------|
| | Unaudited | | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment, net | 6,124,342 | | 6,001,939 | |
| Intangible assets, net | 1,761,686 | | 1,862,827 | |
| Investments in non-consolidated companies | 601,712 | | 557,031 | |
| Available for sale assets | 21,572 | | 21,572 | |
| Other investments | 284,738 | | 249,719 | |
| Deferred tax assets | 149,849 | | 144,613 | |
| Receivables, net | 198,233 | 9,142,132 | 197,003 | 9,034,704 |
| Current assets | | | | |
| Inventories, net | 1,988,820 | | 1,563,889 | |
| Receivables and prepayments, net | 186,950 | | 124,715 | |
| Current tax assets | 180,624 | | 140,986 | |
| Trade receivables, net | 1,024,453 | | 954,685 | |
| Other investments | 1,431,881 | | 1,633,142 | |
| Cash and cash equivalents | 271,224 | 5,083,952 | 399,737 | 4,817,154 |
| Assets of disposal group classified as held for sale | | - | | 151,417 |
| Total assets | | 14,226,084 | | 14,003,275 |
| EQUITY | | | | |
| Capital and reserves attributable to owners of the parent | | 11,341,154 | | 11,287,417 |
| Non-controlling interests | | 106,155 | | 125,655 |
| Total equity | | 11,447,309 | | 11,413,072 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 32,015 | | 31,542 | |
| Deferred tax liabilities | 536,157 | | 550,657 | |
| Other liabilities | 220,176 | | 213,617 | |
| Provisions | 42,914 | 831,262 | 63,257 | 859,073 |
| Current liabilities | | | | |
| Borrowings | 820,850 | | 808,694 | |
| Current tax liabilities | 97,818 | | 101,197 | |
| Other liabilities | 215,587 | | 183,887 | |
| Provisions | 23,179 | | 22,756 | |
| Customer advances | 80,334 | | 39,668 | |
| Trade payables | 709,745 | 1,947,513 | 556,834 | 1,713,036 |
| Liabilities of disposal group classified as held for sale | | | - | 18,094 |
| Total liabilities | | 2,778,775 | | 2,590,203 |
| Total equity and liabilities | | 14,226,084 | | 14,003,275 |

Consolidated Condensed Interim Statement of Cash Flows

| (all amounts in thousands of U.S. dollars) | Three-month period | | Six-month period | |
|---|------------------------|-----------|------------------|-----------|
| | ended June 30, 2017 | 2016 | 2017 | 2016 |
| Cash flows from operating activities | Unaudited | | Unaudited | |
| Income for the period | 73,420 | (9,177) | 278,995 | 18,773 |
| Adjustments for: | | | | |
| Depreciation and amortization | 148,848 | 163,963 | 311,066 | 327,118 |
| Income tax accruals less payments | (36,888) | (52,560) | (129,818) | (68,731) |
| Equity in earnings of non-consolidated companies | (30,201) | (18,612) | (65,401) | (30,339) |
| Interest accruals less payments, net | 7,349 | (227) | 4,889 | (12,906) |
| Changes in provisions | (2,082) | 1,373 | (19,920) | 8,171 |
| Income from the sale of Conduit business | - | - | (89,694) | - |
| Changes in working capital | (260,284) | 307,317 | (365,222) | 410,232 |
| Other, including currency translation adjustment | 67,008 | (12,349) | 68,409 | 36,557 |
| Net cash (used in) provided by operating activities | (32,830) | 379,728 | (6,696) | 688,875 |
| Cash flows from investing activities | | | | |
| Capital expenditures | (155,191) | (211,174) | (293,806) | (441,423) |
| Changes in advance to suppliers of property, plant and equipment | 826 | 20,094 | 4,329 | 34,352 |
| Proceeds from disposal of Conduit business | - | - | 327,631 | - |
| Investment in non-consolidated companies | - | (17,108) | - | (17,108) |
| Loan to non-consolidated companies | - | (13,464) | (9,006) | (23,848) |
| Investment in companies under cost method | (3,681) | - | (3,681) | - |
| Proceeds from disposal of property, plant and equipment and intangible assets | 916 | 2,256 | 2,878 | 3,979 |
| Dividends received from non-consolidated companies | 22,971 | 20,674 | 22,971 | 20,674 |
| Changes in investments in securities | 218,540 | 195,754 | 170,071 | 325,682 |
| Net cash provided by (used in) investing activities | 84,381 | (2,968) | 221,387 | (97,692) |
| Cash flows from financing activities | | | | |
| Dividends paid | (330,550) | (354,161) | (330,550) | (354,161) |
| Dividends paid to non-controlling interest in subsidiaries | (19,200) | - | (19,200) | (4,311) |
| Acquisitions of non-controlling interests | (13) | (111) | (31) | (477) |
| Proceeds from borrowings (*) | 438,188 | 242,471 | 1,062,371 | 495,942 |
| Repayments of borrowings (*) | (297,816) | (407,071) | (1,060,486) | (627,904) |
| Net cash (used in) financing activities | (209,391) | (518,872) | (347,896) | (490,911) |
| (Decrease) increase in cash and cash equivalents | (157,840) | (142,112) | (133,205) | 100,272 |
| Movement in cash and cash equivalents | | | | |
| At the beginning of the period | 426,741 | 530,743 | 398,580 | 286,198 |
| Effect of exchange rate changes | 1,936 | 4,012 | 5,462 | 6,173 |
| (Decrease) increase in cash and cash equivalents | (157,840) | (142,112) | (133,205) | 100,272 |
| At June 30, | 270,837 | 392,643 | 270,837 | 392,643 |

Exhibit I – Alternative performance measures

EBITDA, Earnings before interest, tax, depreciation and amortization.

EBITDA provides an analysis of the operating results excluding depreciation and amortization and impairments, as they are non-cash variables which can vary substantially from company to company depending on accounting policies and the accounting value of the assets. EBITDA is an approximation to pre-tax operating cash flow and reflects cash generation before working capital variation. EBITDA is widely used by investors when evaluating businesses (multiples valuation), as well as by rating agencies and creditors to evaluate the level of debt, comparing EBITDA with net debt.

EBITDA is calculated in the following manner:

EBITDA= Operating results + Depreciation and amortization + Impairment charges/(reversals).

| (all amounts in thousands of U.S. dollars) | Three-month period ended June 30, | | Six-month period ended June 30, | |
|--|--------------------------------------|----------|------------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Operating income | 51,490 | (61,510) | 87,504 | (32,200) |
| Depreciation and amortization | 148,848 | 163,963 | 311,066 | 327,118 |
| Depreciation and amortization from discontinued operations | | -(1,366) | | -(2,728) |
| EBITDA | 200,338 | 101,087 | 398,570 | 292,190 |

Net Cash / (Debt)

This is the net balance of cash and cash equivalents, other current investments and fixed income investments held to maturity less total borrowings. It provides a summary of the financial solvency and liquidity of the company. Net cash / (debt) is widely used by investors and rating agencies and creditors to assess the company's leverage, financial strength, flexibility and risks.

Net cash/ debt is calculated in the following manner:

Net cash= Cash and cash equivalents + Other investments (Current)+ Fixed income investments held to maturity – Borrowings (Current and Non-current).

| (all amounts in thousands of U.S. dollars) | At June 30, | |
|--|-------------|-----------|
| | 2017 | 2016 |
| Cash and cash equivalents | 271,224 | 394,351 |
| Other current investments | 1,431,881 | 1,879,082 |
| Fixed income investments held to maturity | 279,232 | 329,182 |
| Borrowings – current and non-current | (852,865) | (820,046) |
| Net cash / (debt) | 1,129,472 | 1,782,569 |