

TENARIS SA  
Form 20-F  
April 30, 2012  
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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
- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2011**  
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)

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N/A

(Translation of Registrant's name into English)

**Grand Duchy of Luxembourg**

(Jurisdiction of incorporation or organization)

**29, Avenue de la Porte-Neuve 3<sup>rd</sup> floor**

**L-2227 Luxembourg**

(Address of principal executive offices)

**Adelia Soares**

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**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:**

<b>Title of Each Class</b>	<b>Name of Each Exchange On Which Registered</b>
<b>American Depositary Shares Ordinary Shares, par value \$1.00 per share</b>	<b>New York Stock Exchange New York Stock Exchange*</b>

\* 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**

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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  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  Other

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

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

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

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**CERTAIN DEFINED TERMS**

Unless otherwise specified or if the context so requires:

References in this annual report to the Company 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, 2011, 2010 and 2009.

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**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](http://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.

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This annual report and any other oral or written statements made by us to the public may contain forward-looking statements within the meaning of and subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This annual report contains forward-looking statements, including with respect to certain of our plans and current goals and expectations relating to Tenaris's future financial condition and performance.

Sections of this annual report that by their nature contain forward-looking statements include, but are not limited to, Item 3. Key Information, Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects, Item 8. Financial Information and Item 11. Quantitative and Qualitative Disclosure About Market Risk.

We use words such as aim, will likely result, will continue, contemplate, seek to, future, objective, goal, should, will pursue, expect, project, intend, plan, believe and words and terms of similar substance to identify forward-looking statements, but they are not the 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.

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**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 S.à r.l., *Réviseur d entreprises agréé*, an independent registered public accounting firm, as of December 31, 2011 and for the year ended December 31, 2011 and were audited by Price Waterhouse & Co. S.R.L. as of December 31, 2010 and for the two years in the period ended December 31, 2010. Both firms are member firms of PwC International Limited. 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,				
	2011	2010	2009	2008	2007
<b>Selected consolidated income statement data<sup>(1)</sup></b>					
<b>Continuing operations</b>					
Net sales	9,972,478	7,711,598	8,149,320	11,987,760	9,874,312
Cost of sales	(6,229,526)	(4,700,810)	(4,864,922)	(6,698,285)	(5,408,984)
Gross profit	3,742,952	3,010,788	3,284,398	5,289,475	4,465,328
Selling, general and administrative expenses	(1,853,244)	(1,515,870)	(1,473,791)	(1,787,952)	(1,551,836)
Other operating income (expenses), net	5,050	78,629	3,000	(375,873)	3,480
Operating income	1,894,758	1,573,547	1,813,607	3,125,650	2,916,972
Interest income	30,840	32,855	30,831	48,711	92,733
Interest expense	(52,407)	(64,103)	(118,301)	(179,885)	(270,705)
Other financial results	11,268	(21,305)	(64,230)	(99,850)	(22,358)
Income before equity in earnings of associated companies and income tax	1,884,459	1,520,994	1,661,907	2,894,626	2,716,642
Equity in earnings of associated companies	61,509	70,057	87,041	89,423	113,062
Income before income tax	1,945,968	1,591,051	1,748,948	2,984,049	2,829,704
Income tax	(525,247)	(450,004)	(513,211)	(1,015,334)	(805,773)
Income for continuing operations	1,420,721	1,141,047	1,235,737	1,968,715	2,023,931
<b>Discontinued operations</b>					
Result for discontinued operations			(28,138)	306,905	52,128
Income for the year <sup>(2)</sup>	1,420,721	1,141,047	1,207,599	2,275,620	2,076,059
Income attributable to <sup>(2)</sup> :					
Equity holders of the Company	1,331,157	1,127,367	1,161,555	2,124,802	1,923,748
Non-controlling interests	89,564	13,680	46,044	150,818	152,311
Income for the year <sup>(2)</sup>	1,420,721	1,141,047	1,207,599	2,275,620	2,076,059
Depreciation and amortization	(554,345)	(506,902)	(504,864)	(532,934)	(514,820)
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	1.13	0.95	1.00	1.49	1.58
Basic and diluted earnings per share	1.13	0.95	0.98	1.80	1.63
Dividends per share <sup>(3)</sup>	0.38	0.34	0.34	0.43	0.38

- (1) Certain comparative amounts have been re-presented to conform to 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 32 Processes in Venezuela-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 equity holders of the Company.
- (3) Dividends per share correspond to the dividends proposed or paid in respect of the year.

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<i>Thousands of U.S. dollars (except number of shares)</i>	<b>At December 31,</b>				
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Selected consolidated financial position data</b>					
Current assets	6,393,221	5,955,536	5,621,841	7,252,417	<sup>(1)</sup> 6,514,043
Property, plant and equipment, net	4,053,653	3,780,580	3,254,587	2,982,871	3,269,007
Other non-current assets	4,416,761	4,628,215	4,606,880	4,865,424	5,461,537
<b>Total assets</b>	<b>14,863,635</b>	<b>14,364,331</b>	<b>13,483,308</b>	<b>15,100,712</b>	<b>15,244,587</b>
Current liabilities	2,403,699	2,378,546	1,970,470	3,790,017	<sup>(1)</sup> 3,328,066
Non-current borrowings	149,775	220,570	655,181	1,241,048	2,869,466
Deferred tax liabilities	828,545	934,226	860,787	1,053,838	1,233,836
Other non-current liabilities	308,673	280,409	276,034	313,922	283,369
<b>Total liabilities</b>	<b>3,690,692</b>	<b>3,813,751</b>	<b>3,762,472</b>	<b>6,398,825</b>	<b>7,714,737</b>
Capital and reserves attributable to the Company's equity holders	10,506,227	9,902,359	9,092,164	8,176,571	7,006,277
Non-controlling interests	666,716	648,221	628,672	525,316	523,573
<b>Equity</b>	<b>11,172,943</b>	<b>10,550,580</b>	<b>9,720,836</b>	<b>8,701,887</b>	<b>7,529,850</b>
<b>Total liabilities and equity</b>	<b>14,863,635</b>	<b>14,364,331</b>	<b>13,483,308</b>	<b>15,100,712</b>	<b>15,244,587</b>
Share capital	1,180,537	1,180,537	1,180,537	1,180,537	1,180,537
Number of shares outstanding	1,180,536,830	1,180,536,830	1,180,536,830	1,180,536,830	1,180,536,830

(1) In 2007, current assets includes current and non current assets held for sale (\$651.2 million), relating to the divestment of Hydril's pressure control business and current liabilities includes liabilities associated with such assets (\$267.0 million).

**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

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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, our sales in Lybia and Yemen have been adversely affected by recent political uprisings in the region. Similarly, a new global recession, 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.

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***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. Demand for oil country tubular goods, or OCTG, has suffered a strong adjustment in 2009, as a result of the decline in oil and gas drilling activity and efforts to reduce inventories, particularly in North America, however in 2010 and 2011 demand for OCTG increased, following the recovery in the level of drilling activity driven by investments in oil and liquid rich gas shale plays.

***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 be more intense in the next five years than it has been in the previous five years. 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 .

***Our sales of steel pipe products for pipeline projects are volatile and depend mainly on the implementation of major regional projects and on our ability to secure contracts to supply these projects.***

Our sales of pipes for pipeline projects depend to a large extent on the number of active pipeline projects under contract and their rate of progress, particularly in the South American regional market where we have our manufacturing facilities for these products. Future sales of these products depend to a large extent on our ability to secure contracts to supply major pipeline projects and their subsequent implementation. The implementation of such projects varies significantly from year to year. For example, in 2011, net sales of these products grew strongly, after two years of decline. In 2009, sales fell as many of the projects were concluded and the order backlog declined throughout the year, and in 2010 sales were adversely affected by a strong slowdown of major regional projects. Accordingly, our pipeline project revenues and profitability may fluctuate significantly in future years depending on our success in securing large supply contracts and on other factors, including the cancellation or postponement of specific projects due to changes in governmental policies, the impact of the credit crisis on our customers' ability to perform their payment obligations with us and any adverse economic, political or social developments in our major markets.

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***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 the first half of 2009, the cost of raw materials stabilized and subsequently started an upward trend in the second part of 2009, which continued until the beginning of 2011, and then stabilized in the second half of 2011. 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. 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 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.

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 developments, events, laws and regulations (such as nationalization, expropriation or forced divestiture of assets; restrictions on production, imports and exports; interruptions in the supply of essential energy inputs; exchange and/or transfer restrictions; inability to repatriate income or capital; 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; changes in the interpretation or application 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.

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For example, we have significant manufacturing operations and assets in Argentina and we derive a significant portion of our revenues from that country. 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 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 have imposed restrictions on the transfer of funds outside of Argentina and other exchange controls. Since recent months, Argentina has implemented new controls regarding transfers of funds abroad. Additional controls or restrictions that could be implemented in the future, could limit or restrict our Argentine subsidiaries ability to transfer funds abroad. Since 2001, we 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 Argentine pesos at the market-based floating exchange rate applicable on the date of repatriation. This requirement, and any similar requirement that may be imposed in the future, exposes us to the risk of losses arising from fluctuations in the exchange rate of the Argentine peso. 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 restrictions and/or export taxes on certain activities, mainly in connection with commodities, gas and oil. Even though the Argentine government has not yet imposed any export restrictions concerning our activities, if any such restrictions were to be imposed, our business and operations in Argentina could be adversely affected.

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 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

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that foreign countries may adopt and implement counter-measures. A significant number of members of the World Trade Organization jointly expressed in March 2012 their deepening concern about Argentina's import restrictions, and urged Argentina to remove those trade restrictions.

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

We have a significant share of the market for OCTG products. We enjoy ongoing business relationships with Petr leos de Venezuela, or PDVSA, and the joint venture operators in the oil and gas sector. In 2010 and 2011, our sales in Venezuela were 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 a 70% interest in the share capital of Tavsa, Tubos de Acero de Venezuela S.A., or Tavsa, which owns a seamless steel pipe plant located within Sidor C.A.'s iron and steel manufacturing complex. The plant uses steel bars supplied by Sidor as its principal raw material, and is also dependent on Sidor for the supply of energy and other inputs. Additionally, in July 2004, together with Sidor, we acquired an industrial facility, Matesi Materiales Sider rgicos S.A., or Matesi, in Ciudad Guayana, Venezuela, to produce hot briquetted iron, or HBI. We own 50.2% of Matesi and Sidor owns the remaining 49.8%. We also own a minority interest in Complejo Sider rgico de Guayana, or Comsigua, another Venezuelan HBI producer. In 2009, Venezuela's President Hugo Ch vez 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 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 to consent to the jurisdiction of the ICSID in connection with the nationalization process. In August 2011, 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 investment in Matesi. This case was registered by the ICSID on September 30, 2011. For more information on the nationalization of these Venezuelan companies, see note 32 Processes in Venezuela-Nationalization of Venezuelan Subsidiaries to our audited consolidated financial statements included in this annual report.

Similarly, our Mexican operations could be affected by the increasing criminal violence, primarily due to the activities of drug cartels and related organized crime that Mexico has experienced and may continue to experience. During 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.

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***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.

***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.

***Future acquisitions, 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 acquired interests in, or businesses of, various companies. For example, in April 2009, we acquired a 77.45% holding in Seamless Pipe Indonesia Jaya, or SPIJ, an Indonesian OCTG processing business with heat treatment and premium connection threading facilities and in October 2011, we acquired 40% of the shares of Pipe Coaters Nigeria Ltd, the leading company in the Nigerian coating industry. 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. In March 2012, we launched a delisting tender offer to acquire all of the ordinary and preferred shares held by the public in Confab and, on April 23, 2012, we attained the requisite threshold to delist Confab from the São Paulo Stock Exchange. For more information on the Confab delisting, see Item 5.G. Operating and Financial Review and Prospects. Recent Developments. Tenaris accomplishes Confab delisting. In addition, in February 2012, we acquired a sucker rods business located in Campina, Romania. 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.

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***We may be required to record a significant charge to earnings if we must reassess our goodwill or other intangible 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, 2011, we had \$1,805.8 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). No impairment charge was recorded in the last three years. In 2010, we reversed \$67.3 million of an impairment recorded in 2008 on Prudential's customer relationships. For a discussion of the impairment reversal related to Prudential, see Item 5. Operating and Financial Review and Prospects Critical Accounting Estimates Impairment and recoverability of goodwill and other assets 2010 Impairment reversal . If our management were to determine in the future that the goodwill from our acquisitions was impaired, particularly as a consequence of deteriorating market conditions, we would be required to recognize a non-cash charge to reduce the value of this goodwill, 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 could adversely affect our financial condition and results of operations. For information on our foreign exchange rate risk, please see Item 11. Quantitative and Qualitative Disclosure about Market Risk Foreign Exchange Rate Risk .

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

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

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

We conduct business in certain countries known to experience governmental corruption. Although we are committed to conducting business in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to our business, there is a risk that our employees or representatives may take actions that violate applicable laws and regulations that generally prohibit the making of improper payments to foreign government officials for the purpose of obtaining or keeping business, including laws relating to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions such as the U.S. Foreign Corrupt Practices Act, or FCPA. Particularly in respect of FCPA, we entered into settlements with the U.S. Department of Justice, or DOJ, and the U.S. Securities and Exchange Commission, or SEC, on May 17, 2011, and we undertook several remediation efforts, including voluntary enhancements to our compliance program. If we fail to comply with any term or in any way violate any provision of the settlements, we could be subject to severe sanctions and civil and criminal prosecution. For more information on the settlement with the DOJ and the SEC, see Item 8.A. Financial Information - Consolidated Statements and Other Financial Information - Legal Proceedings .

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*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 exchange controls or transfer restrictions, and other 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 .



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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, 2012, 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, Luxembourg 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 right to vote, 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. The Bank of New York Mellon, as depositary under the ADS deposit agreement, or the Depositary, through its custodian agent, is the registered shareholder of the deposited Shares underlying the ADSs, and therefore only the Depositary can exercise the shareholders rights in connection with the deposited Shares. For example, if we make a distribution in the form of securities, the Depositary is allowed, at its discretion, to sell that right to acquire those securities on your behalf and instead distribute the net proceeds to you. Also, under certain circumstances, such as our failure to provide the Depositary with voting materials on a timely basis, you may not be able to vote by giving instructions to the Depositary. If the Depositary does not receive voting instructions from the holder of ADS 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, 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 (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). 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.

**Table of Contents*****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 preemptive subscription 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 August 2, 2012. The Company's board of directors has proposed, for the approval of the extraordinary general shareholders' meeting to be held on May 2, 2012, that the authorization of the Board of Directors to issue shares within the limits of the authorized capital be renewed and extended for an additional five year period ending on the fifth anniversary of the date of the publication of the deed recording the minutes of such shareholders meeting. The Company may, however, issue Shares without preemptive subscription rights only if the newly-issued Shares are issued for consideration other than cash, are issued as compensation to directors, officers, agents or employees of the Company or its affiliates, or are issued to satisfy conversion or option rights created to provide compensation to directors, officers, agents or employees of the Company, its subsidiaries or its affiliates. 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 Share, 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.

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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. 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)<sup>1</sup>;

Confab Industrial S.A., or Confab, the leading Brazilian producer of welded steel pipe products (August 1999); on March 22, 2012, we launched a delisting tender offer to acquire all of the ordinary and preferred shares held by the public in Confab and, on April 23, 2012, we attained the requisite threshold to delist Confab from the São Paulo Stock Exchange and redeem any remaining shares held by minority shareholders (for more information on the Confab delisting, see [Recent Developments](#) Tenaris accomplishes Confab delisting );

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

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

<sup>1</sup> In 2009, the Venezuelan government announced the nationalization of Tavsa. For more information on the Tavsa nationalization process, see note 32 Processes in Venezuela-Nationalization of Venezuelan Subsidiaries to our audited consolidated financial statements included in this annual report.

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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);

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 as of March 31, 2012 (January 2012); *and*

a sucker rod business, in Campina, Romania (February 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*

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 ).



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### ***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**

Our business is organized in two major business segments: Tubes and Projects, which are also our reportable operating segments.

In identifying our reportable operating segments, we considered not only the nature of products and services, the economic characteristics and financial effects of each business activities in which we engage and their related economic environment, but also factors such as the nature of the production processes, the type or class of customer for the products and services and the method used to distribute the products or provide the

related services.

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.

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The Projects segment includes the production and sale of welded steel pipe products mainly used in the construction of major pipeline projects for the transportation of gas and fluids with a production process that consists in the transformation of steel into large diameter welded tubular products, including submerged arc welding, or SAW, process and specific coating for most of the products. Pipeline projects are typically spread along hundreds of kilometers and are subject to specific government policies and other regulations. Accordingly, this business depends to a large extent on the number of active pipeline projects (and not on the level of drilling activity), particularly in the South American regional market, which is the region from which most revenues in this segment are derived. To a significant extent, products are distributed directly to end customers through local subsidiaries. Orders are generally for significant volumes of product and require deliveries over an extended period of time.

The Other segment 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 and raw materials that exceed our internal requirements.

## **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. In our Projects business segment we also produce large diameter welded steel pipes for oil and gas pipelines. We manufacture our steel pipe products in a wide range of specifications, which vary in diameter, length, thickness, finishing, steel grades, 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.

*Coiled tubing.* Coiled tubing is used for oil and gas drilling and well workovers and for subsea pipelines.

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*Other Products.* We also manufacture sucker rods used in oil extraction activities, 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;

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 -as from February 2012- 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,		
	2011	2010	2009
<i>Thousands of tons</i>			
Steel Bars			
Effective Capacity (annual) <sup>(1)</sup>	3,575	3,450	3,450
Actual Production	2,963	2,800	1,744
Tubes - Seamless			
Effective Capacity (annual) <sup>(1)</sup>	3,770	3,320	3,320
Actual Production	2,683	2,399	1,770
Tubes - Welded			
Effective Capacity (annual) <sup>(1)</sup>	1,860	1,860	1,860
Actual Production	847	772	249
Projects - Welded			
Effective Capacity (annual) <sup>(1)</sup>	850	850	850
Actual Production	249	230	291

- (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.

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In 2011, our seamless production capacity increased by 450,000 tons and our steel production capacity increased by 125,000 tons, following the completion of our new seamless pipes mill and a revamping of the electric arc furnace at our integrated facility in Veracruz, Mexico.

### ***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, two coiled tubing 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 975,000 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<sup>3</sup>/<sub>8</sub> 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 stretch reducing mill, including cutting saws and a cooling bed;

a cold-drawing mill; *and*

automotive components production machinery.

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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, 2011, are as follows:

	<b>Effective Annual Production Capacity (thousands of tons)<sup>(1)</sup></b>
Steel Shop	975
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, finishing and heat treatment lines, incorporates the latest rolling technology and produces from 2<sup>3</sup>/<sub>8</sub> up to 7 inches seamless pipes. The new plant is expected to have an initial 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 \$850 million 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:* Our main U.S. production facility, covering an area of 78 hectares. This facility processes steel coils to produce electric resistance welded, or ERW, OCTG and line pipe with an outside diameter range from 2<sup>3</sup>/<sub>8</sub> to 16 inches and has an annual production capacity of approximately 900,000 tons. It includes:

A plant comprising two mills producing 2<sup>3</sup>/<sub>8</sub> through 5<sup>1</sup>/<sub>2</sub> inches API products with three finishing lines and three heat treatment lines;

A plant comprising two mills producing 4<sup>1</sup>/<sub>2</sub> 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<sup>1</sup>/<sub>2</sub> to 8<sup>5</sup>/<sub>8</sub> 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.

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*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<sup>1</sup>/<sub>2</sub> to 8<sup>5</sup>/<sub>8</sub> 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 its production is being produced by our Hickman plant.

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

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.

The Texas Arai coupling facility with an annual capacity of approximately 4.4 million couplings in OCTG sizes ranging from 2<sup>3</sup>/<sub>8</sub> 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.

### *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<sup>7</sup>/<sub>8</sub> inches. The effective annual production capacity of the facility is approximately 250,000 tons. Since we began operating the facility, in 2000, we have sourced steel bars principally from our steel shops in Argentina and Mexico. 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 2011, we agreed to extend and enhance the contract to one that will be evergreen and will accommodate 50% of our steel bar needs, which is expected to be signed in 2012. 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<sup>3</sup>/<sub>8</sub> to 12<sup>3</sup>/<sub>4</sub> 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 Tubes welded pipe manufacturing facilities in Argentina and Colombia.



**Table of Contents***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*

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, 2011, are as follows:

	<b>Effective Annual Production Capacity (thousands of tons)<sup>(1)</sup></b>
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)

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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 a welded pipe manufacturing facility in Argentina 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.

### *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<sup>3</sup>/<sub>8</sub> to 9<sup>5</sup>/<sub>8</sub> 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.

**Table of Contents****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 800,000 tons of seamless steel pipes and 900,000 tons of steel bars.

The Dalmine facility comprises:

a steel shop, including an electric arc furnace, two ladle furnaces, one vacuum degassing, two continuous casters 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;

a rotary expander with a finishing line including a heat treatment; *and*

a pilger pipe mill with a finishing line.

The major operational units at the Dalmine facility and corresponding effective annual production capacity (in thousands of tons per year) as of December 31, 2011, are as follows:

	<b>Effective Annual Production Capacity (thousands of tons) <sup>(1)</sup></b>
Steel Shop	900
Pipe Production	
Pilger Mill	10
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.

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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 100,000 tons;

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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 megawatt at Dalmine. This facility began operations in May 2007. 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. 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 in February 2006 began to supply steel bars to the Silcotub facility as well as to Dalmine's facilities in Italy. 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.

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### ***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. Located in Onne, Nigeria, 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 NKK Tubes, 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 NKK Tubes in 2000. Steel bars and other essential inputs and services are supplied by JFE, which retains a 49% interest in NKK Tubes through its subsidiary JFE Engineering. The NKK Tubes facility produces a wide range of carbon, alloy and stainless steel pipes for the local market and high value-added products for export markets. The NKK Tubes facility was not affected by the March 2011 earthquake in Japan. 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 2007. In April 2009, we acquired a 77.45% holding in 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 - Projects***

We have two major welded pipe facilities, one in Brazil and one in Argentina, which produce pipes mainly used in the construction of major pipeline projects. The facility in Brazil, operated by Confab, is located at Pindamonhangaba, 160 kilometers from the city of São Paulo. The facility includes an ERW rolling mill and a SAW (submerged arc welding) 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 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.

The facility in Argentina is located at Valentín Alsina just south of the city of Buenos Aires. The facility includes ERW and SAW rolling mills with one spiral line. The facility was originally opened in 1948 and processes steel coils and plate 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.

**Table of Contents****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.

In addition, we also 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.

**Sales and Marketing***Net Sales*

Our total net sales amounted to \$9,972 million in 2011, compared to \$7,712 million in 2010 and \$8,149 million in 2009. 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:

<i>Millions of U.S. dollars</i>	<b>For the year ended December 31,</b>					
	<b>2011</b>		<b>2010</b>		<b>2009</b>	
Tubes	8,481.3	85%	6,676.4	87%	6,670.9	82%
Projects	724.2	7%	428.8	6%	986.5	12%
Others	767.0	8%	606.4	8%	491.8	6%
<b>Total</b>	<b>9,972.5</b>	<b>100%</b>	<b>7,711.6</b>	<b>100%</b>	<b>8,149.3</b>	<b>100%</b>
<b>Tubes</b>						

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

<i>Millions of U.S. dollars</i>	<b>For the year ended December 31,</b>					
	<b>2011</b>		<b>2010</b>		<b>2009</b>	
<b>Tubes</b>						
North America	4,133.3	49%	3,121.7	47%	2,756.1	41%
South America	1,344.6	16%	1,110.1	17%	981.9	15%
Europe	1,066.1	13%	746.6	11%	828.8	12%
Middle East and Africa	1,349.4	16%	1,263.6	19%	1,622.6	24%
Far East and Oceania	587.9	7%	434.4	7%	481.5	7%
<b>Total Tubes</b>	<b>8,481.3</b>	<b>100%</b>	<b>6,676.4</b>	<b>100%</b>	<b>6,670.9</b>	<b>100%</b>
<i>North America</i>						

Sales to customers in North America accounted for 49% of our sales of tubular products and services in 2011, compared to 47% in 2010 and 41% in 2009.

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 in 2006 and 2007, respectively.



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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, an increase in the 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. Demand for OCTG products for use in more complex shale gas applications has increased while demand for standard OCTG products for use in conventional gas applications has declined. A similar trend is underway in the Canadian market.

During 2010 and 2011, demand for our OCTG products in the United States and Canada increased led by substantially higher oil drilling activity along with increased 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.

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. Drilling activities in shallow waters have gradually picked up and returned to pre-Macondo levels. Deepwater activity has taken longer to regain momentum as clean-up efforts, regulations and permitting details were finalized. However, beginning in the second half of 2011, deepwater rig counts have recovered and permit approvals are being granted.

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 2011, oil drilling activity increased strongly with the application of horizontal drilling and multi-zone fracturing technology in tight oil deposits and increased investment in thermal projects whereas conventional gas-directed activity declined.

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, 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.

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.

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### *South America*

Sales to customers in South America accounted for 16% of our sales of tubular products and services in 2011, compared to 17% in 2010 and 15% in 2009.

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

We have manufacturing subsidiaries in Argentina 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 32 Processes in Venezuela-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.

In Argentina, we have a significant share of the market for OCTG products. We have longstanding business relationships with YPF S.A., or YPF, (which, on April 16, 2012, the Argentine government announced plans to nationalize) 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. 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, however oil-related programs were suspended by the Argentine government in February 2012. 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 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. Our principal customer in Colombia is Ecopetrol whose operations 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 2010 and 2011, 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 32 Processes in Venezuela-Nationalization of Venezuelan Subsidiaries to our audited consolidated financial statements included in this annual report.

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### *Europe*

Sales to customers in Europe accounted for 13% of our sales of tubular products and services in 2011, compared to 11% in 2010 and 12% in 2009.

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. Our customers in Europe include, in addition to end users and distributors serving the mechanical and automotive industries, large engineering companies active in designing and constructing oil and gas processing facilities worldwide. 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; however, they recovered in 2010 and 2011 due to higher industrial activity. Sales of pipes for HPI projects were also negatively affected by the crisis up until 2010 but recovered during 2011 due to resumption of investments in HPI projects.

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 2011, consumption and our sales of OCTG products rose in Europe and there has been increased 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 16% of our sales of tubular products and services in 2011, compared to 19% in 2010 and 24% in 2009.

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 two 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. 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.

In 2011, political uprisings affected drilling activity in countries such as Libya and Yemen and, in the case of Libya, the oil and gas industry was effectively shut down. Following the overthrow of the Khaddafi-led regime, oil production has begun to recover and is expected to reach previous levels of production by the end of 2012. In response to the loss of Libyan exports, Saudi Arabia raised its oil production output and increased its level of activity.

Our sales in the Middle East and Africa could be adversely affected by political and other events in the region, such as armed conflict, 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 7% of our sales of tubular products and services in 2011, 2010 and 2009.

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 while imports of high-value pipe products not manufactured by local producers have declined.

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In Japan, our subsidiary, NKK Tubes, 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. After a decline in apparent demand since 2008, in 2010, demand began to recover and this recovery has continued in 2011 despite the impact of the earthquake and tsunami which resulted in the shutdown of the Fukushima nuclear power plant and domestic power shortages.

We continue to consolidate 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 particularly related to investment in petrochemical plants and oil refineries.

### ***Projects***

We are a leading regional supplier of welded pipes for gas pipeline construction, including offshore pipelines, in South America, where we have manufacturing facilities in Brazil and Argentina. We also supply welded steel pipes to regional mineral slurry pipeline projects for the mining industry and to selected gas pipeline construction projects worldwide. Demand and shipments for our welded steel pipes in this business segment is principally affected by investment in gas pipeline projects in Brazil, Argentina and the rest of South America. These investments can vary significantly from year to year and can be affected by political and financial conditions in the region. After a decrease in sales in 2010, in 2011, sales of pipes for pipeline projects increased due to 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.

### ***Others***

Our other products and services include sucker rods used in oil 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 increased 26% in 2011, compared to 2010, mainly due to higher sales of sucker rods, welded pipes for electric conduits in the United States as well as 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 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, will continue to be more intense in the next five years than it has been in the past 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 building a second seamless pipe rolling mill at its existing facility in Youngstown, Ohio, which is expected to begin commercial production during 2012. In addition to the construction of the new Youngstown mill, it has reinforced its positioning in 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.

Sumitomo Metal Industries Ltd. 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 NKK Tubes, 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 NKK Tubes. Recently, Sumitomo Metal Industries Ltd. and Nippon Steel Corp, which has a small seamless pipe operation largely serving the Japanese domestic market and is a significant producer of large diameter welded pipe products, have obtained governmental approval to merge in 2012.

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.

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. 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 has experienced a significant consolidation process. 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. North American pipe producers are largely focused on supplying the U.S. and Canadian markets, where they have their production facilities.

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Tubos Reunidos S.A. of Spain 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 2011, our capital expenditures, including investments at our plants and investments in information systems, amounted to \$862.7 million, compared to \$847.3 million in 2010 and \$460.9 million in 2009. Of these capital expenditures, investment at our plants amounted to \$826.3 million in 2011, compared to \$819.8 million in 2010 and \$440.5 million in 2009. In 2011, we focused our 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 2011 include:

completion of a heat treatment and finishing lines at our new small diameter rolling mill at the Veracruz facility in Mexico;

completion of a new premium joint threading line and the expansion of coupling production in Mexico;

a new sucker rods plant and the relocation and expansion of the accessories plant in Mexico;

revamping of the forming area in one of the main mills and also an additional heat treatment and finishing capacity at our welded pipe facilities in the United States;

revamping of the finishing facilities and completion of the hot rolling mills' works at our Dalmine facility in Italy;

construction of a new technological center in our plant in Argentina;

additional Dopeless® application lines installation at our facilities in Indonesia and Mexico; *and*

completion of the premium joint threading plant expansion and the construction of a new training center at our Projects facility in Brazil. Unlike 2011 and 2010, when most of our investments were concentrated on adding new rolling mill production capacity, in Veracruz, Mexico, in 2012, we expect our investments will be more spread among our global industrial system and instead of adding rolling capacity 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 planned for 2012 include:

completion of the steel shop expansion and fume treatment system expansion at the Veracruz facility in Mexico;

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completion of the new finishing and heat treatment facility for thermal products in our facility in Romania;

construction of the new threading and dispatch facilities for OCTG production in Romania;

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completion of the steel shop expansion and completion of the new premium threading facility at the Dalmine facility in Italy;

completion of the new fume exhaust system at our Siderca facility in Argentina;

construction of a new inspection facility at the Hickman plant in United States;

installation of new gear boxes for the control of our hot rolling mill at our Algoma plant in Canada;

installation of a new Dopeless<sup>®</sup> coating line at the Mc Carty plant in Houston, United States; *and*

revamping and expansion of our premium threading plants in Onne, Nigeria and Aberdeen, UK.

Additionally we expect to start some major projects in Colombia, where we plan to install new heat treatment, threading and finishing facilities; and also in Brazil where we plan to expand the production range of our SAW line, by expanding the forming area, and to construct a new R&D center in Rio de Janeiro.

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 \$35.8 million in 2011, compared to \$27.2 million in 2010, and \$20.4 million in 2009.

**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. 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 .

*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 continued to increase in 2011, as demand strengthened on the back of the Western economies post crisis recovery.

*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 remained stable in 2011, in line with international prices for these materials, experiencing high levels of volatility for certain materials.



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### *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 2011, prices have risen on the back of a strong Chinese demand and supply disruptions in the spot market, due to Indian supply constraints. However, during the last quarter of 2011, iron ore prices plummeted due to a slowdown in Chinese demand and drove a widespread of quarterly contracts to change its reference base from previous quarter less one month to current quarter average. Iron ore prices market is evolving and pricing methodology could change again in the future.

### *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 NKK Tubes. 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 have 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 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 2011, we have agreed to extend and enhance the contract to one that will be evergreen and will accommodate 50% of our steel bar needs, which we expect to sign in 2012. 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 fluctuated during 2011, increasing in the first half of the year and decreasing in the second half, to finish the year at price levels similar to those at the beginning.

For our welded pipe operations in the United States, a significant part of our requirements for steel coils are supplied by Nucor and ArcelorMittal under long-term contracts with prices referenced to market levels. 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, we entered into a five year purchase contract with Nucor under which we have committed to purchase around 435,000 tons of steel coils per year with prices adjusted monthly in accordance with market conditions starting in January 2007. This contract has been extended to December 2012.

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, Canada, and Essar Steel Algoma, which has steel coil manufacturing facilities in Sault Ste. Marie, Ontario, Canada.

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.

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### *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. When the enlargement of the trunk pipelines in Argentina is completed, we expect to obtain additional gas transportation capacity of 315,000 cubic meters per day until 2027. 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. The 315,000 cubic meters per day of assigned non-interruptible transportation capacity from TGN is expected to partially replace the capacity currently contracted with Gasban. 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 April 2012.

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 three 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 .

### **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.

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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 NKK Tubes 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, which was acquired in 1997. In addition, we are building a new R&D center at Ilha do Fundao, Rio de Janeiro, Brazil, which we expect to commence operations in 2013. We strive to engage some of the world's leading industrial research institutions to address 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; *and*

welded pipes for oil and gas and other applications.

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 \$68.4 million for R&D in 2011, compared to \$61.8 million in 2010 and \$62.7 million in 2009.

### **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.



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The ultimate impact of complying with existing laws and regulations is not always clearly known or determinable since regulations under some of these laws have not yet been promulgated or are undergoing revision. The expenditures necessary to remain in compliance with these laws and regulations, including site or other remediation costs, or costs incurred from potential environmental liabilities, could have a material adverse effect on our financial condition and profitability. While we incur and will continue to incur expenditures to comply with applicable laws and regulations, there always remains a risk that environmental incidents or accidents may occur that may negatively affect our reputation or our operations.

Compliance with applicable environmental laws and regulations is a significant factor in our business. We have not been subject to any material penalty for any material environmental violation in the last five years, and we are not aware of any current material legal or administrative proceedings pending against us with respect to environmental matters which could have an adverse material impact on our financial condition or results of operations.

### **Insurance**

We carry property damage, general liability (including employer's, third-party and product liability) and certain other insurance coverage in line with industry practice. Our current general liability coverage includes third party, employers, sudden and accidental seepage and pollution and product liability, up to a limit of \$300 million. Our current property insurance program has indemnification caps up to \$250 million for direct damage, depending on the different plants.

### **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, 2011, 2010 and 2009.

Company	Country of Organization	Main Activity	Percentage Ownership		
			2011	2010	2009
Algoma Tubes Inc.	Canada	Manufacture of seamless steel pipes	100%	100%	100%
Confab Industrial S.A. <sup>(a)</sup>	Brazil	Manufacture of welded steel pipes and capital goods	41%	41%	40%
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%
NKK Tubes 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	82%	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.à.r.l Luxembourg, Zug Branch	Switzerland	Holding company and financial services	100%	100%	
Tenaris Investments Ltd.	Ireland	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%

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- (a) As of April 26, 2012, Tenaris holds 95.9% of the shares of Confab. For more information on the Confab delisting, see Item 5.G. Recent Developments Tenaris accomplishes Confab delisting .

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### ***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, 2012, the Company held 11.46% of Ternium's share capital (including treasury shares).

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, (formerly known as I.I.I. Industrial Investments Inc.), 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, our former chief financial officer, was nominated as a director of Ternium pursuant to this agreement.

#### ***Exiros***

Exiros, with offices located in various countries, and 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. 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, Tenaris's Brazilian subsidiary, 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 its 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 its subsidiaries entered into an amended and restated Usiminas shareholders' agreement with Nippon Steel, Mitsubishi, Metal One and *Caixa dos Empregados da Usiminas*, or CEU, an Usiminas employee fund, governing the parties' rights within the Usiminas control group. As a result of these transactions, the control group is now formed as follows: Nippon Group 46.1%, Ternium/Tenaris Group 43.3%, and CEU 10.6%. The rights of Confab and Ternium and its subsidiaries within the Ternium/Tenaris Group are governed under a separate shareholders agreement.

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### **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.

#### **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 specified. Technological advances in drilling techniques and materials are opening up new areas for exploration and development. More complex drilling conditions are expected to continue to demand new and high value products and services in most areas of the world.

In 2011, global drilling activity continued growing led by substantially higher oil directed drilling activity in the United States and Canada. U.S. drilling activity increased driven by investments in oil and liquid rich gas shale plays, whereas drilling activity in dry gas plays declined due to low natural gas prices. Similarly, in Canada, drilling activity increased in thermal and tight oil plays, but gas directed drilling declined. In the rest of the world, activity increased in most markets reflecting increased demand for energy, stable oil prices at attractive levels and investment in regional gas developments.



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We expect that global demand for energy, in spite of the difficult economic situation in Europe, will continue to rise and that this expectation will drive energy companies to increase their investments. Demand for tubular products for complex applications is expected to grow at a faster pace than that for products for standard applications as investments will take place in more difficult operating environments.

In 2012, drilling activity in North America is expected to remain close to current levels, with lower dry gas drilling activity to a large extent offset by an increase in oil and liquids directed drilling. In the rest of the world, drilling activity is expected to continue to increase supported by current oil and gas prices and led by growth in the development of deepwater and unconventional reserves as well as complex conventional gas drilling.

Sales to oil and gas customers, particularly of premium products, are expected to increase in 2012 compared to 2011 in all regions but sales to hydrocarbon process industry, or HPI, power generation and industrial customers will be lower in Europe. Sales in our Projects operating segment are also expected to increase on deliveries to a large offshore pipeline in Brazil in the second half of the year.

Selling prices and costs are stable but operating margins should benefit from an improving product mix and the lagging impact of lower raw material costs. Accordingly, sales and operating income are expected to grow in 2012 compared to 2011.

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

The costs of steelmaking raw materials and of steel coils and plates increased in the first half of 2011, but decreased towards the end of the year and are expected to be more stable during 2012.

## **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 our global operations.

Tenaris determined that the functional currency of its Argentine subsidiaries (i.e., Siderca and its subsidiaries in that country) is the U.S. dollar, based on the following principal considerations:

    Their sales are mainly negotiated, denominated and settled in U.S. dollars. If priced in a currency other than the U.S. dollar, the sales price considers exposure to fluctuation in the exchange rate versus the U.S. dollar;

    The prices of their critical raw materials and inputs are priced and settled in U.S. dollars;

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Their net financial assets and liabilities are mainly received and maintained in U.S. dollars;

The exchange rate of Argentina's legal currency has long-been affected by recurring and severe economic crises. In addition, the Company's Colombian subsidiaries and most of its distribution and trading subsidiaries and intermediate holding subsidiaries have the U.S. dollar as their functional currency, reflecting the transaction environment and cash flow of these operations.

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 will be exported to most 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.

We believe that due to the high level of integration in terms of sales and supply chain of our worldwide operations in the Tubes segment, the U.S. dollar is the currency that best reflects the economic environment in which we operate, which is consistent with that of the oil and gas industry.

As a result of these changes in functional currency, a majority of the Company's subsidiaries within the Tubes segment (other than its European manufacturing subsidiaries) have the U.S. dollar as their functional currency. In the Projects and Others segments, the Company maintains the Brazilian Real as the functional currency of its Brazilian subsidiaries.

### **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 valuers, 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.



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***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' 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' 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' 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.

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In 2011 and 2010, 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.

***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 2011. 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 estimated market 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*

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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 collectibility 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.

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 a third party is 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.

### **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.

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<i>Thousands of U.S. dollars (except number of shares and per share amounts)</i>	<b>For the year ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Selected consolidated income statement data<sup>(1)</sup></b>			
<b>Continuing Operations</b>			
Net sales	9,972,478	7,711,598	8,149,320
Cost of sales	(6,229,526)	(4,700,810)	(4,864,922)
Gross profit	3,742,952	3,010,788	3,284,398
Selling, general and administrative expenses	(1,853,244)	(1,515,870)	(1,473,791)
Other operating income (expenses), net	5,050	78,629	3,000
Operating income	1,894,758	1,573,547	1,813,607
Interest income	30,840	32,855	30,831
Interest expense	(52,407)	(64,103)	(118,301)
Other financial results	11,268	(21,305)	(64,230)
Income before equity in earnings of associated companies and income tax	1,884,459	1,520,994	1,661,907
Equity in earnings of associated companies	61,509	70,057	87,041
Income before income tax	1,945,968	1,591,051	1,748,948
Income tax	(525,247)	(450,004)	(513,211)
Income for continuing operations	1,420,721	1,141,047	1,235,737
<b>Discontinued Operations</b>			
Result for discontinued operations			(28,138)
Income for the year <sup>(2)</sup>	1,420,721	1,141,047	1,207,599
Income attributable to <sup>(2)</sup> :			
Equity holders of the Company	1,331,157	1,127,367	1,161,555
Non-controlling interests	89,564	13,680	46,044
Income for the year <sup>(2)</sup>	1,420,721	1,141,047	1,207,599
Depreciation and amortization	(554,345)	(506,902)	(504,864)
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	1.13	0.95	1.00
Basic and diluted earnings per share	1.13	0.95	0.98
Dividends per share <sup>(3)</sup>	0.38	0.34	0.34

- (1) Certain comparative amounts have been re-presented to conform to 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 32 Processes in Venezuela-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 not exclude non-controlling interests. Earnings per share, however, continue to be calculated on the basis of income attributable solely to the equity holders of the Company.
- (3) Dividends per share correspond to the dividends proposed or paid in respect of the year.

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<i>Thousands of U.S. dollars (except number of shares)</i>	<b>At December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Selected consolidated financial position data</b>		
Current assets	6,393,221	5,955,536
Property, plant and equipment, net	4,053,653	3,780,580
Other non-current assets	4,416,761	4,628,215
<b>Total assets</b>	<b>14,863,635</b>	<b>14,364,331</b>
Current liabilities	2,403,699	2,378,546
Non-current borrowings	149,775	220,570
Deferred tax liabilities	828,545	934,226
Other non-current liabilities	308,673	280,409
<b>Total liabilities</b>	<b>3,690,692</b>	<b>3,813,751</b>
Capital and reserves attributable to the Company's equity holders	10,506,227	9,902,359
Non-controlling interests	666,716	648,221
<b>Equity</b>	<b>11,172,943</b>	<b>10,550,580</b>
<b>Total liabilities and equity</b>	<b>14,863,635</b>	<b>14,364,331</b>
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.		

<i>Percentage of net sales</i>	<b>For the year ended</b>		
	<b>December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Continuing Operations</b>			
Net sales	100.0	100.0	100.0
Cost of sales	(62.5)	(61.0)	(59.7)
Gross profit	37.5	39.0	40.3
Selling, general and administrative expenses	(18.6)	(19.7)	(18.1)
Other operating income (expenses), net	0.1	1.0	0.0
<b>Operating income</b>	<b>19.0</b>	<b>20.4</b>	<b>22.3</b>
Interest income	0.3	0.4	0.4
Interest expense	(0.5)	(0.8)	(1.5)
Other financial results	0.1	(0.3)	(0.8)
<b>Income before equity in earnings of associated companies and income tax</b>	<b>18.9</b>	<b>19.7</b>	<b>20.4</b>
Equity in earnings of associated companies	0.6	0.9	1.1
<b>Income before income tax</b>	<b>19.5</b>	<b>20.6</b>	<b>21.5</b>
Income tax	(5.3)	(5.8)	(6.3)
<b>Income for continuing operations</b>	<b>14.2</b>	<b>14.8</b>	<b>15.2</b>
<b>Discontinued Operations</b>			
Result for discontinued operations			(0.3)
<b>Income for the year</b>	<b>14.2</b>	<b>14.8</b>	<b>14.8</b>

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Income attributable to:			
Equity holders of the Company	13.3	14.6	14.3
Non-controlling interests	0.9	0.2	0.6

**Table of Contents****Fiscal Year Ended December 31, 2011, Compared to Fiscal Year Ended December 31, 2010***Net Sales, Cost of Sales and Operating Income*

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

<i>Millions of U.S. dollars</i>	<b>For the year ended December 31,</b>				<b>Increase / (Decrease)</b>
	<b>2011</b>		<b>2010</b>		
Tubes	8,481.3	85%	6,676.4	87%	27%
Projects	724.2	7%	428.8	6%	69%
Others	767.0	8%	606.4	8%	26%
Total	9,972.5	100%	7,711.6	100%	29%

The following table indicates our sales volume of seamless and welded pipes by business segment for the periods indicated below:

<i>Thousands of tons</i>	<b>For the year ended December 31,</b>			<b>Increase / (Decrease)</b>
	<b>2011</b>		<b>2010</b>	
Tubes Seamless	2,613		2,206	18%
Tubes Welded	881		744	18%
<b>Tubes Total</b>	<b>3,494</b>		<b>2,950</b>	<b>18%</b>
Projects Welded	267		170	57%
<b>Total Tubes + Projects</b>	<b>3,761</b>		<b>3,120</b>	<b>21%</b>

**Table of Contents***Tubes*

The following table indicates, for our Tubes business segment, net sales by geographic region, cost of sales as a percentage of net sales, operating income and operating income as a percentage of net sales for the periods indicated below:

<i>Millions of U.S. dollars</i>	<b>For the year ended December 31,</b>		<b>Increase / (Decrease)</b>
	<b>2011</b>	<b>2010</b>	
Net sales			
- North America	4,133.3	3,121.7	32%
- South America	1,344.6	1,110.1	21%
- Europe	1,066.1	746.6	43%
- Middle East & Africa	1,349.4	1,263.6	7%
- Far East & Oceania	587.9	434.4	35%
<b>Total net sales</b>	<b>8,481.3</b>	<b>6,676.4</b>	<b>27%</b>
<b>Cost of sales (% of sales)</b>	<b>61%</b>	<b>60%</b>	
<b>Operating income</b>	<b>1,618.8</b>	<b>1,403.3</b>	<b>15%</b>
<b>Operating income (% of sales)</b>	<b>19%</b>	<b>21%</b>	

*Net sales of tubular products and services* increased 27% to \$8,481.3 million in 2011, compared to \$6,676.4 million in 2010, reflecting an 18% 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 semester 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. 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.

*Cost of sales of tubular products and services*, expressed as a percentage of net sales, rose from 60% to 61%, mainly due to an increase in the costs of steelmaking raw materials (e.g., iron ore and metal scrap) and hot rolled coils during the first half of the year.

*Operating income from tubular products and services*, increased 15% to \$1,618.8 million in 2011, from \$1,403.3 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 21%, mainly driven by a 27% increase in sales and a lower operating margin (19% in 2011 vs. 20% 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 semester.

*Projects*

The following table indicates, for our Projects business segment, net sales, cost of sales as a percentage of net sales, operating income and operating income as a percentage of net sales for the periods indicated below:

<i>Millions of U.S. dollars</i>	<b>For the year ended December 31,</b>		<b>Increase / (Decrease)</b>
	<b>2011</b>	<b>2010</b>	
Net sales	724.2	428.8	69%
Cost of sales (% of sales)	68%	67%	

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Operating income	138.8	63.7	118%
Operating income (% of sales)	19%	15%	

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*Net sales of Projects* increased 69% to \$724.2 million in 2011, compared to \$428.8 million in 2010, mainly reflecting a 57% increase in shipment volumes and a higher average selling price. Following two years of shipment declines, volumes increased in 2011, due to 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. The higher average selling price in 2011 compared to 2010 was attributable to a better product mix.

*Operating income from Projects* increased 118% to \$138.8 million in 2011, from \$63.7 million in 2010, reflecting an increase in net sales and higher operating margins, due to a better product mix and a better absorption of fixed and semi-fixed expenses on higher sales, reflected on lower SG&A expenses as a percentage of sales, which amounted to 13.0% in 2011, compared to 18.8% in 2010.

*Others*

The following table indicates, for our Others business segment, net sales, cost of sales as a percentage of net sales, operating income and operating income as a percentage of net sales for the periods indicated below:

<i>Millions of U.S. dollars</i>	For the year ended December 31,		Increase / (Decrease)
	2011	2010	
Net sales	767.0	606.4	26%
Cost of sales (% of sales)	70%	72%	
Operating income	137.1	106.5	29%
Operating income (% of sales)	18%	18%	

*Net sales of other products and services* increased 26% to \$767.0 million in 2011, compared to \$606.4 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 29% to \$137.1 million in 2011, from \$106.5 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 stable 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* resulted in net income of \$5.0 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* totalled \$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).

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*Equity in earnings 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 totalled \$525.2 million in 2011, equivalent to 28% of income before equity in earnings of associated companies and income tax, compared to \$450.0 million in 2010, equivalent to 30% of income before equity in earnings of associated companies and income tax. During 2011, the tax rate benefited from a more favorable mix of companies.

*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 equity holders* 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.

**Fiscal Year Ended December 31, 2010, Compared to Fiscal Year Ended December 31, 2009***Net Sales, Cost of Sales and Operating Income*

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

<i>Millions of U.S. dollars</i>	<b>For the year ended December 31,</b>				<b>Increase / (Decrease)</b>
	<b>2010</b>		<b>2009</b>		
Tubes	6,676.4	87%	6,670.9	82%	0%
Projects	428.8	6%	986.5	12%	(57%)
Others	606.4	8%	491.8	6%	23%
Total	7,711.6	100%	8,149.3	100%	(5%)

The following table indicates our sales volume of seamless and welded pipes by business segment for the periods indicated below:

<i>Thousands of tons</i>	<b>For the year ended December 31,</b>			<b>Increase / (Decrease)</b>
	<b>2010</b>		<b>2009</b>	
Tubes Seamless	2,206		1,970	12%
Tubes Welded	744		346	115%
<b>Tubes Total</b>	<b>2,950</b>		<b>2,316</b>	<b>27%</b>
Projects Welded	170		334	(49%)
<b>Total Tubes + Projects</b>	<b>3,120</b>		<b>2,650</b>	<b>18%</b>

**Table of Contents***Tubes*

The following table indicates, for our Tubes business segment, net sales by geographic region, cost of sales as a percentage of net sales, operating income and operating income as a percentage of net sales for the periods indicated below:

<i>Millions of U.S. dollars</i>	For the year ended December 31,		Increase / (Decrease)
	2010	2009	
Net sales			
- North America	3,121.7	2,756.1	13%
- South America	1,110.1	981.9	13%
- Europe	746.6	828.8	(10%)
- Middle East & Africa	1,263.6	1,622.6	(22%)
- Far East & Oceania	434.4	481.5	(10%)
<b>Total net sales</b>	<b>6,676.4</b>	<b>6,670.9</b>	<b>0%</b>
<b>Cost of sales (% of sales)</b>	<b>60%</b>	<b>57%</b>	
<b>Operating income</b>	<b>1,403.3</b>	<b>1,576.8</b>	<b>(11%)</b>
<b>Operating income (% of sales)</b>	<b>21%</b>	<b>24%</b>	

*Net sales of tubular products and services* amounted to \$6,676.4 million in 2010, compared to \$6,670.9 million in 2009, as a 27% increase in shipment volumes was offset by lower average selling prices (down 21%), as prices fell reflecting a post-crisis competitive environment with excess capacity particularly for standard products. In North America, higher oil drilling activity along with increased investments in natural gas shales and liquid rich plays in the United States and Canada and a reduction in U.S. OCTG inventory to historic levels by the end of the first quarter of 2010 led to significantly higher shipments partially offset by lower demand in Mexico due to a reduction in drilling activity in the Chicotepec and Burgos areas; prices, however, were at lower levels than in 2009. In South America, higher drilling activity and overall demand in Argentina and Colombia more than offset a decline in pipe prices. In Europe, lower sales prices and lower demand in the North Sea region due to inventory adjustment activity by our clients more than offset higher shipments of mechanical pipe products. In the Middle East and Africa, while shipments of OCTG products remained stable, sales were affected by lower shipments of line pipe products and lower selling prices. In the Far East and Oceania, sales declined due to lower average selling prices.

*Cost of sales of tubular products and services*, expressed as a percentage of net sales, rose from 57% to 60%, as the reduction in costs of sales did not completely offset the reduction in average selling prices.

*Operating income from tubular products and services*, decreased 11% to \$1,403.3 million (including a \$67.3 million gain from the reversal of a 2008 impairment on Prudential's customer relationships) in 2010, from \$1,576.8 million in 2009. This decrease in operating income is primarily attributable to a decrease in gross margin (amounting to approximately 300 basis points), which more than offset that 27% increase in shipment volumes.

*Projects*

The following table indicates, for our Projects business segment, net sales, cost of sales as a percentage of net sales, operating income and operating income as a percentage of net sales for the periods indicated below:

<i>Millions of U.S. dollars</i>	For the year ended December 31,		Increase / (Decrease)
	2010	2009	
Net sales	428.8	986.5	(57%)
Cost of sales (% of sales)	67%	71%	
Operating income	63.7	208.6	(69%)
Operating income (% of sales)	15%	21%	



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*Projects net sales*, decreased 57% to \$428.8 million in 2010, compared to \$986.5 million in 2009, reflecting a sharp decrease in shipments to gas and other pipeline projects in South America, following a strong slowdown in the implementation of major regional projects after many major projects were concluded.

*Operating income from Projects*, decreased 69% to \$63.7 million in 2010, from \$208.6 million in 2009, as a result of a decrease in net sales and a lower operating margin due to the effect of fixed and semi-fixed general and administrative expenses on lower sales, including the effect of the revaluation of the Brazilian real against the U.S. dollar.

*Others*

The following table indicates, for our Others business segment, net sales, cost of sales as a percentage of net sales, operating income and operating income as a percentage of net sales for the periods indicated below:

<i>Millions of U.S. dollars</i>	For the year ended December 31,		Increase / (Decrease)
	2010	2009	
Net sales	606.4	491.8	23%
Cost of sales (% of sales)	72%	79%	
Operating income	106.5	28.1	279%
Operating income (% of sales)	18%	6%	

*Net sales of other products and services* increased 23% to \$606.4 million in 2010, compared to \$491.8 million in 2009, mainly due to higher sales of sucker rods, welded pipes for electric conduits and industrial equipment, which in total accounted for more than 80% of the increase.

*Operating income from other products and services*, increased 279% to \$106.5 million in 2010, from \$28.1 million in 2009, due to an increase in net sales amounting to 23% and an improvement in operative margins, of 12 percentage points, from 6% in 2009 to 18% in 2010.

*SG&A*, increased as a percentage of net sales to 19.7% in 2010 compared to 18.1% in 2009, mainly due to the effect of foreign exchange currencies on fixed and semi-fixed expenses. In absolute terms SG&A increased \$42.1 million to \$1,515.9 million in 2010, from \$1,473.8 million in 2009, mainly due to higher labor costs which increased \$46.9 million as a result of the appreciation of local currencies against the U.S. dollar.

*Other operating income and expenses* resulted in net income of \$78.6 million in 2010, compared to a net income of \$3.0 million in 2009. In 2010, we recorded a \$67.3 million gain from the reversal of an impairment recorded in 2008, in Prudential's customer relationships, as our expectations for the economic and competitive conditions of the Canadian oil and gas market improved relative to those foreseen at the end of 2008.

*Net interest expenses* totaled \$31.2 million in 2010, compared to \$87.5 million in 2009, reflecting the change in our net debt position to a net cash position and lower interest rates.

*Other financial results* generated a loss of \$21.3 million in 2010, compared to \$64.2 million during 2009. These results largely reflect gains and losses on net foreign exchange transactions (\$26.6 million loss in 2010 compared with \$73.0 million loss in 2009) and the fair value of derivative instruments (\$7.2 million gain in 2010 compared with \$10.5 million gain in 2009) and are to a large extent offset by changes to our net equity position. These losses 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 the Brazilian real, the Euro and the Japanese yen against the U.S. dollar.

*Equity in earnings of associated companies* generated a gain of \$70.1 million in 2010, compared to a gain of \$87.0 million in 2009. These gains were derived mainly from our equity investment in Ternium, which generated \$71.3 million gain in 2010 and \$82.2 million gain in 2009.

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*Income tax* charges totalled \$450.0 million in 2010, equivalent to 30% of income before equity in earnings of associated companies and income tax, compared to \$513.2 million in 2009, equivalent to 31% of income before equity in earnings of associated companies and income tax.

*Result for discontinued operations* amounted to a loss of \$28.1 million in 2009, relating to the discontinuation of Tavsa and Matesi's operations following their nationalization by the Venezuelan government, while there were no such results in 2010.

*Net income* decreased to \$1,141.0 million in 2010, compared to \$1,207.6 million in 2009, mainly reflecting lower operating results (decreased \$240.1 million), partially offset by better financial results (improved \$99.1 million) and lower income taxes (decreased \$63.2 million).

*Income attributable to equity holders* was \$1,127.4 million, or \$0.95 per share (\$1.91 per ADS), in 2010, compared to \$1,161.6 million, or \$0.98 per share (\$1.97 per ADS) in 2009.

*Income attributable to non-controlling interest* was \$13.7 million in 2010, compared to \$46.0 million in 2009, mainly reflecting lower results at our Brazilian subsidiary. Income attributable to non-controlling interests in Confab amounted to \$77.3 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:

<i>Millions of U.S. dollars</i>	<b>For the year ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net cash provided by operating activities	1,283.3	870.8	3,063.9
Net cash used in investing activities	(604.8)	(920.8)	(1,031.0)
Net cash used in financing activities	(667.9)	(651.6)	(2,028.7)
Increase (Decrease) in cash and cash equivalents	10.6	(701.6)	4.3
Cash and cash equivalents at the beginning of year	820.2	1,528.7	1,525.0
Effect of exchange rate changes	(17.6)	(6.9)	9.1
Decrease in cash due to deconsolidation			(9.7)
Increase due to business combinations	1.8		
Increase (Decrease) in cash and cash equivalents	10.6	(701.6)	4.3
Cash and cash equivalents at the end of year	815.0	820.2	1,528.7

Our financing strategy aims at maintaining adequate financial resources and access to additional liquidity. During 2011, we counted on cash flows from operations as well as on short-term bank financing to fund our operations.

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. During 2011, our net cash position (cash and other current investments less total borrowings) increased by \$48.1 million to \$323.6 million at December 31, 2011, from \$275.6 million at December 31, 2010.

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, 2011, liquid financial assets as a whole (i.e., cash and cash equivalents and other current investments) were 8.4% of total assets compared to 10.6% at the end of 2010.



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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, 2011, U.S. dollar denominated liquid assets represented 66%, of total liquid financial assets compared to 84% at the end of 2010. 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, Confab, to fund the disbursement of a participation in Usiminas, which was completed in January, 2012.

Cash and cash equivalents (excluding bank overdraft) decreased by \$20.2 million, to \$823.7 million at December 31, 2011, compared with \$843.9 million at December 31, 2010. Other current investments also decreased \$245.4 million to \$430.8 million as of December 31, 2011 from \$676.2 million as of December 31, 2010.

***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 \$646.4 million during 2011, compared with an increase of \$644.0 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 \$604.8 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*

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.



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### ***Fiscal Year Ended December 31, 2010, Compared to Fiscal Year Ended December 31, 2009***

#### ***Operating activities***

Net cash provided by operations during 2010 was \$870.8 million, compared to \$3,063.9 million during 2009. Working capital increased by \$644.0 million during 2010, compared with a decrease of \$1,737.3 million in 2009, reflecting the improvement in activity levels. The increase in working capital during 2010 is the result of the following:

an increase in inventories of \$773.3 million, as a result of increased business activity; *and*

an increase in trade receivables of \$111.3 million, mainly due to higher sales in the fourth quarter of 2010 compared to the same period of 2009; *partially offset by*

an increase in trade payables of \$261.8 million, also reflecting higher levels of activity.

#### ***Investing activities***

Net cash used in investing activities in 2010 was \$920.8 million, compared to \$1,031.0 million in 2009, due to the following:

higher capital expenditures (\$847.3 million in 2010, compared to \$460.9 million in 2009), primarily attributable to the construction of the new small diameter rolling mill at our Veracruz facility in Mexico;

lower investments in short term securities (\$96.5 million in 2010, compared to \$533.8 million in 2009); *and*

negligible investments in acquisitions of subsidiaries and associated companies in 2010, compared to acquisitions amounting to \$64.0 million in 2009.

#### ***Financing activities***

Net cash used in financing activities, including dividends paid, proceeds and repayments of borrowings, was \$651.6 million in 2010, compared to \$2,028.7 million in 2009.

Dividends paid, including dividends paid to non-controlling shareholders in subsidiaries, amounted to \$433.3 million in 2010, of which \$248 million were paid to equity holders in respect of the 2009 fiscal year, while \$153 million were paid to equity holders in November 2010, as an interim dividend in respect of the dividend corresponding to the 2010 fiscal year. This compares to \$553.7 million paid in 2009, of which \$354 million were paid to equity holders in respect of the 2008 fiscal year, while \$153 million were paid to equity holders in November 2009, as an interim dividend for the 2009 fiscal year.

Net repayments of borrowings (repayments less proceeds) totaled \$215.3 million in 2010, compared to \$1,465.4 million in 2009.

Our total liabilities to total assets ratio was 0.27:1 as of December 31, 2010 and 0.28:1 as of December 31, 2009.

#### **Principal Sources of Funding**

In 2011, we counted mainly on cash flows from operations to fund our transactions and short-term bank borrowings were used as needed throughout the year.

*Financial liabilities*

During 2011, total financial debt decreased by 25%, to \$930.9 million at December 31, 2011, from \$1,244.5 million at December 31, 2010.

Our financial liabilities (other than trade payables and derivative financial instruments) consist mainly of bank loans. As of December 31, 2011 U.S. dollar-denominated financial debt plus debt denominated in other currencies swapped to the U.S. dollar represented 88% 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.

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The following table shows the composition of our financial debt at December 31, 2011 and 2010:

<i>Thousands of U.S. dollars</i>	2011	2010
Bank borrowings	909,684	1,215,246
Bank overdrafts	8,711	23,696
Other loans, including related companies	12,221	5,131
Finance lease liabilities	260	423
<b>Total borrowings</b>	<b>930,876</b>	<b>1,244,496</b>

The weighted average interest rates before tax (considering hedge accounting), amounted to 3.84% at December 31, 2011 and to 4.08% at December 31, 2010.

The maturity of our financial debt is as follows:

<i>Thousands of U.S. dollars</i>	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
<b>At December 31, 2011</b>							
Borrowings	781,101	110,909	8,528	8,753	6,578	15,007	930,876
Interests to be accrued	16,050	1,797	808	725	618	749	20,747
<b>Total</b>	<b>797,151</b>	<b>112,706</b>	<b>9,336</b>	<b>9,478</b>	<b>7,196</b>	<b>15,756</b>	<b>951,623</b>

Our current debt to total debt ratio increased from 0.82:1 as of December 31, 2010 to 0.84:1 as of December 31, 2011.

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

*Significant Borrowings*

Our most significant borrowings as of December 31, 2011 were as follows:

<i>Millions of U.S. dollars</i>	Date	Borrower	Type	Original Principal Amount	Outstanding Principal amount as of December 31, 2011	Maturity
	June 2008	Dalmine	Bilateral	150.0	75.0	June 2013
	2011	Siderca	Bank loans	339.7	339.7	Several in 2012
	2011	Tamsa	Bank loans	250.9	250.9	Several in 2012 & 2013

For information on Confab's borrowing as of January 2012, please see Item 5.G. Operating and Financial Review and Prospects Recent Developments Acquisition of participation in Usiminas .

As of December 31, 2011, Tenaris was in compliance with all of its financial and other covenants.



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For further 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, 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 (in the range of \$3-6 million BTU) and since the middle of 2011 have been falling to even lower levels as increases in production have exceeded increases in consumption putting pressure on gas storage capacity. Advances in drilling technology have encouraged producers to develop productive gas shale deposits, which resulted in continuing increases in U.S. gas production in 2009, 2010 and 2011 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, has recovered with strong increases in 2010 and 2011; the annual average of the international count of active drilling rigs, published by Baker Hughes, increased 7% in 2011 compared to 2010 and 10% in 2010 compared to 2009, while the corresponding rig count in the United States and Canada, increased 21% in 2011 compared to 2010 and 45% in 2010 compared to 2009. The increase in drilling activity in the United States and Canada, particularly in 2011, has been driven by a surge in oil drilling deploying the horizontal drilling and hydraulic fracturing technologies applied in shale gas drilling, which has more than compensated for declining gas drilling.



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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 excluding the United States and Canada and excluding Iran and Sudan as well as onshore China and Russia) 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**

	2011	2010	2009	2008	2007
International	1,168	1,094	997	1,079	1,005
Canada	423	351	221	379	343
United States	1,875	1,541	1,086	1,878	1,768
Worldwide	3,466	2,985	2,304	3,336	3,116

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

	2011	2010	2009	2008
International	7%	10%	(8%)	7%
Canada	21%	59%	(42%)	10%
United States	22%	42%	(42%)	6%
Worldwide	16%	30%	(31%)	7%

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 2012, drilling activity in North America is expected to remain close to current levels, with lower dry gas drilling activity to a large extent offset by an increase in oil and liquids directed drilling. In the rest of the world, drilling activity is expected to continue to increase supported by current oil and gas prices and led by growth in the development of deepwater and unconventional reserves as well as complex conventional gas drilling. Accordingly, sales are expected to grow in 2012 compared to 2011.

**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.

**Table of Contents****F. Contractual Obligations**

The following table summarizes our contractual obligations at December 31, 2011, and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

*Thousands of U.S. dollars*

Contractual Obligations and Commitments	Total	Payments Due by Period as of December 31, 2011			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Borrowings	930,616	780,941	119,337	15,331	15,007
Finance Lease Obligations	260	160	100		
Total Borrowings	930,876	781,101	119,437	15,331	15,007
Interest to be accrued (1)	20,747	16,050	2,605	1,343	749
Purchase Commitments	526,792	367,589	70,757	70,757	17,689
Total Contractual Obligations and Commitments	1,478,415	1,164,740	192,799	87,431	33,445

(1) Interest to be accrued approximates estimated interest payments

Most purchase commitments as of December 31, 2010, disclosed in the table above, consist of commitments to purchase steel for the production of tubes in North America.

In addition to the contractual obligations and commitments disclosed in the previous table, as of December 31, 2011, our Brazilian subsidiary, Confab, had a share purchase agreement for 2.5% of the total share capital of Usiminas, amounting to approximately \$500 million, which was paid on January 16, 2012. For further information on the acquisition of participation in Usiminas, please see Item 5.G. Operating and Financial Review and Prospects Recent Developments Acquisition of participation in Usiminas .

**G. Recent Developments***Annual Dividend Proposal*

On February 23, 2012 the Company's board of directors proposed, for the approval of the annual general shareholders' meeting to be held on May 2, 2012, the payment of an annual dividend of \$0.38 per share (\$0.76 per ADS), or approximately \$449 million, which includes the interim dividend of \$0.13 per share (\$0.26 per ADS) or approximately \$153 million, paid on November 24, 2011. If the annual dividend is approved by the shareholders, a dividend of \$0.25 per share (\$0.50 per ADS), or approximately \$295 million will be paid on May 24, 2012, with an ex-dividend date of May 21, 2012. Our audited consolidated financial statements included in this annual report do not reflect this dividend payable.

*Acquisition of participation in Usiminas*

On January 16, 2012, Tenaris's Brazilian subsidiary, Confab, acquired 25 million ordinary shares of Usiminas, representing 5.0% of the shares with voting rights and 2.5% of the total share capital. The price paid for each ordinary share is Brazilian real 36, representing a total cost to Confab of approximately \$500 million. Confab financed the acquisition through an unsecured 5-year term loan in the principal amount of \$350 million and cash on hand.

This acquisition is part of a larger transaction pursuant to which Ternium, certain of its subsidiaries and Confab joined Usiminas' existing control group through the acquisition of ordinary shares representing 27.7% of Usiminas' total voting capital and 13.8% of Usiminas' total share capital. In addition, Ternium, its subsidiaries and Confab entered into an amended and restated Usiminas shareholders' agreement with Nippon Steel, Mitsubishi, Metal One and CEU, an Usiminas employee fund, governing the parties' rights within the Usiminas control group. As a result of

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these transactions, the control group, which holds 322.7 million ordinary shares representing the majority of Usiminas' voting rights, is now formed as follows: Nippon Group 46.1%, Ternium/Tenaris Group 43.3%, and CEU 10.6%. The rights of Ternium and its subsidiaries and Confab within the Ternium/Tenaris Group are governed under a separate shareholders agreement.

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### *Tenaris accomplishes Confab delisting*

Following a proposal by shareholders representing 32.6% of the shares held by the public in its controlled Brazilian subsidiary Confab, Tenaris filed on January 27, 2012, a request with CVM (Brazil's securities regulator) and the Sao Paulo stock exchange seeking their approval to a delisting tender offer to acquire all of the ordinary and preferred shares held by the public in Confab.

On March 22, 2012, following receipt of all requisite approvals from CVM and the Sao Paulo stock exchange, we launched the offer for a price in cash in Brazilian reais 5.85 per ordinary or preferred share, subject to adjustments as described in the offer documents. The shareholders parties to the proposal had agreed to the offer price and had committed to tender their shares into the offer.

On April 23, 2012, at the auction for the offer, a total of 216,269,261 Confab shares were tendered. As a result, we attained the requisite threshold to delist Confab from the São Paulo Stock Exchange. The final cash price paid in the auction was Brazilian reais 5.90 per ordinary or preferred share (or approximately \$3.14 per ordinary or preferred share). Subsequent to the auction, on April 23, 2012 we acquired 6,070,270 additional Confab shares in the market at the same price. Our total investment in Confab shares pursuant to these transactions amounts to BRL1,311.8 million, or approximately \$697.4 million.

Upon settlement of the offer and these subsequent purchases on April 26, 2012, we hold in the aggregate approximately 95.9% of Confab.

Under applicable Brazilian rules, the remaining holders of Confab shares will have the option to sell their shares to the offeror at the same price paid to the tendering shareholders (adjusted by Brazil's SELIC rate) at any time during the 90-day period following April 23, 2012. In addition, Confab will have the right to redeem the remaining shares at the same price paid to the tendering shareholders (adjusted by Brazil's SELIC rate); upon completion of such redemption, Confab will become a wholly-owned subsidiary of Tenaris.

The aggregate amount payable for the remaining Confab shares (as of April 23, 2012, totaling 16,617,646 shares, or approximately 4.1% of Confab's share capital) will be approximately BRL98 million, or approximately US\$52.1 million.

## **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 which are 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 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.

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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 directors 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 present or represented at the meeting.

Under the Company's articles of association, until August 2, 2012, the board of directors is authorized to increase the issued share capital within the limits of the authorized 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. The Company's board of directors has proposed, for the approval of the annual general shareholders meeting to be held on May 2, 2012, that the authorization to increase our issued share capital within the limits of the authorized capital be renewed and extended until the end of the fifth anniversary of the date of the publication of the deed recording the minutes of such shareholders meeting.

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.

<b>Name</b>	<b>Position</b>	<b>Principal Occupation</b>	<b>Years as Director</b>	<b>Age at December 31, 2011</b>
Roberto Bonatti <sup>(1)</sup>	Director	President of San Faustin	9	62
Carlos Condorelli	Director	Director of Tenaris and Ternium	5	60
Carlos Franck	Director	President of Santa María	9	61
Roberto Monti	Director	Member of the board of directors of Petrobras Energia	7	72
Gianfelice Mario Rocca <sup>(1)</sup>	Director	Chairman of the board of directors of San Faustin	9	63
Paolo Rocca <sup>(1)</sup>	Director	Chairman and chief executive officer of Tenaris	10	59
Jaime Serra Puche	Director	Chairman of SAI Consultores	9	60
Alberto Valsecchi	Director	Director of Tenaris	4	67
Amadeo Vázquez y Vázquez	Director	Director of Gas Natural Ban S.A.	9	69
Guillermo Vogel	Director	Vice chairman of Tamsa	9	61

(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 Tecpetrol S.A. and Techint Compañía Técnica Internacional S.A.C.I. He is also a member of the board of directors of Ternium and Siderca. 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.

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**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.àr.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 and Buzzi Unicem. He is vice president of Confindustria, the leading association of Italian industrialists. He is a member of the Advisory Board of Allianz Group, the Trilateral Commission and the European Advisory Board of the 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 NYSE Euronext (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 management errors, such as wrongful acts committed during the execution of his or her mandate, and to the Company, its shareholders and third parties in the event that the Company, its shareholders or third parties suffer a loss due to an infringement of either the Luxembourg law on commercial companies or the Company's articles of association.

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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 to 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.

A director will not be liable for acts committed in accordance with a board resolution if, notwithstanding his or her presence at the board meeting at which such resolution was adopted, such director advised the board of directors that he or she opposed the resolution and caused a record of such opposition to be included in the minutes of the meeting.

Causes of action against directors for damages may be initiated by the Company upon a resolution of the shareholders passed by a simple majority vote, irrespective of the number of shares present or represented at the meeting. Causes of action against directors who misappropriate corporate assets or commit a breach of trust may be brought by any shareholder for personal losses different from those of the Company.

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 annual accounts of the Company at the annual general shareholders meeting. However, such discharge will not release the directors from liability for any damage caused by wrongful acts committed during the execution of their mandate or due to an infringement of either the Luxembourg law on commercial companies or the Company's articles of association vis-à-vis third parties.

## **Auditors**

The Company's articles of association require the appointment of at least one independent auditor chosen from among the members of the Luxembourg Institute of Independent Auditors (*Institut des réviseurs d'entreprises*). The primary responsibility of the independent auditor is to audit the Company's annual accounts and to submit a report on the accounts to shareholders at the annual shareholders' meeting. 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 present or represented 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 the related fees. Any changes to the approved fees must be reviewed and approved by the audit committee. In addition, 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, 2011, appointed by the shareholders' meeting held on June 1, 2011, was PricewaterhouseCoopers S.à r.l., *Réviseur d'entreprises agréé* in connection with all of our annual accounts and financial statements.

**Table of Contents****Senior Management**

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

<b>Name</b>	<b>Position</b>	<b>Age at December 31, 2011</b>
Paolo Rocca	Chairman and Chief Executive Officer	59
Ricardo Soler	Chief Financial Officer	60
Renato Catallini	Supply Chain Director	45
Guillermo Moreno	Planning Director	47
Carlos Pappier	Chief Information Officer	50
Marco Radnic	Human Resources Director	62
Marcelo Ramos	Technology Director	48
Vincenzo Crapanzano	Industrial Director	59
Germán Curá	North American Area Manager	49
Sergio de la Maza	Central American Area Manager	55
Javier Martínez Alvarez	Southern Cone Area Manager	45
Alejandro Lammertyn	Eastern Hemisphere Area Manager	46
Luca Zanotti	European Area Manager	44
Guillermo Noriega	Advisor to the Chief Executive Officer	61

**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 NYSE Euronext (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 Hydriil 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.

**Renato Catallini.** Mr. Catallini currently serves as our supply chain director, with responsibility for the execution of all contractual deliveries to customers. 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. He assumed his current position in August 2007. Mr. Catallini is an Argentine citizen.

**Guillermo Moreno.** Mr. Moreno currently serves as our planning director. Previously, he served as director of Oilfield Services business unit. He first joined Siderca in 1987 after graduating as an industrial engineer. Up to 1993 he worked in several finance and marketing positions in Siderca and was also responsible for sales in Latin America. In 1996 he became Tamsa's exports sales director and in 1999 he became the director of the Pipeline Services business unit. He assumed his current position in May 2010. Mr. Moreno is an Argentine citizen.

**Carlos Pappier.** Mr. Pappier currently serves as our chief 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.

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**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 NKK Tubes 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 United States 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.

**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.

**Alejandro Lammertyn.** Mr. Lammertyn currently serves as our Eastern Hemisphere Area Manager based in Dubai. He assumed his current position in August 2010, after a restructuring of the commercial department aimed at strengthening our regional presence in the eastern hemisphere. 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 and commercial director. Mr. Lammertyn is an Argentine citizen.

**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.

**Guillermo Noriega.** Mr. Noriega currently serves as advisor to the chief executive officer, supervising our Brazilian operations. Until June 1, 2010, when he assumed his current position, he served as our South American area manager and as managing director of Siderca. Previously, he served as Siderca's commercial director for the Argentine market. He began his career at Siderca as an industrial engineer in 1981. Mr. Noriega is an Argentine citizen.

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**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 2011 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, 2011, 2010 and 2009, amounted to \$27.6 million, \$18.6 million and \$18.2 million, respectively. In addition, directors and senior management received, 555 thousand, 485 thousand and 436 thousand units, for a total amount of \$4.9 million, \$4.1 million and \$3.4 million, respectively, in connection with the 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 our articles of association, as supplemented by the audit committee's charter, for as long as our 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 June 1, 2011, the Company's board of directors reappointed Jaime Serra Puche, Amadeo Vázquez y Vázquez and Roberto Montí 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. Confab is currently our only subsidiary with independent board 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 the 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 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 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:

	<b>At December 31, 2011</b>
Argentina	7,060
Mexico	4,714
United States	3,539
Brazil	3,389
Italy	2,522
Romania	1,415
Canada	1,333
Indonesia	745
Japan	614
Other Countries	1,649

**Total employees**

**26,980**

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At December 31, 2010 and December 31, 2009, the number of persons employed by Tenaris was 25,422 and 22,591 respectively.

The number of our employees increased during 2011, from 25,422 at December 2010, to 26,980 at December 2011. The increase in our workforce resulted primarily from a growing activity level as industry economic conditions improved and production at our plants increased.

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 the Company's shares (in the form of ordinary shares or ADSs) beneficially owned by our directors and senior management as of March 31, 2012 was 1,417,269, which represents 0.12% of our outstanding shares.

The following table provides information regarding share ownership by our directors and senior management:

<b>Director or Officer</b>	<b>Number of Shares Held</b>
Guillermo Vogel	1,325,446
Carlos Condorelli	67,211
Guillermo Moreno	16,430
Ricardo Soler	8,182
<b>Total</b>	<b>1,417,269</b>

**Item 7. Major Shareholders and Related Party Transactions.****A. Major Shareholders**

The following table shows the beneficial ownership of the Company's ordinary 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 available to the Company.

<b>Identity of Person or Group</b>	<b>Number</b>	<b>Percent</b>
San Faustin <sup>(1)</sup>	713,605,187	60.45%
Aberdeen Asset Management PLC's Fund Management Operating Subsidiaries <sup>(2)</sup>	59,184,400	5.01%
Directors and senior management as a group	1,417,269	0.12%
Public	406,329,974	34.42%
<b>Total</b>	<b>1,180,536,830</b>	<b>100.0%</b>

(1)

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San Faustin owns all of its shares in the Company through its wholly-owned subsidiary Techint Holdings. Techint Holdings (formerly known as I.I.I. Industrial Investments Inc.) transferred its domicile from the Cayman Island to Luxembourg and San Faustin (formerly known as San Faustin N.V.) also transferred its domicile from Curacao to Luxembourg. In connection with San Faustin's 2011 redomiciliation from Curacao to Luxembourg, San Faustin's controlling entity Rocca & Partners S.A. organized the Dutch private foundation (*Stichting*) RP STAK. 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 the Company, pursuant to the Luxembourg Transparency Law, that as of April 26, 2011, it was deemed to be the beneficial owner of 59,184,400 ordinary shares of the Company, par value U.S.\$ 1.00 per share, representing 5.01% of the Company's issued and outstanding capital and votes.

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As of March 31, 2012, 145,929,069 ADSs (representing 291,858,138 Shares, or 25% of all issued and outstanding Shares of the Company) were registered in the name of approximately 424 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.

### **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 flat steel products, steel bars 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 flat steel products for use in the production of welded pipes and accessories, which amounted to \$86.6 million, \$126.5 million and \$24.7 million in 2011, 2010 and 2009, respectively.

Purchases of pig iron, DRI, scrap and other raw materials for use in the production of seamless pipes, which amounted to \$2.3 million, \$19.8 million and \$8.9 million in 2011, 2010 and 2009, respectively.

Purchases of metal building components for our facilities in Mexico, which amounted to \$2.8 million, \$18.5 million and \$4.4 million in 2011, 2010 and 2009, respectively.

Additionally, we have entered into an agreement that granted us an eight-year preferential right to purchase up to 250,000 tons of round steel bars per year, for use in our seamless steel pipe operations in Mexico. Purchases within this agreement amounted to \$77.9 million in 2011.

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### **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 \$27.8 million, \$29.5 million, and \$14.2 million in 2011, 2010 and 2009, respectively.

Sales of steam and operational services from our Argentine electric power generating facility in San Nicolás. These sales amounted to \$14.0 million, \$14.1 million and \$13.5 million in 2011, 2010 and 2009, 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 \$38.7 million, \$33.9 million and \$30.3 million in 2011, 2010 and 2009, respectively.

### **Supply of Natural Gas**

We are party to contracts with Tecpetrol, TGN and Litoral Gas 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. San Faustin holds significant but non-controlling interests in TGN and Litoral Gas.

Tecpetrol supplies Siderca with natural gas requirements under market conditions and according to local regulations. Tecpetrol's sales to Tenaris amounted to \$15.2 million, \$12.2 million and \$5.5 million in 2011, 2010 and 2009, 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 \$1.4 million, \$1.2 million and \$1.1 million in 2011, 2010 and 2009, respectively.

Litoral Gas's sales to Tenaris totaled \$2.5 million in 2011 and 2010 and \$2.7 million in 2009.

### **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 \$101.1 million, \$127.7 million and \$64.3 million in 2011, 2010 and 2009, 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 by 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 by San Faustin amounted to \$110.4 million, \$105.8 million and \$76.7 million in 2011, 2010 and 2009, respectively.

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## **Table of Contents**

### **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 \$4.5 million, \$4.3 million and \$4.0 million in 2011, 2010 and 2009, respectively.

We provide administrative services to Exiros and other related parties. Sales of these services amounted to \$1.7 million, \$2.3 million and \$2.6 million in 2011, 2010 and 2009, 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 \$12.4 million, \$10.8 million and \$11.2 million in 2011, 2010 and 2009, respectively.

### **Transactions involving Matesi prior to June 30, 2009**

We established Matesi jointly with Sidor, a related party until April 2008, to operate an HBI production facility in Venezuela. We own 50.2% of Matesi and Sidor owns the remaining 49.8%. In May 2009, the Venezuelan government announced the nationalization of Matesi. For more information on the Matesi nationalization process, see note 32 Processes in Venezuela-Nationalization of Venezuelan Subsidiaries to our audited consolidated financial statements included in this annual report.

As of June 30, 2009, the Company ceased consolidating Matesi's results and other financial data and classified its investment in Matesi as an available-for-sale financial asset, with Matesi's results and cash flows during each period prior to June 30, 2009 being presented as discontinued operations. Prior to the de-consolidation, Matesi purchased supplies and spare parts from HyL Technologies S.A. de C.V., or HyL, a Mexican company controlled by San Faustin, involved in marketing and implementation of direct reduction plants. Matesi paid to HyL \$1.5 million in 2009.

### **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 \$37.1 million, \$17.3 million and \$46.3 million in 2011, 2010 and 2009, respectively.

We purchased welded steel pipes from Ternium, amounting to \$0.7 million, \$4.5 million and \$1.9 million in 2011, 2010 and 2009, respectively, which were sold by Tamsa as part of major projects.

We entered into various contracts with Tenova S.p.A., a company controlled by San Faustin, for the provision of furnaces, spare parts, accessories and related services for our facilities in Argentina, Italy, Mexico, Romania and the United States. Supplies received amounted to \$10.3 million in 2011 and \$14.7 million in 2010.

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.



**Table of Contents****Item 8. Financial Information****A. Consolidated Statements and Other Financial Information**

See Item 18 and pages F-1 through F-64 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 of Argentine pesos 107.8 million (approximately \$25.2 million) at December 31, 2011, 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 audited consolidated financial statements.

***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.

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.

**Table of Contents****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 2007:

Shareholders meeting date	Approved dividend			Dividend payment date	
	Amount (USD million)	Per share (USD)	Per ADS (USD)	Interim Dividend	Dividend Balance
June 6, 2007	354	0.30	0.60	June 2007	
June 4, 2008	449	0.38	0.76	November 2007	June 2008
June 3, 2009	507	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

On February 23, 2012 the Company's board of directors proposed, for the approval of the annual general shareholders' meeting to be held on May 2, 2012, the payment of an annual dividend of \$0.38 per share (\$0.76 per ADS), or approximately \$449 million, which includes the interim dividend of \$0.13 per share (\$0.26 per ADS) or approximately \$153 million, paid in November, 2011. If the annual dividend is approved by the shareholders, a dividend of \$0.25 per share (\$0.50 per ADS), or approximately \$295 million will be paid on May 24, 2012, with an ex-dividend date of May 21, 2012.

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, 2011, 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.

**Table of Contents****Item 9. The Offer and Listing****A. Offer and Listing Details**

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

As of March 31, 2012, a total of 1,180,536,830 Shares were registered in the Company's shareholder register. As of March 31, 2012, a total of 291,858,138 Shares were registered in the name of the depository for the Company's ADR program. On March 31, 2012, the closing sale price for the ADSs on the NYSE was \$38.23, the closing sale price of the Shares on the Italian Stock Exchange was Euro 14.30, on the Buenos Aires Stock Exchange was Argentine pesos 99.60 and on the Mexico Stock Exchange was Mexican pesos 254.15.

*New York Stock Exchange*

As of March 31, 2012, a total of 145,929,069 ADSs were registered of record. Each ADS represents two Shares of the Company's share capital. Since February 28, 2008, The Bank of New York Mellon has acted as the Company's depository for issuing ADSs evidencing Shares, as successor depository agent to JP Morgan Chase. 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
<b>2007</b>		
Full year	54.75	41.48
<b>2008</b>		
Full year	74.50	15.39
<b>2009</b>		
Full year	42.93	15.10
<b>2010</b>		
First quarter	47.41	41.43
Second quarter	45.43	34.35
Third quarter	41.62	33.50
Fourth quarter	49.09	37.99
Full year	49.09	33.50
<b>2011</b>		
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

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<b>Last Six Months</b>	<b>Price per ADS</b>	
	<b>High</b>	<b>Low</b>
October 2011	34.51	24.08
November 2011	37.28	30.26
December 2011	38.28	34.21
January 2012	40.74	38.36
February 2012	42.16	37.89
March 2012	42.13	38.02

**Table of Contents***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).

	<b>Price per Share</b>	
	<b>High</b>	<b>Low</b>
<b>2007</b>		
Full year	19.29	14.96
<b>2008</b>		
Full year	23.33	6.34
<b>2009</b>		
Full year	15.04	5.97
<b>2010</b>		
First quarter	17.27	14.97
Second quarter	16.82	13.77
Third quarter	15.74	13.04
Fourth quarter	18.65	13.80
Full year	18.65	13.04
<b>2011</b>		
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
<b>Last Six Months</b>		
October 2011	12.18	9.06
November 2011	13.85	10.84
December 2011	14.29	13.15
January 2012	15.70	14.91
February 2012	15.69	14.43
March 2012	15.94	14.30

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, following the agreement signed in June 2007.

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.

**Table of Contents***Buenos Aires Stock Exchange*

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

	<b>Price per Share</b>	
	<b>High</b>	<b>Low</b>
<b>2007</b>		
Full year	86.45	63.70
<b>2008</b>		
Full year	117.86	27.49
<b>2009</b>		
Full year	80.70	28.47
<b>2010</b>		
First quarter	91.91	80.53
Second quarter	87.29	68.80
Third quarter	81.02	65.86
Fourth quarter	98.60	74.76
Full year	98.60	65.86
<b>2011</b>		
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
<b>Last Six Months</b>		
October 2011	84.50	56.75
November 2011	85.80	74.60
December 2011	90.20	79.90
January 2012	94.70	90.40
February 2012	99.00	90.00
March 2012	105.00	93.05

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.

**Table of Contents***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
<b>2007</b>		
Full year	295.00	233.00
<b>2008</b>		
Full year	349.72	105.36
<b>2009</b>		
Full year	281.77	122.44
<b>2010</b>		
First quarter	298.25	263.15
Second quarter	264.56	220.12
Third quarter	258.64	218.82
Fourth quarter	305.00	249.09
Full year	305.00	218.82
<b>2011</b>		
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
<b>Last Six Months</b>		
October 2011	225.45	186.31
November 2011	No trading	
December 2011	258.55	246.23
January 2012	273.50	260.00
February 2012	261.07	260.00
March 2012	259.00	248.30

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 .

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

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**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 *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, 2012, 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 August 2, 2012, 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. The Company's board of directors has proposed for the approval of the annual general shareholders' meeting to be held on May 2, 2012, that the authorization to increase our share capital within the limits of the authorized share capital be renewed and extended until the end of the fifth anniversary of the date of the publication of the deed recording the minutes of such shareholders meeting. Under the Company's articles of association, any issuance of new Shares pursuant to the authorization granted to its board of directors must grant its existing shareholders a preferential right to subscribe for such newly-issued Shares, except:

in circumstances in which the Shares are issued for consideration other than money;

with respect to Shares issued as compensation to directors, officers, agents or employees, its subsidiaries or affiliates; and

with respect to Shares issued to satisfy conversion or option rights created to provide compensation to directors, officers, agents or employees, its subsidiaries or affiliates.

Any Shares to be issued as compensation or to satisfy conversion or option rights may not exceed 1.5% of the Company's issued capital.

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 ordinary general shareholders' meeting, out of funds legally available for such purposes. Under Luxembourg law, claims for dividends will lapse five years after the date such dividends are declared. However, we may elect to pay a declared dividend after such period. Shareholders may, at the ordinary general shareholders' meeting, which every shareholder has the right to attend in person or by proxy, declare a dividend under Article 21 of the Company's articles of association.

Under Article 21 of the articles of association, the board of directors has the power to distribute interim dividends in accordance with the conditions that apply to commercial companies set forth in particular in Section 72-2 of the Luxembourg Companies Law.

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, 2011. 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 and the Company's articles of association. Notices of such meetings must be published twice, at least at a ten-day interval, the second notice appearing at least 10 days prior to the meeting, in the Luxembourg Official Gazette and in a leading newspaper having general circulation in Luxembourg. If an extraordinary general shareholders' meeting is adjourned for lack of a quorum, notices must be published twice, in the Luxembourg Official Gazette and two Luxembourg newspapers, at a twenty-day interval, the second notice appearing at least 20 days prior to the meeting. In case Shares are listed on a foreign regulated market, notices of general shareholders' meetings shall also be published in accordance with the publicity requirements of such regulated market.

No attendance quorum is required at ordinary general shareholders' meetings, and resolutions are adopted by a simple majority vote of the Shares present or represented and voted at the meeting. An extraordinary general shareholders' meeting must have a quorum of at least 50% of the issued share capital. 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 provided for by the Luxembourg Companies Law. In both cases, the Luxembourg Companies Law and the Company's articles of association require that any resolution of an extraordinary general shareholders' meeting be adopted by a two-thirds majority votes of the Shares present or represented. 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 at any time, with or without cause, by resolution passed by a simple majority vote of the Shares present or represented and voted. In the case of a vacancy occurring in the Board of Directors, the remaining directors shall have the right to temporarily fill such vacancy by the affirmative vote of a majority of the remaining directors. The term of a temporary director elected to fill a vacancy shall expire at the end of the term of office of the replaced director; provided however that the next shareholder's meeting shall be called upon to proceed with the definitive election of any temporary member of the Board of Directors so elected.

The next Company's annual general shareholders' meeting that will consider, among other things, our audited consolidated financial statements and annual accounts, included in this annual report will take place in Luxembourg, on Wednesday 2<sup>nd</sup> of May, 2012 at 11:00 A.M., Luxembourg time. Immediately after the adjournment of the annual general shareholders' meeting, an extraordinary general shareholders' meeting will be held.

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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 agendas of the meetings is incorporated by reference to the sections titled Annual General Meeting of Shareholders: agenda, reports on agenda items and draft resolutions proposed to be adopted and Extraordinary General Meeting of Shareholders: agenda, reports on agenda items and draft resolutions proposed to be adopted in the report of foreign issuer (Rules 13a-16 and 15d-16) on Form 6-K, filed by the Company on April 3, 2012, (File No. 001-31518 12736333).

A description of the procedures for attending and voting at one or both of the meetings is incorporated by reference to Holders of Shares: procedures for attending and voting at one or both Meetings and Holders of ADRs: procedures for voting at one or both Meetings the report of foreign issuer (Rules 13a-16 and 15d-16) on Form 6-K, filed by the Company on April 3, 2012, (File No. 001-31518 12736333).

In the case of Shares held through fungible securities accounts, each shareholder may exercise all rights attached to his Shares and, in particular, may participate in and vote at shareholders meetings of the Company upon presentation of a certificate issued by the financial institution or professional depository holding the Shares, certifying the number of Shares recorded in the relevant account on the Record Date. Such certificates must be filed at least five days before the meeting with the Company at its registered address or at the address stated in the convening notice or, in case the Shares of the Company are listed on a regulated market, with an agent of the Company located in the country of the listing and designated in the convening notice. In case any such holder wishes to vote by proxy, the holder shall have to present a completed proxy, by the same date and time and at the same addresses. The board of directors and the shareholders meeting may, if they deem so advisable, reduce these periods of time for all shareholders and admit all shareholders (or their proxies) who have filed the appropriate documents to the general shareholders meeting, irrespective of these time limits.

### **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

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as of the date of the applicable shareholders' meeting.

Dissenting or absent shareholders must present their claim within one month following the date of the shareholders' meeting and supply the Company with evidence of their shareholding at the time of such meeting. The Company must (to the extent permitted by applicable laws and regulations and in compliance therewith) repurchase its Shares within six months following the date of the shareholders' meeting.

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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 shareholders' 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 have the same rights and obligations as Shares recorded in the Company's shareholders' register.

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 shareholders' 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 shareholders' 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.

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### **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. 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 pursuant to a takeover bid.

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%.

### **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's 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*

Since 2002, the Argentine government has maintained a "dirty" float of the peso. In addition, following the enactment of the Public Emergency and Foreign Exchange System Reform Law No. 25,562 in January 2002, several rules and regulations have been introduced to reduce volatility in the Argentine pesos/US\$ exchange rate. Below is a summary of the principal limitations on the transfer of foreign currency in and out of Argentina:

the proceeds of certain foreign financial debt incurred by Argentine residents (including private Argentine entities) as well as certain inflows for the purpose of investments in the capital markets must remain in Argentina for at least 365 calendar days and require posting a non-transferable, non-remunerated deposit denominated in U.S. dollars for an amount equal to 30% of the underlying transaction. This deposit shall be held for a period of 365 calendar days and may not be used as collateral in any credit transaction;

outflows from proceeds of investments in capital markets are restricted and subject to certain requirements, such as, in certain cases, the maintenance of the investment for a specific period of time;



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inflows and outflows of foreign currency through the local exchange market, and indebtedness transactions by local residents that may result in a foreign currency payment to non-residents, must be registered with the Argentine Central Bank;

funds from export revenues or financial loans received that are credited in foreign currency overseas must be converted into local currency and credited to a local banking account within a specific period of time;

purchases of foreign currency must be cleared in advance by the Argentine federal tax authority;

all payments of import of goods (despite its materiality) and services (above a specified threshold) must be cleared in advance by the Argentine federal tax authority and other competent authorities, such as the Secretary of Interior Commerce (*Secretaría de Comercio Interior*); and

all payments of royalties (above a specified threshold) for intellectual property rights are subject to the Argentine Central Bank's approval when, among other circumstances, the beneficiary of the payment is an affiliate of the Argentine company making the relevant payment. Regulations issued by the Argentine Central Bank establish specific exceptions pursuant to which some of these requirements may not apply to foreign trade, export finance-related transactions and certain medium term financial loans (subject to compliance with certain requirements), nor to the primary placement of publicly traded securities listed in one or more regulated markets.

During the last years, the Argentine government has been imposing new restrictions on foreign exchange outflows, including through certain transactions on securities traded locally. Also, since October 2008, the time periods for the repatriation of export revenues credited in foreign currency overseas were, in practice, substantially shortened.

The market exchange rate of the Argentine peso against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market, and is indirectly influenced by Argentine governmental actions carried out through certain public bodies, including the Argentine Central Bank. During 2011, the Argentine Central Bank maintained the value of the U.S. dollar between Argentine pesos 4.0 and Argentine pesos 4.3 per U.S. dollar.

**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 Shares or ADSs of the Company other than a Luxembourg Holder.*



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### **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 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<sup>2</sup> will be taxable at a special rate, but after a holding period of six months. Within the six month period, standard rates apply.

##### *Luxembourg resident corporate holders*

Capital gains realized upon the disposal of Shares or ADSs by a fully taxable resident corporate holder will in principle be subject to corporate income tax and municipal business tax. The combined applicable rate (including an unemployment fund contribution) is 28.80% for the fiscal year ending 2011 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 21<sup>st</sup>, 2001 in combination with article 166 of the Luxembourg Income Tax law subject to the fulfillment of the conditions set forth therein.

<sup>2</sup> 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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### ***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 21<sup>st</sup>, 2001 in combination with Article 166 of the Luxembourg Income Tax Law subject in each case to fulfillment of the conditions set out therein.

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

### **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 30<sup>th</sup>, 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,

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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 (except (iv)), 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 (Bewertungsgesetz), as amended.

#### ***Non-Luxembourg Holders***

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

### ***Stamp and registration taxes***

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

### ***Estate and gift taxes***

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

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

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### **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 of long-term resident of the United States,

a person that actually or constructively owns 10% or more of our voting stock (including ADSs),

a person that holds Shares or ADSs as part of a straddle or a hedging or conversion transaction,

a person that purchases or sells ADSs as part of a wash sale for tax purposes, or

a U.S. holder (as defined below) whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

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

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

an individual citizen or resident of the United States,

a domestic corporation,

an estate whose income is subject to U.S. federal income tax regardless of its source, or

a trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

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

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

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

### ***Taxation of dividends***

*U.S. Holders.* Under the U.S. federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, if you are a U.S. holder, the gross amount of any distribution we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold Shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the Shares or ADSs generally will be qualified dividend income but there can be no assurance in this regard.

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

The amount of any dividend paid in foreign currency will equal the U.S. dollar value of the foreign currency received calculated by reference to the exchange rate in effect on the date the dividend is received by the depositary, regardless of whether the foreign currency is converted into U.S. dollars. If the foreign currency received as a dividend is converted into U.S. dollars on the date of receipt, you generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If the foreign currency received as a dividend is not converted into U.S. dollars on the date of receipt, you will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the foreign currency will generally be treated as ordinary income or loss from sources within the United States.

For foreign tax credit purposes, dividends will be income from sources outside the United States and will generally constitute passive category income for purposes of computing the foreign tax credit. In certain circumstances, if you have held Shares or ADSs for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for foreign taxes imposed on dividends that we pay.

Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent a refund of the tax withheld is available to you under Luxembourg law or under any applicable treaty, the amount of tax withheld that is refundable will not be eligible for credit against your U.S. federal income tax liability. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

### ***Taxation of capital gains***

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

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

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

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

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

The Company is subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, as applied to foreign private issuers. Because the Company is a foreign private issuer, the SEC's rules do not require it to deliver proxy statements or to file quarterly reports. In addition, the Company's insiders are not subject to the SEC's rules that prohibit short-swing trading. We prepare quarterly and annual reports containing consolidated financial statements. The Company's annual consolidated financial statements are certified by an independent accounting firm. The Company submits quarterly financial information with the SEC on Form 6-K simultaneously with or promptly following the publication of that information in Luxembourg or any other jurisdiction in which the Company's securities are listed, and the Company files annual reports on Form 20-F within the time period required by the SEC, which is currently six months from the close of the fiscal year on December 31, and will be shortened to four months for annual reports on financial statements ending on or after 2011. These quarterly and annual reports may be reviewed at the SEC's public reference room. Reports and other information filed electronically with the SEC are also available at the SEC's Internet website.

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

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The Company has appointed The Bank of New York Mellon to act as depositary for its ADSs. During the time there continue to be ADSs deposited with the Depositary, it will furnish the Depositary with:

its annual reports, *and*

summaries of all notices of shareholders' meetings and other reports and communications that are made generally available to the Company's shareholders.

The Depositary will, as provided in the deposit agreement, arrange for the mailing of summaries in English of the reports and communications to all record holders of ADSs. Any record holder of ADSs may read the reports, notices or summaries thereof, and communications at the Depositary's office located at 101 Barclay Street, New York, New York 10286.

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

**I. Subsidiary Information**

Not applicable.

**Item 11. Quantitative and Qualitative Disclosure about Market Risk**

The multinational nature of our operations and customer base expose us to a variety of risks, including the effects of changes in foreign currency exchange rates, interest rates and commodity prices. In order to reduce the impact related to these exposures, management evaluates exposures on a consolidated basis to take advantage of natural exposure netting. For the residual exposures, we may enter into various derivative transactions in order to reduce potential adverse effects on our financial performance. Such derivative transactions are executed in accordance with internal policies applicable to counterparty exposure and hedging practices. We do not enter into derivative financial instruments for trading or other speculative purposes, other than non-material investments in structured products.

The following information should be read together with Section III, Financial Risk Management to our audited consolidated financial statements included elsewhere in this annual report.

**Debt Structure**

The following tables provide a breakdown of our debt instruments at December 31, 2011 and 2010 which included fixed and variable interest rate obligations, detailed by currency and maturity date:

At December 31, 2011	2012	Expected maturity date					Total <sup>(1)</sup>
		2013	2014	2015	2016	Thereafter	
<b>Non-current Debt</b>							
Fixed rate		78,328	887	1,112	863	3,018	<b>84,208</b>
Floating rate		32,581	7,641	7,641	5,715	11,989	<b>65,567</b>
<b>Current Debt</b>							
Fixed rate	567,726						<b>567,726</b>
Floating rate	213,375						<b>213,375</b>
	<b>781,101</b>	<b>110,909</b>	<b>8,528</b>	<b>8,753</b>	<b>6,578</b>	<b>15,007</b>	<b>930,876</b>

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At December 31, 2010	2011	Expected maturity date					Total <sup>(1)</sup>
		2012	2013	2014	2015	Thereafter	
<b>Non-current Debt</b>							
Fixed rate		56,017	806	540	414	153	57,930
Floating rate		98,210	32,397	7,459	7,459	17,115	162,640
<b>Current Debt</b>							
Fixed rate	583,808						583,808
Floating rate	440,118						440,118
	<b>1,023,926</b>	<b>154,227</b>	<b>33,203</b>	<b>7,999</b>	<b>7,873</b>	<b>17,268</b>	<b>1,244,496</b>

(1) As most borrowings are based on short-term fixed rates, or floating rates that approximate market rates, with interest rate resetting every 3 to 6 months, the fair value of the borrowings approximates its carrying amount and is not disclosed separately.

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The weighted average interest rates before tax (calculated using the rates set for each instrument at year end, in its corresponding currency and considering hedge accounting), amounted to 3.84% at December 31, 2011 and to 4.08% at December 31, 2010.

Our financial liabilities (other than trade payables and derivative financial instruments) consist mainly of bank loans. As of December 31, 2011 U.S. dollar denominated financial debt plus debt denominated in other currencies swapped to the U.S. dollar represented 88% 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.

**Interest Rate Risk**

Fluctuations in market interest rates create a degree of risk by affecting the amount of our interest payments. At December 31, 2011, we had variable interest rate debt of \$278.9 million and fixed rate debt of \$651.9 million. This risk is to a great extent mitigated by our investment portfolio.

In addition, we have entered into foreign exchange derivatives contracts and/or interest rate swaps in order to mitigate the exposure to changes in interest rates.

*Interest Rate Coverage*

There were no interest rate derivatives outstanding at December 31, 2011. At December 31, 2010, we had variable interest rate swaps with knock-in provisions according to the following schedule:

*Thousands of U.S. dollars*

Type of derivative	Reference rate	Average rate (fixed or floor-cap)	Expiry	Notional amount	Fair value at December 31, 2010
Pay fixed/Receive variable with knock-in at 2.50%	Libor 6M	4.91%	2011	350,000	(5,359)
					(5,359)

**Foreign Exchange Rate Risk**

We manufacture our products in a number of countries and sell them through a number of companies located throughout the world and as a result we are exposed to foreign exchange rate risk. Since the Company's functional currency is the U.S. dollar, the purpose of our foreign currency hedging program is mainly to reduce the risk caused by changes in the exchange rates of other currencies against the U.S. dollar.

Most of our revenues are determined or influenced by the U.S. dollar. In addition, most of our costs correspond to steelmaking raw materials and steel coils and plates, also determined or influenced by the U.S. dollar. However, outside the United States, a portion of our expenses is incurred in foreign currencies (e.g. labor costs). Therefore, when the U.S. dollar weakens in relation to the foreign currencies of the countries where we manufacture our products, the U.S. dollar-reported expenses increase. In 2011, a 5% weakening of the U.S. dollar average exchange rate against the currencies of the countries where we have labor costs would have decreased operating income by approximately 4%.

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Our consolidated exposure to currency fluctuations is reviewed on a periodic basis. A number of hedging transactions are performed in order to achieve an efficient coverage in the absence of operative or natural hedges. Almost all of these hedging transactions are forward exchange rate contracts.

Because a number of subsidiaries have functional currencies other than the U.S. dollar, the results of hedging activities as reported in the income statement under IFRS may not fully reflect management's assessment of its foreign exchange risk hedging needs. Also, intercompany balances between our subsidiaries may generate exchange rate results to the extent that their functional currencies differ.

The value of our financial assets and liabilities is subject to changes arising out of the variation of foreign currency exchange rates. The following table provides a breakdown of our main financial assets and liabilities (including foreign exchange derivative contracts) which impact our profit and loss as of December 31, 2011.

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

<b>Currency Exposure</b>	<b>Functional currency</b>	<b>Long / (Short) Position</b>
Argentine Peso	U.S. dollar	(181,622)
U.S. dollar	Japanese Yen	68,366
U.S. dollar	Euro	(66,272)
U.S. dollar	Brazilian real	(64,060)
Mexican Peso	U.S. dollar	56,652
Canadian dollar	U.S. dollar	(23,670)

The main relevant exposure as of December 31, 2011 corresponds to Argentine peso-denominated trade, social and fiscal payables at our Argentine subsidiaries which functional currency is the U.S. dollar.

*Foreign Currency Derivative Contracts*

At December 31, 2011 and 2010, Tenaris was party to foreign currency forward agreements as detailed below.

*Thousands of U.S. dollars*

<b>Currencies</b>	<b>Contract</b>	<b>Contract Amount</b>	<b>Average contractual exchange rate</b>	<b>Term</b>	<b>Fair value at December 31, 2011</b>
US\$/MXP	Mexican Peso Forward purchases	260,327	12.26	2013	(41,163)
BRL/US\$	Brazilian Real Forward sales	53,817	1.79	2012	3,260
US\$/ARS	Argentine Peso Forward purchases	352,920	4.53	2012	(842)
CAD/US\$	Canadian Dollar Forward sales	63,828	1.03	2012	(749)
Others					(308)
US\$ / CAD	Canadian Dollar Forward Purchases (Embedded into purchase contract)	198,927	1.03	2017	435
					<b>(39,367)</b>

*Thousands of U.S. dollars*

<b>Currencies</b>	<b>Contract</b>	<b>Contract Amount</b>	<b>Average contractual exchange rate</b>	<b>Term</b>	<b>Fair value at December 31, 2010</b>
US\$/ARS	Argentine Peso Forward purchases	369,846	4.34	2011	24,819
US\$/MXP	Mexican Peso Forward purchase / sales	220,235	12.83	2011	1,451
US\$/JPY	Japanese Yen Forward purchases	50,021	83.20	2011	1,043
CAD/US\$	Canadian Dollar Forward sales	62,438	1.02	2011	(1,563)
KWD/US\$	Kuwaiti Dinar Forward sales	55,482	0.29	2011	(1,732)
BRL/US\$	Brazilian Real Forward sales	32,156	1.80	2011	(2,087)
Others					(285)

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US\$ / CAD	Canadian Dollar Forward Purchases (Embedded into purchase contract)	227,596	1.03	2017	3,278
					<b>24,924</b>

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### **Accounting for Derivative Financial Instruments and Hedging Activities**

Derivative financial instruments are classified as financial assets (or liabilities) at fair value through profit or loss. Their fair value is calculated using standard pricing techniques and, as a general rule, we recognize the full amount related to the change in its fair value under financial results in the current period.

We designate for hedge accounting certain derivatives that hedge risks associated with recognized assets, liabilities or highly probable forecast transactions. These instruments are classified as cash flow hedges. The effective portion of the fair value of such derivatives is accumulated in a reserve account in equity. Amounts accumulated in equity are then recognized in the income statement in the same period than the offsetting losses and gains on the hedged item are recorded. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of our derivative financial instruments (assets or liabilities) continues to be reflected on the consolidated statement of financial position.

At December 31, 2011, the effective portion of designated cash flow hedges, included in other reserves in shareholders' equity amounted to a loss of \$8.2 million.

### **Concentration of credit risk**

There is no significant concentration of credit from customers. No single customer comprised more than 10% of our net sales in 2011.

Our credit policies related to sales of products and services are designed to identify customers with acceptable credit history, and to allow us to use credit insurance, letters of credit and other instruments designed to minimize credit risk whenever deemed necessary. We maintain allowances for potential credit losses.

### **Commodity Price Sensitivity**

We use commodities and raw materials that are subject to price volatility caused by supply conditions, political and economic variables and other unpredictable factors. As a consequence, we are exposed to risk resulting from fluctuations in the prices of these commodities and raw materials. Although we fix the prices of such raw materials and commodities for short-term periods, typically not in excess of one year, in general we do not hedge this risk. In the past we have occasionally used commodity derivative instruments to hedge certain fluctuations in the market prices of raw material and energy.

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

### **A. Debt securities**

Not applicable.

### **B. Warrants and Rights**

Not applicable.

### **C. Other securities**

Not applicable.

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### **D. American Depositary Shares**

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

A fee of USD5.00 (or less) per 100 ADSs (or portion of 100 ADSs) for: issuance of ADSs, including issuances resulting from a distribution of Shares or rights or other property; and cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates.

A fee of USD0.02 (or less) per ADSs for any cash distribution to ADS registered holders, excluding cash dividend.

As necessary, charges for taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or Share underlying an ADS (e.g., share transfer taxes, stamp duty or withholding taxes).

Registration or transfer fees for transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw Shares.

Expenses of the Depositary for cable, telex and facsimile transmissions (when expressly provided in the deposit agreement); and conversion of foreign currency.

A fee equivalent to the fee that would be payable if securities distributed to ADS holders had been Shares and the Shares had been deposited for issuance of ADSs for distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS registered holders.

As necessary, charges for any costs incurred by the Depositary or its agents for servicing the deposited securities.

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

### **Fees payable by the Depositary to the Company**

#### *Fees incurred in 2011*

For the year ended December 31, 2011, the Company received from the Depositary \$2.25 million for continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADSs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls), any applicable performance indicators relating to the ADS program, underwriting fees and legal fees.

#### *Fees to be paid in the future*

The Depositary has agreed to reimburse the Company for expenses it incurs that are related to establishment and maintenance expenses of the ADS program. The Depositary has agreed to reimburse the Company for its continuing annual stock exchange listing fees. The Depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADSs, which consist of the expenses of postage and envelopes for mailing financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms,

stationery, postage, facsimile, and telephone calls. It has also agreed to reimburse the Company annually for certain investor relationship programs or special investor relations promotional activities. There are limits on the amount of expenses for which the Depositary will reimburse the Company, but the amount of reimbursement available to the Company is not necessarily tied to the amount of fees the Depositary collects from investors.

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**PART II**

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

None.

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

None.

**Item 15. Controls and Procedures**

**Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-5(e) under the Exchange Act) as of December 31, 2011. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2011, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at a reasonable assurance level.

**Management's report on internal control over financial reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Tenaris's internal control over financial reporting was designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of its consolidated financial statements for external purposes in accordance with IFRS.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or omissions. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted its assessment of the effectiveness of Tenaris's internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management has concluded that Tenaris's internal control over financial reporting, as of December 31, 2011, is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The effectiveness of Tenaris's internal control over financial reporting as of December 31, 2011, has been audited by PricewaterhouseCoopers S.à r.l., *Réviseur d'entreprises agréé*, an independent registered public accounting firm, as stated in their report included herein. See Consolidated Financial Statements Report of Independent Registered Public Accounting Firm .

**Table of Contents****Changes in internal control over financial reporting**

During the period covered by this report, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert**

Neither Luxembourg law nor the Company's articles of association require that audit committee members be financially literate or acquire such financial knowledge within a reasonable period. The Company's board of directors has determined that the audit committee members do not meet the attributes defined in Item 16A of Form 20-F for audit committee financial experts. However, it has concluded that the membership of the audit committee as a whole has sufficient recent and relevant financial experience to properly discharge its functions. In addition, the audit committee, from time to time and as it deems necessary, engages persons that meet all of the attributes of an audit committee financial expert as consultants.

**Item 16B. Code of Ethics**

In addition to the general code of conduct incorporating guidelines and standards of integrity and transparency applicable to all of our directors, officers and employees, we have adopted a code of ethics for financial officers which applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and is intended to supplement the Company's code of conduct.

The text of our codes of conduct and code of ethics is posted on our Internet website at: <http://ir.tenaris.com/codeOfConduct.cfm>.

**Item 16C. Principal Accountant Fees and Services***Fees Paid to the Company's Principal Accountant*

In 2011 and 2010 PwC served as the principal external auditor for the Company. Fees payable to PwC in 2011 and 2010 are detailed below.

<i>Thousands of U.S. dollars</i>	<b>For the year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Audit Fees	5,398	4,291
Audit-Related Fees	99	77
Tax Fees	151	161
All Other Fees	4	88
<b>Total</b>	<b>5,652</b>	<b>4,617</b>

*Audit Fees*

Audit fees were paid for professional services rendered by the auditors for the audit of the consolidated financial statements and internal control over financial reporting of the Company, the statutory financial statements of the Company and its subsidiaries, and any other audit services required for the SEC or other regulatory filings.

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### *Audit-Related Fees*

Audit-related fees are typically services that are reasonably related to the performance of the audit or review of the consolidated financial statements of the Company and the statutory financial statements of the Company and its subsidiaries and are not reported under the audit fee item above. This item includes fees for attestation services on financial information of the Company and its subsidiaries included in their annual reports that are filed with their respective regulators.

### *Tax Fees*

Fees paid for tax compliance professional services.

### *All Other Fees*

Other fees paid to PwC include fees for the support in the development of training courses and the implementation of certain information technology systems.

### *Audit Committee's Pre-approval Policies and Procedures*

The Company's audit committee is responsible for, among other things, the oversight of the Company's independent auditors. The audit committee has adopted in its charter a policy of pre-approval of audit and permissible non-audit services provided by its independent auditors.

Under the policy, the audit committee makes its recommendations to the shareholders' meeting concerning the continuing appointment or termination of the Company's independent auditors. On a yearly basis, the audit committee reviews together with management and the independent auditor, the audit plan, audit related services and other non-audit services and approves the related fees. Any changes to the approved fees must be reviewed and approved by the audit committee. In addition, the audit committee delegates to its Chairman the authority to consider and approve, on behalf of the audit committee, additional non-audit services that were not recognized at the time of engagement, which must be reported to the other members of the audit committee at its next meeting. No services outside the scope of the audit committee's approval can be undertaken by the independent auditor.

The audit committee did not approve any fees pursuant to the *de minimis* exception to the pre-approval requirement provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X during 2011 or 2010.

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

Not applicable.

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

In 2011, to our knowledge, there were no purchases of any class of registered equity securities of the Company by the Company or any affiliated purchaser (as such term is defined in Rule 10b-18(a)(3) under the Exchange Act).

On June 2, 2010, the Company's annual general shareholders meeting resolved to cancel the authorization granted to the Company and to the Company's subsidiaries to acquire, from time to time, Shares, including shares represented by ADSs, granted by the general meeting of shareholders held on June 3, 2009, and to grant a new authorization to the Company and to the Company's subsidiaries to purchase, acquire or receive, from time to time, securities, on the following terms and conditions:

Purchases, acquisitions or receptions of securities may be made in one or more transactions as the Board of Directors or the board of directors or other governing bodies of the relevant entity, as applicable, considers advisable.



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The maximum number of securities acquired pursuant to this authorization may not exceed 10% of the Company's issued and outstanding shares or, in the case of acquisitions made through a stock exchange in which the securities are traded, such lower amount as may not be exceeded pursuant to any applicable laws or regulations of such market. The number of securities acquired as a block may amount to the maximum permitted amount of purchases.

The purchase price per share to be paid in cash may not exceed 125% (excluding transaction costs and expenses), nor may it be lower than 75% (excluding transaction costs and expenses), in each case of the average of the closing prices of the Company's securities in the stock exchange through which the Company's securities are acquired, during the five trading days in which transactions in the securities were recorded in such stock exchange preceding (but excluding) the day on which the Company's securities are acquired. For over-the-counter or off-market transactions, the purchase price per ADR to be paid in cash may not exceed 125% (excluding transaction costs and expenses), nor may it be lower than 75% (excluding transaction costs and expenses), in each case of the average of the closing prices of the ADSs in the New York Stock Exchange during the five trading days in which transactions in ADSs were recorded in the New York Stock Exchange preceding (but excluding) the day on which the ADSs are acquired; and, in the case of acquisition of securities, other than in the form of ADSs, such maximum and minimum purchase prices shall be calculated based on the number of underlying shares represented by such ADSs. Compliance with maximum and minimum purchase price requirements in any and all acquisitions made pursuant to this authorization (including, without limitation, acquisitions carried out through the use of derivative financial instruments or option strategies) shall be determined on and as of the date on which the relevant transaction is entered into, irrespective of the date on which the transaction is to be settled.

The above maximum and minimum purchase prices shall, in the event of a change in the par value of the shares, a capital increase by means of a capitalization of reserves, a distribution of shares under compensation or similar programs, a stock split or reverse stock split, a distribution of reserves or any other assets, the redemption of capital, or any other transaction impacting on the Company's equity be adapted automatically, so that the impact of any such transaction on the value of the shares shall be reflected.

The acquisitions of securities may not have the effect of reducing the Company's net assets below the sum of the Company's capital stock plus its undistributable reserves.

Only fully paid-up securities may be acquired pursuant to this authorization.

The acquisitions of securities may be carried out for any purpose, as may be permitted under applicable laws and regulations, including without limitation to reduce the share capital of the Company, to offer such shares to third parties in the context of corporate mergers or acquisitions of other entities or participating interests therein, for distribution to the Company's or the Company's subsidiaries' directors, officers or employees or to meet obligations arising from convertible debt instruments.

The acquisitions of securities may be carried out by any and all means, as may be permitted under applicable laws and regulations, including through any stock exchange in which the Company's securities are traded, through public offers to all shareholders of the Company to buy securities, through the use of derivative financial instruments or option strategies, or in over the counter or off-market transactions or in any other manner.

The acquisitions of securities may be carried out at any time, during the duration of the authorization, including during a tender offer period, as may be permitted under applicable laws and regulations.

The authorization granted to acquire securities shall be valid for such maximum period as may be provided for under applicable Luxembourg law as in effect from time to time (such maximum period being, as of to date, 5 years).

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The acquisitions of securities shall be made at such times and on such other terms and conditions as may be determined by the Board of Directors or the board of directors or other governing bodies of the relevant entity, provided that, any such purchase shall comply with Article 49-2 et. seq. of the Luxembourg law of August 10, 1915 on commercial companies (or any successor law) and, in the case of acquisitions of securities made through a stock exchange in which the Company's securities are traded, with any applicable laws and regulations of such market.

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

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

Our independent auditors are appointed annually for one-year terms. Following our recent corporate reorganization (see Item 10.E. Additional Information Taxation Corporate Reorganization), our central financial reporting and bookkeeping functions were relocated to Luxembourg. As a result, the Company, Price Waterhouse & Co S.R.L. (PwC's Argentine member firm), or PwC Argentina, and PricewaterhouseCoopers S.à r.l. (PwC's Luxembourg member firm), or PwC Luxembourg, agreed that, upon the expiration of the engagement of PwC Argentina for the year ended December 31, 2010, PwC Argentina would cease to act as the Company's principal auditor and, subject to approval by the Company's shareholders, PwC Luxembourg would take over that role. PwC Luxembourg was appointed as the Company's independent auditor for the fiscal year ended December 31, 2011 at the ordinary general shareholders' meeting held on June 1, 2011. PwC Argentina continues to participate in the audit process of the Company and its Argentine subsidiaries.

**Item 16G. Corporate Governance**

The Company's corporate governance practices are governed by Luxembourg Law (including among others, the law of August 10, 1915 on commercial companies and the law of January 11, 2008, implementing the European Union's transparency directive) and the Company's articles of association. As a Luxembourg company listed on the New York Stock Exchange (the NYSE), the Bolsa Mexicana de Valores, S.A. de C.V. (the Mexican Stock Exchange), the Bolsa de Comercio de Buenos Aires (the Buenos Aires Stock Exchange) and Borsa Italiana S.p.A. (the Italian Stock Exchange), the Company is required to comply with some, but not all, of the corporate governance standards of these exchanges. The Company, however, believe that the Company's corporate governance practices meet, in all material respects, the corporate governance standards that are generally required for controlled companies by all of the exchanges on which the Company's securities trade.

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

**Non-management directors' meetings**

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

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

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### **Audit committee**

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

Under NYSE standards, all audit committee members of listed U.S. companies are required to be financially literate or must acquire such financial knowledge within a reasonable period and at least one of its members shall have experience in accounting or financial administration. In addition, if a member of the audit committee is simultaneously a member of the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its members may serve, then in each case the board must determine whether the simultaneous service would prevent such member from effectively serving on the listed company's audit committee and shall publicly disclose its decision. No comparable provisions on audit committee membership exist under Luxembourg law or the Company's articles of association. The Company's board of directors, however, has concluded that the membership of the audit committee as a whole has sufficient recent and relevant financial experience to properly discharge its functions. In addition, the audit committee, from time to time and as it deems necessary, engages persons that meet all of the attributes of a financial expert as consultants. See Item 16A. Audit Committee Financial Expert .

### **Standards for evaluating director independence**

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

### **Audit committee responsibilities**

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

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

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### **Shareholder voting on equity compensation plans**

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

### **Disclosure of corporate governance guidelines**

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

### **Code of business conduct and ethics**

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

### **Chief executive officer certification**

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

### **Item 16H. Mine Safety Disclosure**

Not applicable.

## **PART III**

### **Item 17. Financial Statements**

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

### **Item 18. Financial Statements**

See pages F-1 through F-64 of this annual report.



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**Item 19. Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
1.1	Updated and Consolidated Articles of Association of Tenaris S.A., dated as of June 1, 2011*
2.1	Amended and Restated Deposit Agreement entered into between Tenaris S.A. and The Bank of New York Mellon **
7.1	Statement Explaining Calculation of Ratios
8.1	List of Subsidiaries of Tenaris S.A.
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of PricewaterhouseCoopers S.à.r.l., Réviseur d entreprises agréé, Independent Registered Public Accounting Firm
15.2	Consent of Price Waterhouse & Co. S.R.L., Independent Registered Public Accounting Firm
15.3	Item 16F letter issued by Price Waterhouse & Co. S.R.L.

\* The Updated and Consolidated Articles of Association are incorporated by reference to the Annual Report on Form 20-F, filed by Tenaris S.A. on June 30, 2011 (File No. 001-31518).

\*\* The Deposit Agreement is incorporated by reference to the Registration Statement on Form F-6 filed by Tenaris S.A. on August 9, 2009 (Registration No. 333-168673).

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**TENARIS S.A.**  
**CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**For the years ended December 31, 2011, 2010 and 2009**

29, Avenue de la Porte-Neuve 3<sup>e</sup> Floor.

L 2227 Luxembourg

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

Tenaris S.A.

In our opinion, the accompanying consolidated statement of financial position as of December 31, 2011 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2011 present fairly, in all material respects, the financial position of Tenaris S.A. and its subsidiaries at December 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's report on internal control over financial reporting appearing under Item 15. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

*PricewaterhouseCoopers S.à r.l., 400 Route d'Esch, B.P. 1443, L-1014 Luxembourg*

*T: +352 494848 1, F: +352 494848 2900, www.pwc.lu*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°00123693)*

*R.C.S. Luxembourg B 65 477 - Capital social EUR 516 950 - TVA LU17564447*

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers S.à r.l.  
Represented by

Luxembourg, April 30, 2012

/s/ Mervyn R. Martins  
Mervyn R. Martins

*PricewaterhouseCoopers S.à r.l., 400 Route d Esch, B.P. 1443, L-1014 Luxembourg*

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°00123693)*

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

Tenaris S.A.

In our opinion, the consolidated statement of financial position as of December 31, 2010 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the two years in the period ended December 31, 2010 present fairly, in all material respects, the financial position of Tenaris S.A. and its subsidiaries at December 31, 2010, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Buenos Aires, Argentina

June 30, 2011

PRICE WATERHOUSE & CO. S.R.L.

by /s/ Diego M. Niebuhr (Partner)  
Diego M. Niebuhr

*Price Waterhouse & Co. S.R.L., Bouchard 557, piso 8°, C1106ABG - Ciudad de Buenos Aires*

*T: +(54.11) 4850.0000, F: +(54.11) 4850.1800, www.pwc.com/ar*

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**CONSOLIDATED INCOME STATEMENT**

(all amounts in thousands of U.S. dollars, unless otherwise stated)	Notes	Year ended December 31,		
		2011	2010	2009
<b>Continuing operations</b>				
Net sales	1	9,972,478	7,711,598	8,149,320
Cost of sales	1 & 2	(6,229,526)	(4,700,810)	(4,864,922)
<b>Gross profit</b>		<b>3,742,952</b>	<b>3,010,788</b>	<b>3,284,398</b>
Selling, general and administrative expenses	1 & 3	(1,853,244)	(1,515,870)	(1,473,791)
Other operating income	5 (i)	11,541	85,658	7,673
Other operating expenses	5 (ii)	(6,491)	(7,029)	(4,673)
<b>Operating income</b>		<b>1,894,758</b>	<b>1,573,547</b>	<b>1,813,607</b>
Interest income	6	30,840	32,855	30,831
Interest expense	6	(52,407)	(64,103)	(118,301)
Other financial results	6	11,268	(21,305)	(64,230)
<b>Income before equity in earnings of associated companies and income tax</b>		<b>1,884,459</b>	<b>1,520,994</b>	<b>1,661,907</b>
Equity in earnings of associated companies	7	61,509	70,057	87,041
<b>Income before income tax</b>		<b>1,945,968</b>	<b>1,591,051</b>	<b>1,748,948</b>
Income tax	8	(525,247)	(450,004)	(513,211)
<b>Income for continuing operations</b>		<b>1,420,721</b>	<b>1,141,047</b>	<b>1,235,737</b>
<b>Discontinued operations</b>				
Result for discontinued operations	29			(28,138)
<b>Income for the year</b>		<b>1,420,721</b>	<b>1,141,047</b>	<b>1,207,599</b>
<b>Attributable to:</b>				
Equity holders of the Company		1,331,157	1,127,367	1,161,555
Non-controlling interests		89,564	13,680	46,044
		<b>1,420,721</b>	<b>1,141,047</b>	<b>1,207,599</b>
<b>Earnings per share attributable to the equity holders of the Company during year:</b>				
Weighted average number of ordinary shares (thousands)	9	1,180,537	1,180,537	1,180,537
<b>Continuing and Discontinued operations</b>				
Basic and diluted earnings per share (U.S. dollars per share)	9	1.13	0.95	0.98
Basic and diluted earnings per ADS (U.S. dollars per ADS)	9	2.26	1.91	1.97
<b>Continuing operations</b>				
Basic and diluted earnings per share (U.S. dollars per share)		1.13	0.95	1.00

Basic and diluted earnings per ADS (U.S. dollars per ADS)	2.26	1.91	2.00
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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2011	2010	2009
<b>Income for the year</b>	<b>1,420,721</b>	<b>1,141,047</b>	<b>1,207,599</b>
<b>Other comprehensive income:</b>			
Currency translation adjustment	(325,789)	108,184	357,511
Changes in the fair value of derivatives held as cash flow hedges	983	7,649	1,384
Share of other comprehensive income of associates:			
- Currency translation adjustment	(43,278)	11,413	(1,302)
- Changes in the fair value of derivatives held as cash flow hedges	730	1,049	2,722
Income tax relating to components of other comprehensive income (*)	(2,234)	(3,316)	2,089
<b>Other comprehensive income for the year, net of tax</b>	<b>(369,588)</b>	<b>124,979</b>	<b>362,404</b>
<b>Total comprehensive income for the year</b>	<b>1,051,133</b>	<b>1,266,026</b>	<b>1,570,003</b>
<b>Attributable to:</b>			
Equity holders of the Company	1,010,520	1,211,945	1,423,986
Non-controlling interests	40,613	54,081	146,017
	<b>1,051,133</b>	<b>1,266,026</b>	<b>1,570,003</b>

(\*) Relates to cash flow hedges.

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

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(all amounts in thousands of U.S. dollars)	Notes	At December 31, 2011		At December 31, 2010	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment, net	<b>10</b>	4,053,653		3,780,580	
Intangible assets, net	<b>11</b>	3,375,930		3,581,816	
Investments in associated companies	<b>12</b>	670,248		671,855	
Other investments	<b>13</b>	2,543		43,592	
Deferred tax assets	<b>21</b>	234,760		210,523	
Receivables	<b>14</b>	133,280	8,470,414	120,429	8,408,795
<b>Current assets</b>					
Inventories	<b>15</b>	2,806,409		2,460,384	
Receivables and prepayments	<b>16</b>	241,801		282,536	
Current tax assets	<b>17</b>	168,329		249,317	
Trade receivables	<b>18</b>	1,900,591		1,421,642	
Available for sale assets	<b>32</b>	21,572		21,572	
Other investments	<b>19</b>	430,776		676,224	
Cash and cash equivalents	<b>19</b>	823,743	6,393,221	843,861	5,955,536
<b>Total assets</b>			<b>14,863,635</b>		<b>14,364,331</b>
<b>EQUITY</b>					
Capital and reserves attributable to the Company's equity holders			10,506,227		9,902,359
Non-controlling interests			666,716		648,221
<b>Total equity</b>			<b>11,172,943</b>		<b>10,550,580</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	<b>20</b>	149,775		220,570	
Deferred tax liabilities	<b>21</b>	828,545		934,226	
Other liabilities	<b>22 (i)</b>	233,653		193,209	
Provisions	<b>23 (ii)</b>	72,975		83,922	
Trade payables		2,045	1,286,993	3,278	1,435,205
<b>Current liabilities</b>					
Borrowings	<b>20</b>	781,101		1,023,926	
Current tax liabilities	<b>17</b>	344,932		207,652	
Other liabilities	<b>22 (ii)</b>	286,762		233,590	
Provisions	<b>24 (ii)</b>	33,605		25,101	
Customer advances		55,564		70,051	
Trade payables		901,735	2,403,699	818,226	2,378,546

<b>Total liabilities</b>	<b>3,690,692</b>	<b>3,813,751</b>
<b>Total equity and liabilities</b>	<b>14,863,635</b>	<b>14,364,331</b>

Contingencies, commitments and restrictions to the distribution of profits are disclosed in Note 26.

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

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(all amounts in thousands of U.S. dollars)	Attributable to equity holders of the Company						Non-controlling		
	Share Capital (1)	Legal Reserves	Share Premium	Currency Translation Adjustment	Other Reserves	Retained Earnings (2)	Total	interests	Total
<b>Balance at January 1, 2011</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>108,419</b>	<b>15,809</b>	<b>7,869,807</b>	<b>9,902,359</b>	<b>648,221</b>	<b>10,550,580</b>
<b>Income for the year</b>						<b>1,331,157</b>	<b>1,331,157</b>	<b>89,564</b>	<b>1,420,721</b>
Currency translation adjustment				(276,507)			(276,507)	(49,285)	(325,792)
Hedge reserve, net of tax					(1,582)		(1,582)	334	(1,248)
Share of other comprehensive income of associates				(43,278)	730		(42,548)		(42,548)
<b>Other comprehensive income for the year</b>				<b>(319,785)</b>	<b>(852)</b>		<b>(320,637)</b>	<b>(48,951)</b>	<b>(369,588)</b>
<b>Total comprehensive income for the year</b>				<b>(319,785)</b>	<b>(852)</b>	<b>1,331,157</b>	<b>1,010,520</b>	<b>40,613</b>	<b>1,051,133</b>
Acquisition and increase of non-controlling interests					(1,930)		(1,930)	577	(1,353)
Treasury shares held by associated companies					(3,339)		(3,339)		(3,339)
Dividends paid in cash						(401,383)	(401,383)	(22,695)	(424,078)
<b>Balance at December 31, 2011</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>(211,366)</b>	<b>9,688</b>	<b>8,799,581</b>	<b>10,506,227</b>	<b>666,716</b>	<b>11,172,943</b>

(1) The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of \$1.00 per share. As of December 31, 2011 there were 1,180,536,830 shares issued. All issued shares are fully paid.

(2) The Distributable Reserve and Retained Earnings calculated according to Luxembourg Law are disclosed in Note 26. The accompanying notes are an integral part of these Consolidated Financial Statements.



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Dividends paid in cash	(507,631)	(507,631)	(46,086)	(553,717)
<b>Balance at December 31, 2009</b>	<b>1,180,537</b>	<b>118,054</b>	<b>609,733</b>	<b>29,533</b>
	<b>10,484</b>	<b>7,143,823</b>	<b>9,092,164</b>	<b>628,672</b>
			<b>9,720,836</b>	

(1) The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of \$1.00 per share. As of December 31, 2010 and 2009 there were 1,180,536,830 shares issued. All issued shares are fully paid. The accompanying notes are an integral part of these Consolidated Financial Statements.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(all amounts in thousands of U.S. dollars)	Note	Year ended December 31,		
		2011	2010	2009
<b>Cash flows from operating activities</b>				
Income for the year		1,420,721	1,141,047	1,207,599
Adjustments for:				
Depreciation and amortization	10 & 11	554,345	506,902	504,864
Income tax accruals less payments	28 (ii)	117,633	(57,979)	(458,086)
Equity in earnings of associated companies	7	(61,509)	(70,057)	(86,179)
Interest accruals less payments, net	28 (iii)	(24,880)	17,700	(24,167)
Changes in provisions		(2,443)	(364)	(7,268)
Impairment reversal	5		(67,293)	
Changes in working capital	28 (i)	(646,369)	(644,050)	1,737,348
Other, including currency translation adjustment		(74,194)	44,914	189,837
<b>Net cash provided by operating activities</b>		<b>1,283,304</b>	<b>870,820</b>	<b>3,063,948</b>
<b>Cash flows from investing activities</b>				
Capital expenditures	10 & 11	(862,658)	(847,316)	(460,927)
Acquisitions of subsidiaries and associated companies	27	(11,254)	(302)	(64,029)
Proceeds from disposal of property, plant and equipment and intangible assets		6,431	9,290	16,310
Dividends and distributions received from associated companies	12	17,229	14,034	11,420
Changes in investments in short terms securities		245,448	(96,549)	(533,812)
<b>Net cash used in investing activities</b>		<b>(604,804)</b>	<b>(920,843)</b>	<b>(1,031,038)</b>
<b>Cash flows from financing activities</b>				
Dividends paid		(401,383)	(401,383)	(507,631)
Dividends paid to non-controlling interest in subsidiaries		(22,695)	(31,881)	(46,086)
Acquisitions of non-controlling interests	27	(16,606)	(3,018)	(9,555)
Proceeds from borrowings		726,189	647,608	631,544
Repayments of borrowings		(953,413)	(862,921)	(2,096,925)
<b>Net cash used in financing activities</b>		<b>(667,908)</b>	<b>(651,595)</b>	<b>(2,028,653)</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>		<b>10,592</b>	<b>(701,618)</b>	<b>4,257</b>
<b>Movement in cash and cash equivalents</b>				
At the beginning of the year		820,165	1,528,707	1,525,022
Effect of exchange rate changes		(17,561)	(6,924)	9,124
Decrease in cash due to deconsolidation	32			(9,696)
Increase due to business combinations		1,836		
<b>Increase / (Decrease) in cash and cash equivalents</b>		<b>10,592</b>	<b>(701,618)</b>	<b>4,257</b>

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<b>At December 31,</b>	<b>28 (iv)</b>	<b>815,032</b>	<b>820,165</b>	<b>1,528,707</b>
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The accompanying notes are an integral part of these Consolidated Financial Statements.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**I. GENERAL INFORMATION**

Tenaris S.A. (the Company) was established as a public limited liability company (Société Anonyme) under the laws of the Grand-Duchy of Luxembourg on December 17, 2001. The Company holds, either directly or indirectly, controlling interests in various subsidiaries in the steel pipe manufacturing and distribution businesses. References in these Consolidated Financial Statements to Tenaris refer to Tenaris S.A. and its consolidated subsidiaries.

The Company's shares trade on the Buenos Aires Stock Exchange, the Italian Stock Exchange and the Mexico City Stock Exchange; the Company's American Depositary Securities (ADS) trade on the New York Stock Exchange.

These Consolidated Financial Statements were approved for issue by the Company's Board of Directors on February 23, 2012.

**II. ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**A Basis of presentation**

The Consolidated Financial Statements of Tenaris have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and adopted by the European Union, under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The Consolidated Financial Statements are, unless otherwise noted, presented in thousands of U.S. dollars ( \$ ).

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

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain accounting estimates and assumptions that might affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting dates, and the reported amounts of revenues and expenses during the reporting years. Actual results may differ from these estimates.

*(1) New and amended standards effective in 2011 and relevant for Tenaris*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2011 that have a material impact on Tenaris.

*(2) New standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted*

International Accounting Standard (IAS) 1 (amended 2011), Presentation of financial statements  
In June 2011, the IASB issued IAS 1 (amended 2011), Presentation of financial statements. The amendment requires entities to separate items presented in Other Comprehensive Income into two groups, based on whether or not they may be recycled to profit or loss in the future. IAS 1

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(amended 2011) must be applied for annual periods beginning on or after 1 July 2012.

### IAS 19 (amended 2011), Employee benefits

In June 2011, the IASB issued IAS 19 (amended 2011), Employee benefits, which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. IAS 19 (amended 2011) must be applied for annual periods beginning on or after 1 January 2013.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

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

(2) *New standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted (Cont.)*

#### **IFRS 9, Financial Instruments**

In November 2009, the IASB issued IFRS 9 Financial Instruments which establishes principles for the financial reporting of financial assets by simplifying their classification and measurement.

This interpretation is applicable for annual periods beginning on or after 1 January 2015. Earlier application is not permitted for entities that prepare financial statements in accordance with IFRS as adopted by the EU, since the interpretation is not yet adopted by the EU.

#### **IFRS 10, Consolidated financial statements**

In May 2011, the IASB issued IFRS 10, Consolidated financial statements. IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 and SIC-12. IFRS 10 must be applied for annual periods beginning on or after 1 January 2013.

#### **IFRS 12, Disclosures of interest in other entities**

In May 2011, the IASB issued IFRS 12, Disclosures of interest in other entities. This standard includes the disclosure requirements for all forms of interest in other entities. IFRS 12 must be applied for annual periods beginning on or after 1 January 2013.

#### **IFRS 13, Fair value measurement**

In May 2011, the IASB issued IFRS 13, Fair value measurement. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. IFRS 13 must be applied for annual periods beginning on or after 1 January 2013.

The Company's management has not assessed the potential impact that the application of these standards may have on the Company's financial condition or results of operations.

Management assessed the relevance of other new standards, amendments or interpretations not yet effective and concluded that they are not relevant to Tenaris.

### **B Group accounting**

#### *(1) Subsidiaries*

Subsidiaries are all entities which are controlled by Tenaris as a result of its ability to govern an entity's financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are consolidated from the date on which control is exercised

by the Company and are no longer consolidated from the date control ceases.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**B Group accounting (Cont.)***(1) Subsidiaries (Cont.)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by Tenaris. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any non-controlling interest in the acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the Consolidated Income Statement.

Material inter-company transactions, balances and unrealized gains (losses) on transactions between Tenaris subsidiaries have been eliminated in consolidation. However, since the functional currency of some subsidiaries is its respective local currency, some financial gains (losses) arising from inter-company transactions are generated. These are included in the Consolidated Income Statement under *Other financial results*.

See Note 31 for the list of the principal subsidiaries.

*(2) Associates*

Associates are all entities in which Tenaris has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Company's investment in associates includes goodwill identified in acquisition, net of any accumulated impairment loss.

Unrealized results on transactions between Tenaris and its associated companies are eliminated to the extent of Tenaris' interest in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment indicator of the asset transferred. Financial statements of associated companies have been adjusted where necessary to ensure consistency with IFRS.

The Company's pro-rata share of earnings in associates is recorded in the Consolidated Income Statement under *Equity in earnings of associated companies*. The Company's pro-rata share of changes in other reserves is recognized in the Consolidated Statement of Changes in Equity under *Other Reserves*.

At December 31, 2011, Tenaris holds 11.46% of Ternium's common stock (including treasury shares). The following factors and circumstances evidence that Tenaris has significant influence (as defined by IAS 28, *Investments in Associates*) over Ternium, and as a result the Company's investment in Ternium has been accounted for under the equity method:

Both the Company and Ternium are under the indirect common control of San Faustin S.A.

Four out of the nine members of Ternium's board of directors (including Ternium's chairman) are also members of the Company's board of directors.

Under the shareholders agreement by and between the Company and Techint Holdings S.à.r.l, a wholly owned subsidiary of San Faustin S.A. and Ternium's main shareholder, dated January 9, 2006, Techint Holdings is required to take actions within its power to cause (a) one of the members of Ternium's board of directors to be nominated by the Company and (b) any director nominated by the Company to be only removed from Ternium's board of directors pursuant to previous written instructions of the Company.

The Company's investment in Ternium is carried at incorporation cost plus proportional ownership of Ternium's earnings and other shareholders equity accounts. Because the exchange of its holdings in Amazonia and Ylopa for shares in Ternium was considered to be a transaction between companies under common control of San Faustin S.A. (formerly San Faustin N.V.), Tenaris recorded its initial ownership interest in Ternium at \$229.7 million, the carrying value of the investments exchanged. This value was \$22.6 million less than Tenaris proportional ownership of Ternium's shareholders' equity at the transaction date. As a result of this treatment, Tenaris investment in Ternium will not reflect its proportional ownership of Ternium's net equity position. Ternium carried out an initial public offering ( IPO ) of its shares on February 1, 2006, listing its ADS on the New York Stock Exchange.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

### **B Group accounting (Cont.)**

#### *(2) Associates (Cont.)*

Tenaris reviews investments in associated companies for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable, such as a significant or prolonged decline in fair value below the carrying value. Tenaris carries its investment in Ternium at its proportional equity value, with no additional goodwill or intangible assets recognized. At December 31, 2011, 2010 and 2009, no impairment provisions were recorded on Tenaris' investment in Ternium.

### **C Segment information**

The Company is organized in two major business segments: Tubes and Projects, which are also the reportable operating segments.

For purposes of this determination, the Company considered not only the nature of products and services, the economic characteristics and financial effects of each business activities in which the entity engages and the related economic environment in which it operates but also factors such as the nature of the production processes, the type or class of customer for the products and services and the method used to distribute the products or provide the related services.

The Tubes segment includes the operations that consist of the production and selling 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 certain other industrial applications with a production process that consists 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 done to the end user customers, with exports being done through a centrally managed global distribution network and domestic sales done, through local subsidiaries.

The Projects segment includes the operations that consist of the production and selling of welded steel pipe products mainly used in the construction of major pipeline projects for the transportation of gas and fluids with a production process that consists in the transformation of steel into large diameter welded tubular products, including SAW process and specific coating for most of the products. Pipeline projects are typically spread along hundreds of kilometers and are subject to specific government policies and other regulations. Accordingly, this business depends to a large extent on the number of active pipeline projects (and not on the level of drilling activity), particularly in the South American regional market, which is the region from which most revenues in this segment are derived. To a significant extent, products are distributed directly to end customers through the local subsidiaries. Each order involves the delivery of significant volumes of products in stages through an extended period of time.

The Other segment includes all other business activities and operating segments that are not required to be separately reported, including the operations that consist of the production and selling of sucker rods, welded steel pipes for electric conduits, industrial equipment and raw materials that exceed Tenaris' internal requirements.

Corporate general and administrative expenses have been allocated to the Tubes segment.

Tenaris groups its geographical information in five areas: North America, South America, Europe, Middle East and Africa, and Far East and Oceania. For purposes of reporting geographical information, net sales are allocated to geographical areas based on the customer's location;

allocation of assets and capital expenditures and associated depreciation and amortization are based on the geographic location of the assets.

**D Foreign currency translation**

*(1) Functional and presentation currency*

IAS 21 (revised) defines the functional currency as the currency of the primary economic environment in which an entity operates.

The functional and presentation currency of the Company is the U.S. dollar. The U.S. dollar is the currency that best reflects the economic substance of the underlying events and circumstances relevant to Tenaris global operations.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

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

*(1) Functional and presentation currency (Cont.)*

Tenaris determined that the functional currency of its Argentine subsidiaries (i.e., Siderca S.A.I.C. ( Siderca )) and its subsidiaries in that country) is the U.S. dollar, based on the following principal considerations:

Their sales are mainly negotiated, denominated and settled in U.S. dollars. If priced in a currency other than the U.S. dollar, the sales price considers exposure to fluctuation in the exchange rate versus the U.S. dollar;

The prices of their critical raw materials and inputs are priced and settled in U.S. dollars;

Their net financial assets and liabilities are mainly received and maintained in U.S. dollars;

The exchange rate of Argentina's legal currency has long-been affected by recurring and severe economic crises. In addition, the Company's Colombian subsidiaries and most of its distribution and trading subsidiaries and intermediate holding subsidiaries have the U.S. dollar as their functional currency, reflecting the transaction environment and cash flow of these operations.

Starting January 1, 2012, the Company changed the functional currency of its Mexican and Canadian 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, Tubos de Acero de Mexico S.A., or 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 will be exported to most 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.

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.

As a result of these changes in functional currency, a majority of the Company's subsidiaries within the Tubes segment (other than its European manufacturing subsidiaries) have the U.S. dollar as their functional currency. In the Projects and Others segments, the Company maintains the Brazilian Real as the functional currency of its Brazilian subsidiaries.

*(2) Transactions in currencies other than the functional currency*

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured.

At the end of each reporting period: (i) monetary items denominated in currencies other than the functional currency are translated using the closing rates; (ii) non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rates prevailing at the date of the transactions; and (iii) non-monetary items that are measured at fair value in a currency other than the functional currency are translated using the exchange rates prevailing at the date when the fair value was determined.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**D Foreign currency translation (Cont.)***(2) Transactions in currencies other than the functional currency (Cont.)*

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recorded as gains and losses from foreign exchange and included in Other financial results in the Consolidated Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, while translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in equity. Tenaris had no such assets or liabilities for any of the periods presented.

*(3) Translation of financial information in currencies other than the functional currency*

Results of operations for subsidiaries whose functional currencies are not the U.S. dollar are translated into U.S. dollars at the average exchange rates for each quarter of the year. Financial Statement positions are translated at the end-of-year exchange rates. Translation differences are recognized in a separate component of equity as currency translation adjustments. In the case of a sale or other disposal of any of such subsidiaries, any accumulated translation difference would be recognized in income as a gain or loss from the sale.

**E Property, plant and equipment**

Property, plant and equipment are recognized at historical acquisition or construction cost less accumulated depreciation and impairment losses; historical cost includes expenditure that is directly attributable to the acquisition of the items. Property, plant and equipment acquired through acquisitions accounted for as business combinations have been valued initially at the fair market value of the assets acquired.

Major overhaul and rebuilding expenditures are capitalized as property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the group and the investment enhances the condition of assets beyond its original condition. The carrying amount of the replaced part is derecognized. Ordinary maintenance expenses on manufacturing properties are recorded as cost of products sold in the year in which they are incurred.

Borrowing costs that are attributable to the acquisition or construction of certain capital assets are capitalized as part of the cost of the asset, in accordance with IAS 23(R) (*Borrowing Costs*). Assets for which borrowing costs are capitalized are those that require a substantial period of time to prepare for their intended use.

Depreciation method is reviewed at each year end. Depreciation is calculated using the straight-line method to depreciate the cost of each asset to its residual value over its estimated useful life, as follows:

Land	No Depreciation
Buildings and improvements	30-50 years
Plant and production equipment	10-40 years

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Vehicles, furniture and fixtures, and other equipment

4-10 years

The asset's residual values and useful lives of significant plant and production equipment are reviewed, and adjusted if appropriate, at each year-end date.

Management's re-estimation of assets useful lives, performed in accordance with IAS 16 ( Property plant and equipment ), did not materially affect depreciation expenses for 2011.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

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

Tenaris depreciates each significant part of an item of property, plant and equipment for its different production facilities that (i) can be properly identified as an independent component with a cost that is significant in relation to the total cost of the item, and (ii) has a useful operating life that is different from another significant part of that same item of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of assets and are recognized under *Other operating income* or *Other operating expenses* in the Consolidated Income Statement.

### **F Intangible assets**

#### *(1) Goodwill*

Goodwill represents the excess of the acquisition cost over the fair value of Tenaris's share of net identifiable assets acquired as part of business combinations determined mainly by independent valuations. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is included on the Consolidated Statement of Financial Position under *Intangible assets, net*.

For the purpose of impairment testing, goodwill is allocated to a subsidiary or group of subsidiaries that are expected to benefit from the business combination which generated the goodwill being tested.

#### *(2) Information systems projects*

Costs associated with developing or maintaining computer software programs are generally recognized as an expense as incurred. However, costs directly related to the development, acquisition and implementation of information systems are recognized as intangible assets if it is probable they have economic benefits exceeding one year.

Information systems projects recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 3 years. Amortization charges are classified as Selling, general and administrative expenses in the Consolidated Income Statement.

#### *(3) Licenses, patents, trademarks and proprietary technology*

Licenses, patents, trademarks, and proprietary technology acquired in a business combination are initially recognized at fair value at the acquisition date. Licenses, patents, proprietary technology and those trademarks that have a finite useful life are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives, and does not exceed a period of 10 years.

The balance of acquired trademarks amounts to \$86.7 million and \$89.7 million at December 31, 2011 and 2010 respectively, have indefinite useful lives according to external appraisal. Main factors considered in the determination of the indefinite useful lives, include the years that they have been in service and their recognition among customers in the industry.

*(4) Research and development*

Research expenditures as well as development costs that do not fulfill the criteria for capitalization are recorded as *Cost of sales* in the Consolidated Income Statement as incurred. Research and development expenditures included in *Cost of sales* for the years 2011, 2010 and 2009 totaled \$68.4 million, \$61.8 million and \$62.7 million, respectively.

*(5) Customer relationships*

In accordance with IFRS 3 and IAS 38, Tenaris has recognized the value of customer relationships separately from goodwill attributable to the acquisition of Maverick and Hydril.

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships acquired in a business combination have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight line method over the expected life of approximately 14 years for Maverick and 10 years for Hydril.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**G Impairment of non financial assets**

Long-lived assets including identifiable intangible assets are reviewed for impairment at the lowest level for which there are separately identifiable cash flows (cash generating units, or CGU). Most of the Company's principal subsidiaries that constitute a CGU have a single main production facility and, accordingly, each 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 reversal at each reporting date. In 2010, the Company reversed the impairment registered in 2008 corresponding to Prudential CGU's Customer Relationships (see Note 5).

In 2011 and 2010, none of the Company's CGUs including long-lived assets with finite useful lives, were tested for impairment as no impairment indicators were identified.

**H Other investments**

Other investments consist primarily of investments in financial debt instruments and time deposits with an original maturity of more than three months.

These investments are categorized as financial assets at fair value through profit or loss.

Purchases and sales of financial investments are recognized as of their settlement date.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

### **H Other investments (Cont.)**

The fair values of quoted investments are based on current bid prices. If the market for a financial investment is not active or the securities are not listed, Tenaris estimates the fair value by using standard valuation techniques (see Section III Financial Risk Management).

Results from financial investments are recognized in *Financial Results* in the Consolidated Income Statement.

### **I Inventories**

Inventories are stated at the lower of cost (calculated principally on the first-in-first-out FIFO method) and net realizable value. The cost of finished goods and goods in process is comprised of raw materials, direct labor, other direct costs and related production overhead costs. It excludes borrowing costs. Tenaris estimates net realizable value of inventories by grouping, where applicable, similar or related items. Net realizable value is the estimated selling price in the ordinary course of business, less any estimated costs of completion and selling expenses. Goods in transit at year end are valued based on supplier's invoice cost.

Tenaris establishes an allowance for obsolete or slow-moving inventory related to finished goods, supplies and spare parts. For slow moving or obsolete finished products, an allowance is established based on management's analysis of product aging. An allowance for slow-moving inventory of supplies and spare parts is established based on management's analysis of such items to be used as intended and the consideration of potential obsolescence due to technological changes.

### **J Trade and other receivables**

Trade and other receivables are recognized initially at fair value, generally the original invoice amount. Tenaris analyzes its trade receivables on a regular basis and, when aware of a specific counterparty's difficulty or inability to meet its obligations, impairs any amounts due by means of a charge to an allowance for doubtful accounts. Additionally, this allowance is adjusted periodically based on the aging of receivables.

### **K Cash and cash equivalents**

Cash and cash equivalents are comprised of cash in banks, liquidity funds and short-term investments with a maturity of less than three months at the date of purchase which are readily convertible to known amounts of cash. Assets recorded in cash and cash equivalents are carried at fair market value or at historical cost which approximates fair market value.

In the Consolidated Statement of Financial Position, bank overdrafts are included in *Borrowings* in current liabilities.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes overdrafts.

### **L Equity**

*(1) Equity components*

The Consolidated Statement of Changes in Equity includes:

The value of share capital, legal reserve, share premium and other distributable reserve calculated in accordance with Luxembourg Law;

The currency translation adjustment, other reserves, retained earnings and non-controlling interest calculated in accordance with IFRS.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**L Equity (Cont.)**

*(2) Share capital*

The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of \$1.00 per share. Total ordinary shares issued and outstanding as of December 31, 2011, 2010 and 2009 are 1,180,536,830 with a par value of \$1.00 per share with one vote each. All issued shares are fully paid.

*(3) Dividends distribution by the Company to shareholders*

Dividends distributions are recorded in the Company's financial statements when Company's shareholders have the right to receive the payment, or when interim dividends are approved by the Board of Directors in accordance with the by-laws of the Company.

Dividends may be paid by the Company to the extent that it has distributable retained earnings, calculated in accordance with Luxembourg law (see Note 26).

**M Borrowings**

Borrowings are recognized initially at fair value net of transaction costs incurred. In subsequent years, borrowings are valued at amortized cost.

**N Current and Deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Consolidated Income Statement, except to the extent that it relates to items recognized in the Consolidated Statement of Other Comprehensive Income. In this case, the tax is also recognized in the Consolidated Statement of Other Comprehensive Income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions when appropriate.

Deferred income tax is recognized applying the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from fair value adjustments of assets acquired in business combinations, the effect of currency translation on fixed assets, depreciation on property, plant and equipment, valuation of inventories and provisions for pension plans. Deferred tax assets are also recognized for net operating loss carry-forwards. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the time period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized to the extent it is probable that future taxable income will be available against which the temporary differences can be utilized. At the end of each reporting period, Tenaris reassesses unrecognized deferred tax assets. Tenaris recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

**O Employee benefits**

*(a) Employee severance indemnity*

Employee severance indemnity costs are assessed at each year-end using the projected unit credit method. Employee severance indemnity obligations are measured at the present value of the estimated future cash outflows, based on actuarial calculations provided by independent advisors and in accordance with current legislation and labor contracts in effect in each respective country. The cost of this obligation is charged to the Consolidated Income Statement over the expected service lives of employees.

This provision is primarily related to the liability accrued for employees at Tenaris Italian subsidiary.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**O Employee benefits (Cont.)**

*(a) Employee severance indemnity (Cont.)*

As from January 1, 2007 as a consequence of a change in an Italian law, employees were entitled to make contributions to external funds, thus, Tenaris Italian subsidiary pays every year the matured contribution to the funds and no more obligation will be in charge of it. As a consequence of the above mentioned, the structure of the plan changed from a defined benefit plan to a defined contribution plan effective from that date, but only limited to the contributions of 2007 onwards.

*(b) Defined benefit pension obligations*

Defined benefit plans determine an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the Consolidated Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets together with adjustments for unrecognized past-service costs and unrecognized actuarial gains and losses. The present value of the defined benefit pension obligation is calculated, at least at each year-end by independent advisors using the projected unit credit method based on actuarial calculations provided by independent advisors.

Certain officers of Tenaris are covered by defined benefit employee retirement plans designed to provide post-retirement and other benefits.

Benefits under this plan are provided in U.S. dollars, and are calculated based on seven-year salary averages.

Tenaris sponsors other funded and unfunded non-contributory defined benefit pension plans in certain subsidiaries. The plans provide defined benefits based on years of service and, in the case of salaried employees, final average salary.

All of Tenaris plans recognize actuarial gains and losses over the average remaining service lives of employees.

*(c) Other compensation obligations*

Employee entitlements to annual leave and long-service leave are accrued as earned.

Other length of service based compensation to employees in the event of dismissal or death is charged to income in the year in which it becomes payable.

*(d) Employee retention and long term incentive program*

On January 1, 2007 Tenaris adopted an employee retention and long term incentive program. Pursuant to this program, certain senior executives will be granted with a number of units equivalent in value to the equity book value per share (excluding non-controlling interest). The units will be vested over four years period and Tenaris will redeem vested units following a period of seven years from the grant date, or when the

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employee ceases employment, at the equity book value per share at the time of payment. Beneficiaries will also receive a cash amount per unit equivalent to the dividend paid per share whenever the Company pays a cash dividend to its shareholders. As the cash redemption of the benefit is tied to the book value of the shares, and not to their market value, Tenaris valued this long-term incentive program as a long term benefit plan as classified in IAS 19.

The total value of the units granted to date under the program, considering the number of units and the book value per share amounts to \$55.5 million and \$40.4 million at December 31, 2011 and 2010, respectively. As of December 31, 2011, and 2010 Tenaris has recorded a total liability of \$50.3 million and \$33.5 million, respectively, based on actuarial calculations provided by independent advisors.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**P Employees statutory profit sharing**

Under Mexican law, the Company's Mexican subsidiaries are required to pay to their employees an annual benefit calculated on a similar basis to that used for local income tax purposes. Employee statutory profit sharing is calculated using the liability method, and is recorded in *Current other liabilities* and *Non-current other liabilities* in the Consolidated Statement of Financial Position. Because Mexican employee statutory profit sharing is determined on a similar basis to that used for determining local income taxes, Tenaris accounts for temporary differences arising between the statutory calculation and reported expense as determined under IFRS in a manner similar to the calculation of deferred income tax.

**Q Provisions**

Tenaris is subject to various claims, lawsuits and other legal proceedings, including customer claims, in which a third party is seeking payment for alleged damages, reimbursement for losses or indemnity. Tenaris' potential liability with respect to such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Management periodically reviews the status of each significant matter and assesses potential financial exposure. If, as a result of past events, a potential loss from a claim or proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded. Accruals for loss contingencies reflect a reasonable estimate of the losses to be incurred based on information available to management as of the date of preparation of the financial statements, and take into consideration Tenaris' litigation and settlement strategies. These estimates are primarily constructed with the assistance of legal counsel. As the scope of liabilities become better defined, there may be changes in the estimates of future costs which could have a material adverse effect on its results of operations, financial condition and cash flows.

If Tenaris expects to be reimbursed for an accrued expense, as would be the case for an expense or loss covered under an insurance contract, and reimbursement is considered virtually certain, the expected reimbursement is recognized as a receivable.

**R Trade payables**

Trade payables are recognized initially at fair value and subsequently measured at amortized cost.

**S Revenue recognition**

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

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

The percentage of total sales that were generated from bill and hold arrangements for products located in Tenaris' storage facilities that have not been shipped to customers amounted to 1.3%, 1.2% and 0.7% as of December 31, 2011, 2010 and 2009, respectively. The Company has not experienced any material claims requesting the cancellation of bill and hold transactions.

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

Interest income: on the effective yield basis.

Dividend income from investments in other companies: when Tenaris' right to receive payment is established.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

### **T Cost of sales and sales expenses**

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

Commissions, freight and other selling expenses, including shipping and handling costs, are recorded in Selling, general and administrative expenses in the Consolidated Income Statement.

### **U Earnings per share**

Earnings per share are calculated by dividing the income attributable to equity holders of the Company by the daily weighted average number of common shares outstanding during the year.

### **V Financial instruments**

Non derivative financial instruments comprise investment in financial debt instruments and equity, time deposits, trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables. Tenaris non derivative financial instruments are classified into the following categories:

Financial instruments at fair value through profit and loss: comprise mainly cash and cash equivalents and investments in financial debt instruments and time deposits held for trading.

Loans and receivables: measured at amortized cost using the effective interest rate method less any impairment; comprise trade receivables and other receivables.

Available for sale assets: See Note 32

Other financial liabilities: measured at amortized cost using the effective interest rate method; comprise borrowings and trade and other payables.

The categorization depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

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

Tenaris has identified certain embedded derivatives and in accordance with IAS 39 ( Financial Instruments: Recognition and Measurement ) has accounted them separately from their host contracts. The result has been recognized under *Foreign exchange derivatives contracts results* .

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

## **III. FINANCIAL RISK MANAGEMENT**

The multinational nature of Tenaris' operations and customer base exposes the Company to a variety of risks, mainly related to market risks (including the effects of changes in foreign currency exchange rates and interest rates) and capital risk. In order to manage the volatility related to these exposures, the management evaluates exposures on a consolidated basis, taking advantage of logical exposure netting. The Company or its subsidiaries may then enter into various derivative transactions in order to prevent potential adverse impacts on Tenaris' financial performance. Such derivative transactions are executed in accordance with internal policies and hedging practices.

**A. Financial Risk Factors**

*(i) Capital Risk*

Tenaris seeks to maintain an adequate debt to total equity ratio considering the industry and the markets where it operates. The year-end ratio of debt to total equity (where debt comprises financial borrowings and total equity is the sum of financial borrowings and equity) is 0.08 as of December 31, 2011, in comparison with 0.11 as of December 31, 2010. The Company does not have to comply with regulatory capital adequacy requirements as known in the financial services industry.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**A. Financial Risk Factors (Cont.)***(ii) Foreign exchange risk*

Tenaris manufactures and sells its products in a number of countries throughout the world and consequently is exposed to foreign exchange rate risk. Since the Company's functional currency is the U.S. dollar the purpose of Tenaris' foreign currency hedging program is mainly to reduce the risk caused by changes in the exchange rates of other currencies against the U.S. dollar.

Tenaris' exposure to currency fluctuations is reviewed on a periodic consolidated basis. A number of derivative transactions are performed in order to achieve an efficient coverage in the absence of operative or natural hedges. Almost all of these transactions are forward exchange rates contracts (see Note 25 Derivative financial instruments).

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

Because a number of subsidiaries have functional currencies other than the U.S. dollar, the results of hedging activities, reported in accordance with IFRS, may not reflect the management's assessment of its foreign exchange risk hedging program. Inter-company balances between Tenaris subsidiaries may generate financial gains (losses) to the extent that functional currencies differ.

The value of Tenaris' financial assets and liabilities is subject to changes arising out of the variation of foreign currency exchange rates. The following table provides a breakdown of Tenaris' main financial assets and liabilities (including foreign exchange derivative contracts) which impact the Company's profit and loss as of December 31, 2011 and 2010:

<b>All amounts Long / (Short) in thousands of U.S. dollars</b> <b>Currency Exposure / Functional currency</b>	<b>As of December 31,</b>	
	<b>2011</b>	<b>2010</b>
Argentine Peso / U.S. dollar	(181,622)	(74,440)
Mexican Peso / U.S. dollar	56,652	177,227
Canadian dollar / U.S. dollar	(23,670)	(68,195)
U.S. dollar / Japanese Yen	68,366	37,726
U.S. dollar / Euro	(66,272)	(113,836)
U.S. dollar / Brazilian real	(64,060)	304,229

The main relevant exposures as of December 31, 2011 correspond to:

**Argentine Peso / U.S. dollar**

Consists primarily of Argentine Peso-denominated trade, social and fiscal payables at certain Argentine subsidiaries which functional currency is the U.S. dollar. A change of 1% in the ARS/USD exchange rate would generate a pre-tax gain / loss of \$1.8 million and \$0.7 million as of December 31, 2011 and 2010, respectively.

The main relevant exposures as of December 31, 2010 corresponded to:

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### Brazilian real / U.S. dollar

Consisted primarily of Cash and cash equivalent and Other investments denominated in U.S. dollar at subsidiaries which functional currency was the Brazilian real. A change of 1% in the BRL/USD exchange rate would have generated a pre-tax gain / loss of \$2.7 million, which would have been to a large extent offset by changes to Tenaris net equity position. Tenaris also entered into foreign exchange derivative contracts to preserve the U.S. dollar value of certain forecasted sales denominated in Brazilian real, which could have added a gain / loss of \$0.3 million per one percent change in the BRL/USD exchange rate.

### Mexican peso / U.S. dollar

Consisted primarily of various foreign exchange derivative contracts entered to preserve the U.S. dollar value of borrowings denominated in Mexican peso. A change of 1% in the MXN/USD exchange rate would have generated a pretax gain / loss of \$2.0 million. Additionally Tenaris had Cash and cash equivalents and sales denominated in U.S. dollar at subsidiaries which functional currency was the Mexican peso, that could have offset this impact by \$0.2 million per one percent change in the MXN/USD exchange rate.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**A. Financial Risk Factors (Cont.)***(ii) Foreign exchange risk (Cont.)*

## Euro / U.S. dollar

Consisted primarily of U.S. dollar-denominated borrowings at certain European subsidiaries which functional currency was the Euro, partially offset by Euro denominated trade payables at subsidiaries which functional currency was the U.S. dollar. A change of 1% in the EUR/USD exchange rate would have generated a pre-tax gain / loss of \$1.1 million, which would have been to a large extent offset by changes to Tenaris net equity position.

Considering the balances held as of December 31, 2011 on financial assets and liabilities exposed to foreign exchange rate fluctuations, Tenaris estimates that the impact of a simultaneous 1% favorable / unfavorable movement in the levels of foreign currencies exchange rates relative to the U.S. dollar, would be a pre-tax gain / loss of \$6.4 million (including a loss / gain of \$0.3 million due to foreign exchange derivative contracts), which would be partially offset by changes to Tenaris net equity position of \$1.0 million. For balances held as of December 31, 2010, a simultaneous 1% favorable/unfavorable movement in the foreign currencies exchange rates relative to the U.S. dollar, would have generated a pre-tax gain / loss of \$7.9 million (including a loss / gain of \$1.8 million due to foreign exchange derivative contracts), which would have been partially offset by changes to Tenaris net equity position of \$3.6 million.

Additionally, the Company has recognized an embedded derivative in connection with a ten-year steel supply agreement signed in 2007 by a Canadian subsidiary which as of December 31, 2011 has an estimated outstanding amount of approximately \$199 million. The Company estimates that the impact of a 1% favorable / unfavorable movement in the USD/CAD exchange rate would have resulted in a maximum pre-tax gain / loss of approximately \$1.9 million and \$2.2 million in connection with this instrument as of December 31, 2011 and 2010 respectively.

*(iii) Interest rate risk*

Tenaris is subject to interest rate risk on its investment portfolio and its debt. The Company uses a mix of variable and fixed rate debt in combination with its investment portfolio strategy. From time to time, the Company may choose to enter into foreign exchange derivative contracts and / or interest rate swaps to mitigate the exposure to changes in the interest rates.

The following table summarizes the proportions of variable-rate and fixed-rate debt as of each year end.

	2011		As of December 31,		2010	
	Amount in thousands of U.S. dollars	Percentage	Amount in thousands of U.S. dollars	Percentage	Amount in thousands of U.S. dollars	Percentage
Fixed rate	651,939	70%	632,766	51%	611,730	49%
Variable rate	278,937	30%	611,730	49%		
<b>Total</b>	<b>930,876</b>		<b>1,244,496</b>			

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The Company estimates that, if market interest rates applicable to Tenaris' borrowings had been 100 basis points higher, then the additional pre-tax loss would have been \$7.3 million in 2011 and \$10.5 million in 2010. These results exclude the effect of interest rate swaps in 2010.

Tenaris' exposure to interest risk associated with its debt is also mitigated by its investment portfolio. Tenaris estimates that, if interest rates on the benchmark rates for Tenaris portfolio had been 100 basis points higher, then the additional pre-tax gain would have been \$7.1 million in 2011 and \$9.4 million in 2010, partially offsetting the net losses to Tenaris' borrowing costs.

In order to partially hedge future interest payments related to long-term debt, Tenaris entered in 2008 and 2009 into interest rate swaps and swaps with an embedded knock-in option (See Note 25). All of Tenaris' interest rate derivatives were designated for hedge accounting. Interest differentials earned on these contracts were recorded to on the interest expenses line at the same pace that interests were accrued on the underlying debt, thus discharging the equity reserve. All interest rate derivatives were settled during 2011. The outstanding notional as of December 31, 2010 was \$350 million.

Tenaris estimates that, if market interest rates applicable to the hedged borrowings had been 100 basis point higher, then an additional pre-tax gain of \$2.4 million would have been recorded in 2010, partially offsetting the losses to Tenaris' borrowings estimated above. No impact would have been recorded in 2011 because Tenaris has already fixed the reference rate by the end of 2010.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

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

*(iv) Credit risk*

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company also actively monitors the creditworthiness of its treasury, derivative and insurance counterparties in order to minimize its credit risk.

There is no significant concentration of credit risk from customers. No single customer comprised more than 10% of Tenaris' net sales in 2011 and 2010.

Tenaris' credit policies related to sales of products and services are designed to identify customers with acceptable credit history, and to allow Tenaris to require the use of credit insurance, letters of credit and other instruments designed to minimize credit risks whenever deemed necessary. Tenaris maintains allowances for impairment for potential credit losses (See Section II J).

As of December 31, 2011 and 2010 trade receivables amount to \$1,900.6 million and \$1,421.6 million respectively. Trade receivables have guarantees under letter of credit and other bank guarantees of \$240.1 million and \$137.2 million, credit insurance of \$562.1 million and \$475.8 million and other guarantees of \$16.2 million and \$2.7 million as of December 31, 2011 and 2010 respectively.

As of December 31, 2011 and 2010 trade receivables amounting to \$353 million and \$246 million were past due but not impaired, respectively. These relate to a number of customers for whom there is no recent history of default.

The amount of the allowance for doubtful accounts was \$25.9 million as of December 31, 2011 and \$20.8 million as of December 31, 2010. The allowance for doubtful accounts and the existing guarantees are sufficient to cover doubtful trade receivables.

*(v) Counterparty risk*

Tenaris has investment guidelines with specific parameters to limit issuer risk on marketable securities. Counterparties for derivatives and cash transactions are limited to high credit quality financial institutions, normally investment grade.

More than 94.7% of Tenaris' liquid financial assets correspond to Investment Grade-rated instruments as of December 31, 2011, in comparison with more than 92.9% as of December 31, 2010.

*(vi) Liquidity risk*

Tenaris financing strategy aims to maintain adequate financial resources and access to additional liquidity. During 2011, Tenaris has counted on cash flows from operations as well as additional bank financing to fund its transactions.

Management maintains sufficient cash and marketable securities to finance normal operations and believes that Tenaris also has appropriate access to market for short-term working capital needs.

Liquid financial assets as a whole (comprising cash and cash equivalents and other current investments) were 8.4% of total assets at the end of 2011 compared to 10.6% at the end of 2010.

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

Tenaris holds primarily investments in money market funds and variable or fixed-rate securities from investment grade issuers. As of December 31, 2011 Tenaris does not have direct exposure on financial instruments issued by European sovereign counterparties.

Tenaris holds its cash and cash equivalents primarily in U.S. dollars. As of December 31, 2011 and 2010, U.S. dollar denominated liquid assets represented around 66% and 84% of total liquid financial assets respectively.

As of December 31, 2011 an estimated 20% of the Company's liquid financial assets were momentarily invested in Brazilian Real-denominated instruments held at its Brazilian subsidiary, Confab Industrial S.A., to fund the disbursement of a participation in Usinas Siderúrgicas de Minas Gerais S.A. (Usiminas) which was completed in January, 2012 (See note 34).

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**B. Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

	Assets at fair value through profit and loss	Loans and receivables	Available for sale	Total
<b>December 31, 2011</b>				
<b>Assets as per statement of financial position</b>				
Derivative financial instruments	6,382			6,382
Trade receivables		1,900,591		1,900,591
Other receivables		119,283		119,283
Available for sale assets			21,572	21,572
Other investments	433,319			433,319
Cash and cash equivalents	823,743			823,743
<b>Total</b>	<b>1,263,444</b>	<b>2,019,874</b>	<b>21,572</b>	<b>3,304,890</b>

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
<b>December 31, 2011</b>			
<b>Liabilities as per statement of financial position</b>			
Borrowings		930,876	930,876
Derivative financial instruments	45,749		45,749
Trade and other payables (*)		946,392	946,392
<b>Total</b>	<b>45,749</b>	<b>1,877,268</b>	<b>1,923,017</b>

	Assets at fair value through profit and loss	Loans and receivables	Available for sale	Total
<b>December 31, 2010</b>				
<b>Assets as per statement of financial position</b>				
Derivative financial instruments	31,537			31,537
Trade receivables		1,421,642		1,421,642
Other receivables		115,469		115,469
Available for sale assets			21,572	21,572
Other investments	719,816			719,816
Cash and cash equivalents	843,861			843,861
<b>Total</b>	<b>1,595,214</b>	<b>1,537,111</b>	<b>21,572</b>	<b>3,153,897</b>

	<b>Liabilities at fair value through profit and loss</b>	<b>Other financial liabilities</b>	<b>Total</b>
<b>December 31, 2010</b>			
<b>Liabilities as per statement of financial position</b>			
Borrowings		1,244,496	1,244,496
Derivative financial instruments	11,972		11,972
Trade and other payables (*)		852,678	852,678
<b>Total</b>	<b>11,972</b>	<b>2,097,174</b>	<b>2,109,146</b>

(\*) The maturity of most of trade payables is of one year or less.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**C. Fair value hierarchy**

IFRS 7 requires for financial instruments that are measured in the statement of financial position at fair value, a disclosure of fair value measurements by level according to the following fair value measurement hierarchy:

Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the assets and liabilities that are measured at fair value as of December 31, 2011 and 2010.

	Level 1	Level 2	Level 3	Total
<b>December 31, 2011</b>				
<b>Assets</b>				
Cash and cash equivalents	823,743			823,743
Other investments	350,481	80,295	2,543	433,319
Foreign exchange derivatives contracts		5,238		5,238
Embedded derivative (See Note 25)			1,144	1,144
Available for sale assets (**)			21,572	21,572
<b>Total</b>	<b>1,174,224</b>	<b>85,533</b>	<b>25,259</b>	<b>1,285,016</b>
<b>Liabilities</b>				
Foreign exchange derivatives contracts		45,040		45,040
Embedded derivative (See Note 25)			709	709
<b>Total</b>		<b>45,040</b>	<b>709</b>	<b>45,749</b>

	Level 1	Level 2	Level 3	Total
<b>December 31, 2010</b>				
<b>Assets</b>				
Cash and cash equivalents	843,861			843,861
Other investments	540,298	163,347	16,171	719,816
Foreign exchange derivatives contracts		28,259		28,259
Embedded derivative (See Note 25)			3,278	3,278
Available for sale assets (**)			21,572	21,572
<b>Total</b>	<b>1,384,159</b>	<b>191,606</b>	<b>41,021</b>	<b>1,616,786</b>

**Liabilities**

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Foreign exchange derivatives contracts	6,613	6,613
Interest rate derivatives financial instruments	5,359	5,359
<b>Total</b>	<b>11,972</b>	<b>11,972</b>

(\*\*) For further detail regarding Available for sale assets, see Note 32.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by Tenaris is the current bid price. These instruments are included in level 1 and comprise primarily corporate and sovereign debt securities.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**C. Fair value hierarchy (Cont.)**

The fair value of financial instruments that are not traded in an active market (such as certain debt securities, certificates of deposits with original maturity of more than three months, forward and interest rate derivative instruments) is determined by using valuation techniques which maximize the use of observable market data where available and rely as little as possible on entity specific estimates. If all significant inputs required to value an instrument are observable, the instrument is included in level 2. Tenaris values its assets and liabilities included in this level using bid prices, interest rate curves, broker quotations, current exchange rates, forward rates and implied volatilities grabbed from market contributors as of the valuation date.

If one or more of the significant inputs is not based on observable market data, the instruments are included in level 3. Tenaris values its assets and liabilities in this level using observable market inputs and management assumptions which reflect the Company's best estimate on how market participants would price the asset or liability at measurement date. Main balances included in this level correspond to Available for sale assets related to Tenaris's interest in Venezuelan companies under process of nationalization (See Note 32).

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

	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>Assets / Liabilities</b>	
Net assets at the beginning of the year	41,021	29,439
Available for sale assets		
(Loss) / Gain for the year	(3,078)	6,002
Reclassifications	(13,320)	5,603
Currency translation adjustment	(73)	(23)
<b>Net assets at the end of the year</b>	<b>24,550</b>	<b>41,021</b>

**D. Fair value estimation**

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

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

For the purpose of estimating the fair value of Cash and cash equivalents and Other Investments expiring in less than ninety days from the measurement date, the Company usually chooses to use the historical cost because the carrying amount of financial assets and liabilities with maturities of less than ninety days approximates to their fair value.

The fair value of all outstanding derivatives is determined using specific pricing models that include inputs that are observable in the market or can be derived from or corroborated by observable data. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves, while the fair value of forward foreign exchange contracts is calculated as the net present value of the estimated future cash flows in each currency, based on observable yield curves, converted into U.S. dollars at the spot rate of the

valuation date.

Borrowings are comprised primarily of fixed rate debt and variable rate debt with a short term portion where interest has already been fixed. They are classified under other financial liabilities and measured at their carrying amount. Tenaris estimates that the fair value of its main financial liabilities is approximately 98.8% of its carrying amount including interests accrued in 2011 as compared with 99.5% in 2010. Tenaris estimates that a change of 50 basis points in the reference interest rates would have an estimated impact of less than 0.2% in the fair value of borrowings as of December 31, 2011 and 0.1% in 2010. Fair values were calculated using standard valuation techniques for floating rate instruments and comparable market rates for discounting flows.

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**E. Accounting for derivative financial instruments and hedging activities**

Derivative financial instruments are initially recognized in the statement of financial position at fair value through profit and loss on each date a derivative contract is entered into and are subsequently remeasured at fair value. Specific tools are used for calculation of each instrument's fair value and these tools are tested for consistency on a monthly basis. Market rates are used for all pricing operations. These include exchange rates, deposit rates and other discount rates matching the nature of each underlying risk.

As a general rule, Tenaris recognizes the full amount related to the change in fair value of derivative financial instruments in *Financial results* in the Consolidated Income Statement.

Tenaris designates certain derivatives as hedges of particular risks associated with recognized assets or liabilities or highly probable forecast transactions. These transactions (mainly currency forward contracts on highly probable forecast transactions and interest rate swaps) are classified as cash flow hedges. The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. Amounts accumulated in equity are then recognized in the income statement in the same period than the offsetting losses and gains on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of Tenaris derivative financial instruments (assets or liabilities) continues to be reflected on the statement of financial position. The full fair value of a hedging derivative is classified as a non current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

For transactions designated and qualifying for hedge accounting, Tenaris documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. Tenaris also documents its assessment on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flow of hedged items. At December 31, 2011, the effective portion of designated cash flow hedges amounts to \$8.2 million and is included in *Other Reserves* in equity (see Note 25 Derivative financial instruments).

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 25. Movements in the hedging reserve included within *Other Reserves* in equity are also shown in Note 25.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**IV. OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In the notes all amounts are shown in thousands of U.S. dollars, unless otherwise stated)

**1 Segment information**  
**Reportable operating segments**

(all amounts in thousands of U.S. dollars)	Tubes	Projects	Other	Unallocated (**)	Total Continuing operations	Total Discontinued operations (*)
<b>Year ended December 31, 2011</b>						
Net sales	8,481,299	724,174	767,005		9,972,478	
Cost of sales	(5,200,327)	(490,105)	(539,094)		(6,229,526)	
<b>Gross profit</b>	<b>3,280,972</b>	<b>234,069</b>	<b>227,911</b>		<b>3,742,952</b>	
Selling, general and administrative expenses	(1,668,444)	(94,307)	(90,493)		(1,853,244)	
Other operating income (expenses), net	6,263	(937)	(276)		5,050	
<b>Operating income</b>	<b>1,618,791</b>	<b>138,825</b>	<b>137,142</b>		<b>1,894,758</b>	
Segment assets	12,707,487	1,016,752	447,576	691,820	14,863,635	
Segment liabilities	3,348,150	235,263	107,279		3,690,692	
Capital expenditures	790,454	58,908	13,296		862,658	
Depreciation and amortization	517,726	21,195	15,424		554,345	
<b>Year ended December 31, 2010</b>						
Net sales	6,676,429	428,771	606,398		7,711,598	
Cost of sales	(3,975,935)	(286,415)	(438,460)		(4,700,810)	
<b>Gross profit</b>	<b>2,700,494</b>	<b>142,356</b>	<b>167,938</b>		<b>3,010,788</b>	
Selling, general and administrative expenses	(1,365,757)	(80,485)	(69,628)		(1,515,870)	
Other operating income (expenses), net	68,601	1,817	8,211		78,629	
<b>Operating income</b>	<b>1,403,338</b>	<b>63,688</b>	<b>106,521</b>		<b>1,573,547</b>	
Segment assets	12,215,642	1,018,607	436,655	693,427	14,364,331	
Segment liabilities	3,453,083	259,691	100,977		3,813,751	
Capital expenditures	799,724	42,740	4,852		847,316	
Depreciation and amortization	471,717	19,843	15,342		506,902	
Impairment reversal	67,293				67,293	
<b>Year ended December 31, 2009</b>						
Net sales	6,670,929	986,548	491,843		8,149,320	18,558
Cost of sales	(3,769,895)	(704,238)	(390,789)		(4,864,922)	(31,866)

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<b>Gross profit</b>	<b>2,901,034</b>	<b>282,310</b>	<b>101,054</b>		<b>3,284,398</b>	<b>(13,308)</b>
Selling, general and administrative expenses	(1,325,441)	(75,841)	(72,509)		(1,473,791)	(9,540)
Other operating income (expenses), net	1,249	2,165	(414)		3,000	(179)
<b>Operating income</b>	<b>1,576,842</b>	<b>208,634</b>	<b>28,131</b>		<b>1,813,607</b>	<b>(23,027)</b>
Segment assets	11,365,861	971,783	521,520	624,144	13,483,308	
Segment liabilities	3,463,294	234,549	64,629		3,762,472	
Capital expenditures	425,545	30,820	4,562		460,927	
Depreciation and amortization	464,841	18,593	21,403		504,837	27

Transactions between segments, which were eliminated in consolidation, include sales of scrap and pipe protectors from the Other segment to the Tubes segment for \$266,806, \$204,478 and \$113,408 in 2011, 2010 and 2009, respectively.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**1 Segment information (Cont.)****Geographical information**

(all amounts in thousands of U.S. dollars)	North America	South America	Europe	Middle East & Africa	Far East & Oceania	Unallocated (**)	Total Continuing operations	Total Discontinued operations (*)
<b>Year ended December 31, 2011</b>								
Net sales	4,350,815	2,564,518	1,119,887	1,349,334	587,924		9,972,478	
Total assets	7,226,605	3,373,855	2,396,443	522,926	651,986	691,820	14,863,635	
Trade receivables	518,272	545,336	320,075	377,569	139,339		1,900,591	
Property, plant and equipment, net	2,051,826	892,572	882,185	64,450	162,620		4,053,653	
Capital expenditures	496,021	150,419	176,861	22,669	16,688		862,658	
Depreciation and amortization	294,602	113,729	117,360	2,495	26,159		554,345	
<b>Year ended December 31, 2010</b>								
Net sales	3,295,081	1,911,824	805,617	1,264,610	434,466		7,711,598	
Total assets	7,316,794	3,106,212	2,292,675	347,492	607,731	693,427	14,364,331	
Trade receivables	430,184	332,263	315,443	259,434	84,318		1,421,642	
Property, plant and equipment, net	1,883,992	862,433	837,764	34,047	162,344		3,780,580	
Capital expenditures	561,782	123,586	130,232	20,839	10,877		847,316	
Depreciation and amortization	258,428	104,992	115,776	1,215	26,491		506,902	
<b>Year ended December 31, 2009</b>								
Net sales	2,891,523	2,285,677	866,692	1,623,541	481,887		8,149,320	18,558
Total assets	6,722,816	2,790,249	2,469,042	386,242	490,815	624,144	13,483,308	
Trade receivables	344,548	361,976	235,708	327,924	40,146		1,310,302	
Property, plant and equipment, net	1,387,146	826,028	864,612	14,357	162,444		3,254,587	
Capital expenditures	261,781	99,521	68,394	5,580	25,651		460,927	
Depreciation and amortization	272,677	100,089	108,770	1,367	21,934		504,837	27

There are no revenues from external customers attributable to the Company's country of incorporation (Luxembourg). For geographical information purposes, North America comprises Canada, Mexico and the USA; South America comprises principally Argentina, Brazil, Colombia, Ecuador and Venezuela; Europe comprises principally Italy, Norway, Romania and United Kingdom; Middle East and Africa comprises principally Saudi Arabia, United Arab Emirates and Jordan; Far East and Oceania comprises principally China, Indonesia and Japan.

(\*) Corresponds to the Venezuelan Companies (year 2009) (See Notes 29 and 32).

(\*\*) Includes Investments in associated companies and Available for sale assets for \$21.6 million in 2011, 2010 and 2009 (See Note 32).

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**2 Cost of sales**

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2011	2010	2009
<b>Inventories at the beginning of the year</b>	<b>2,460,384</b>	<b>1,687,059</b>	<b>3,091,401</b>
<b>Plus: Charges of the year</b>			
Raw materials, energy, consumables and other	4,409,698	3,690,900	1,948,596
Increase in inventory due to business combinations	10,688		53,541
Services and fees	368,910	329,687	240,346
Labor cost	1,133,186	941,375	737,883
Depreciation of property, plant and equipment	312,601	290,299	263,634
Amortization of intangible assets	6,561	3,351	2,813
Maintenance expenses	220,240	174,966	145,413
Provisions for contingencies			1,984
Allowance for obsolescence	11,067	(34,522)	89,041
Taxes	4,958	7,121	6,799
Other	97,642	70,958	46,122
	<b>6,575,551</b>	<b>5,474,135</b>	<b>3,536,172</b>
Deconsolidation / Transfer to assets held for sale			(43,726)
<b>Less: Inventories at the end of the year</b>	<b>(2,806,409)</b>	<b>(2,460,384)</b>	<b>(1,687,059)</b>
	<b>6,229,526</b>	<b>4,700,810</b>	<b>4,896,788</b>
From Discontinued operations			(31,866)
	<b>6,229,526</b>	<b>4,700,810</b>	<b>4,864,922</b>

**3 Selling, general and administrative expenses**

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2011	2010	2009
Services and fees	218,991	207,427	207,202
Labor cost	527,223	454,127	407,235
Depreciation of property, plant and equipment	12,400	12,506	14,524
Amortization of intangible assets	222,783	200,746	223,893
Commissions, freight and other selling expenses	545,228	420,417	368,451
Provisions for contingencies	35,847	26,430	33,880
Allowances for doubtful accounts	7,749	(17,361)	13,837
Taxes	148,912	120,591	114,976
Other	134,111	90,987	99,333
	<b>1,853,244</b>	<b>1,515,870</b>	<b>1,483,331</b>
From Discontinued operations			(9,540)

1,853,244 1,515,870 1,473,791

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

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2011	2010	2009
Wages, salaries and social security costs	1,616,299	1,359,994	1,113,757
Employees' severance indemnity	14,923	12,850	13,436
Pension benefits - defined benefit plans	10,300	8,795	8,734
Employee retention and long term incentive program	18,887	13,863	9,191
	<b>1,660,409</b>	<b>1,395,502</b>	<b>1,145,118</b>
From Discontinued operations			(23,024)
	<b>1,660,409</b>	<b>1,395,502</b>	<b>1,122,094</b>

At the year-end, the number of employees was 26,980 in 2011, 25,422 in 2010 and 22,591 in 2009.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**5 Other operating items**

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2011	2010	2009
(i) Other operating income			
Reimbursement from insurance companies and other third parties agreements	695	9,810	76
Net income from other sales	5,510	1,955	2,130
Net rents	2,487	2,793	3,538
Impairment reversal (*)		67,293	
Other	2,849	3,807	1,750
	<b>11,541</b>	<b>85,658</b>	<b>7,494</b>
From Discontinued operations			179
	<b>11,541</b>	<b>85,658</b>	<b>7,673</b>
(ii) Other operating expenses			
Contributions to welfare projects and non-profits organizations	4,341	3,304	2,758
Provisions for legal claims and contingencies	1,411	2,741	
Loss on fixed assets and material supplies disposed / scrapped	48	352	27
Allowance for doubtful receivables	691	632	1,888
	<b>6,491</b>	<b>7,029</b>	<b>4,673</b>

(\*) 2010 Impairment reversal

In 2010, the Company 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 (see Note 11). The discount rate used was based on a weighted average cost of capital (WACC) of 10.7%.

The Company 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.

**6 Financial results**

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(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2011	2010	2009
Interest income	30,840	32,855	30,986
Interest expense (*)	(52,407)	(64,103)	(121,881)
<b>Interest net</b>	<b>(21,567)</b>	<b>(31,248)</b>	<b>(90,895)</b>
Net foreign exchange transaction results	65,365	(26,581)	(73,015)
Foreign exchange derivatives contracts results (**)	(49,349)	7,183	10,467
Other	(4,748)	(1,907)	(2,564)
<b>Other financial results</b>	<b>11,268</b>	<b>(21,305)</b>	<b>(65,112)</b>
<b>Net financial results</b>	<b>(10,299)</b>	<b>(52,553)</b>	<b>(156,007)</b>
From Discontinued operations			4,307
	<b>(10,299)</b>	<b>(52,553)</b>	<b>(151,700)</b>

Items included in this note for the year 2009 differ from its corresponding line in the Consolidated Income Statement because they include results from discontinued operations.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**6 Financial results (Cont.)**

(\*) Includes losses on interest rate swaps of \$5.2 million, \$15.6 million and \$21.7 million, in 2011, 2010 and 2009, respectively. As previously described in Section III.A. Financial Risk Factors, in order to partially hedge future interest payments related to long-term debt, Tenaris has entered into interest rate swaps and swaps with an embedded knock-in options. A knock-in swap is a type of barrier option, which is activated if the reference rate reaches a set level ( knock in ) at the end of a certain period. A total notional amount of \$500 million was covered by these instruments which coverage began between April and June 2009, and expired between April and June 2011. Between September and December 2009, a Tenaris subsidiary partially prepaid a syndicated loan facility which was part of the underlying risk. Accordingly, Tenaris derecognized the corresponding portion of its hedge reserve designation (notional of \$150 million) on interest rate swaps derivatives recording a loss of \$8.2 million, included in the total amount of \$21.7 million of interest rate swaps losses for the year ended December 31, 2009.

(\*\*) Includes a loss on identified embedded derivatives of \$3.1 million, and gains of \$6.1 million and \$27.9 million for 2011, 2010 and 2009, respectively.

**7 Equity in earnings of associated companies**

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2011	2010	2009
From associated companies	61,509	70,553	87,159
Loss on sale of associated companies and other		(496)	(980)
	<b>61,509</b>	<b>70,057</b>	<b>86,179</b>
From Discontinued operations			862
	<b>61,509</b>	<b>70,057</b>	<b>87,041</b>

**8 Income tax**

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2011	2010	2009
Current tax	623,646	395,183	541,818
Deferred tax	(98,399)	54,821	(28,665)
	<b>525,247</b>	<b>450,004</b>	<b>513,153</b>
From Discontinued operations			58
	<b>525,247</b>	<b>450,004</b>	<b>513,211</b>

The tax on Tenaris income before tax differs from the theoretical amount that would arise using the tax rate in each country as follows:

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(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2011	2010	2009
<b>Income before income tax</b>	<b>1,945,968</b>	<b>1,591,051</b>	<b>1,748,948</b>
Tax calculated at the tax rate in each country	493,507	440,882	525,844
Non taxable income / Non deductible expenses	17,993	(2,948)	(25,760)
Changes in the tax rates	(7,736)	(17)	837
Effect of currency translation on tax base (*)	25,000	12,158	13,203
Utilization of previously unrecognized tax losses	(3,517)	(71)	(913)
<b>Tax charge</b>	<b>525,247</b>	<b>450,004</b>	<b>513,211</b>

(\*) Tenaris applies the liability method to recognize deferred income tax on temporary differences between the tax bases of assets and their carrying amounts in the financial statements. By application of this method, Tenaris recognizes gains and losses on deferred income tax due to the effect of the change in the value on the tax bases in subsidiaries, which have a functional currency different to their local currency. These gains and losses are required by IFRS even though the devalued tax basis of the relevant assets will result in a reduced deductions for tax purposes in future periods. As a result, the resulting deferred income tax charge does not represent a separate obligation for Tenaris that is due and payable in any of the relevant periods.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**9 Earnings and dividends per share**

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the daily weighted average number of ordinary shares in issue during the year.

	Year ended December 31,		
	2011	2010	2009
Net income attributable to equity holders	1,331,157	1,127,367	1,161,555
Weighted average number of ordinary shares in issue (thousands)	1,180,537	1,180,537	1,180,537
Basic and diluted earnings per share ( U.S. dollars per share)	1.13	0.95	0.98
Basic and diluted earnings per ADS ( U.S. dollars per ADS) (*)	2.26	1.91	1.97
Dividends paid	(401,383)	(401,383)	(507,631)
Basic and diluted dividends per share (U.S. dollars per share)	0.34	0.34	0.43
Basic and diluted dividends per ADS (U.S. dollars per ADS) (*)	0.68	0.68	0.86
Result for discontinued operations attributable to equity holders			(16,454)
Basic and diluted earnings per share (U.S. dollars per share)			(0.01)
Basic and diluted earnings per ADS (U.S. dollars per ADS) (*)			(0.03)

(\*) Each ADS equals to two shares

On November 3, 2011, the Company's board of directors approved the payment of an interim dividend of \$0.13 per share (\$0.26 per ADS), or approximately \$153 million, on November 24, 2011, with an ex-dividend date of November 21, 2011.

On June 1, 2011, the Company's shareholders approved an annual dividend in the amount of \$0.34 per share (\$0.68 per ADS). The amount approved included the interim dividend previously paid in November 2010, in the amount of \$0.13 per share (\$0.26 per ADS). The balance, amounting to \$0.21 per share (\$0.42 per ADS), was paid on June 23, 2011. In the aggregate, the interim dividend paid in November 2010 and the balance paid in June 2011 amounted to approximately \$401 million.

On June 2, 2010, the Company's shareholders approved an annual dividend in the amount of \$0.34 per share (\$0.68 per ADS). The amount approved included the interim dividend previously paid in November 2009, in the amount of \$0.13 per share (\$0.26 per ADS). The balance, amounting to \$0.21 per share (\$0.42 per ADS), was paid on June 24, 2010. In the aggregate, the interim dividend paid in November 2009 and the balance paid in June 2010 amounted to approximately \$401 million.

On June 3, 2009, the Company's shareholders approved an annual dividend in the amount of \$0.43 per share (\$0.86 per ADS). The amount approved included the interim dividend previously paid in November 2008, in the amount of \$0.13 per share (\$0.26 per ADS). The balance, amounting to \$0.30 per share (\$0.60 per ADS), was paid on June 25, 2009. In the aggregate, the interim dividend paid in November 2008 and the balance paid in June 2009 amounted to approximately \$507 million.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

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

	Land, building and improvements	Plant and production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts and equipment	Total
<b>Year ended December 31, 2011</b>						
<b>Cost</b>						
Values at the beginning of the year	850,865	6,669,883	214,568	930,125	36,923	8,702,364
Translation differences	(101,796)	(302,323)	(5,947)	(12,343)	(1,283)	(423,692)
Additions	24,282	1,400	2,729	790,211	7,718	826,340
Disposals / Consumptions	(296)	(13,305)	(4,963)		(2,553)	(21,117)
Increase due to business combinations		9,563	291		285	10,139
Transfers / Reclassifications	538,731	783,787	80,524	(1,389,696)	(268)	13,078
<b>Values at the end of the year</b>	<b>1,311,786</b>	<b>7,149,005</b>	<b>287,202</b>	<b>318,297</b>	<b>40,822</b>	<b>9,107,112</b>
<b>Depreciation</b>						
Accumulated at the beginning of the year	210,139	4,551,800	146,315		13,530	4,921,784
Translation differences	(26,304)	(147,688)	(4,277)		(309)	(178,578)
Depreciation charge	30,554	267,449	25,475		1,523	325,001
Transfers / Reclassifications	79,093	(79,710)	577		(12)	(52)
Disposals / Consumptions	(44)	(10,854)	(3,798)			(14,696)
<b>Accumulated at the end of the year</b>	<b>293,438</b>	<b>4,580,997</b>	<b>164,292</b>		<b>14,732</b>	<b>5,053,459</b>
<b>At December 31, 2011</b>	<b>1,018,348</b>	<b>2,568,008</b>	<b>122,910</b>	<b>318,297</b>	<b>26,090</b>	<b>4,053,653</b>
<b>Year ended December 31, 2010</b>						
<b>Cost</b>						
Values at the beginning of the year	758,489	6,455,124	187,557	451,019	35,793	7,887,982
Translation differences	16,159	(3,095)	2,173	21,068	(603)	35,702
Additions	28,780	2,535	2,921	783,325	2,255	819,816
Disposals / Consumptions	(1,455)	(26,080)	(4,663)		(1,476)	(33,674)
Transfers / Reclassifications	48,892	241,399	26,580	(325,287)	954	(7,462)
<b>Values at the end of the year</b>	<b>850,865</b>	<b>6,669,883</b>	<b>214,568</b>	<b>930,125</b>	<b>36,923</b>	<b>8,702,364</b>
<b>Depreciation</b>						
Accumulated at the beginning of the year	183,823	4,310,819	125,945		12,808	4,633,395
Translation differences	4,337	4,704	1,470		(440)	10,071
Depreciation charge	22,697	256,182	22,483		1,443	302,805

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Transfers / Reclassifications	(225)	103	189		(139)	(72)
Disposals / Consumptions	(493)	(20,008)	(3,772)		(142)	(24,415)
<b>Accumulated at the end of the year</b>	<b>210,139</b>	<b>4,551,800</b>	<b>146,315</b>		<b>13,530</b>	<b>4,921,784</b>
<b>At December 31, 2010</b>	<b>640,726</b>	<b>2,118,083</b>	<b>68,253</b>	<b>930,125</b>	<b>23,393</b>	<b>3,780,580</b>

Property, plant and equipment include capitalized interests for net amounts at December 31, 2011 and 2010 of \$4,560 (out of which \$537 were capitalized during the year 2011) and \$4,450 (out of which \$1,390 were capitalized during the year 2010), respectively.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**11 Intangible assets, net**

	Information system projects	Licenses, patents and trademarks (*)	Goodwill	Customer relationships	Total
<b>Year ended December 31, 2011</b>					
<b>Cost</b>					
Values at the beginning of the year	241,116	498,162	2,147,066	2,071,315	4,957,659
Translation differences	(8,955)	(3,144)	(1,908)	(11,369)	(25,376)
Additions	35,848	470			36,318
Transfers / Reclassifications	261	(71)			190
Increase due to business combinations			1,085		1,085
Disposals	(33)				(33)
<b>Values at the end of the year</b>	<b>268,237</b>	<b>495,417</b>	<b>2,146,243</b>	<b>2,059,946</b>	<b>4,969,843</b>
<b>Amortization and impairment</b>					
Accumulated at the beginning of the year	159,661	213,092	342,396	660,694	1,375,843
Translation differences	(4,646)	(139)	(1,908)	(4,558)	(11,251)
Amortization charge	36,579	30,627		162,138	229,344
Disposals	(23)				(23)
<b>Accumulated at the end of the year</b>	<b>191,571</b>	<b>243,580</b>	<b>340,488</b>	<b>818,274</b>	<b>1,593,913</b>
<b>At December 31, 2011</b>	<b>76,666</b>	<b>251,837</b>	<b>1,805,755</b>	<b>1,241,672</b>	<b>3,375,930</b>
<b>Year ended December 31, 2010</b>					
<b>Cost</b>					
Values at the beginning of the year	232,184	498,319	2,142,762	2,045,672	4,918,937
Translation differences	1,082	1,590	4,304	25,643	32,619
Additions	27,188	312			27,500
Transfers / Reclassifications	2,513	(685)			1,828
Disposals	(21,851)	(1,374)			(23,225)
<b>Values at the end of the year</b>	<b>241,116</b>	<b>498,162</b>	<b>2,147,066</b>	<b>2,071,315</b>	<b>4,957,659</b>
<b>Amortization and impairment</b>					
Accumulated at the beginning of the year	160,446	185,070	338,092	564,409	1,248,017
Translation differences	492	(213)	4,304	9,592	14,175
Amortization charge	20,005	30,106		153,986	204,097
Transfers / Reclassifications	541	(500)			41
Impairment reversal				(67,293)	(67,293)

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Disposals	(21,823)	(1,371)			(23,194)
<b>Accumulated at the end of the year</b>	<b>159,661</b>	<b>213,092</b>	<b>342,396</b>	<b>660,694</b>	<b>1,375,843</b>
<b>At December 31, 2010</b>	<b>81,455</b>	<b>285,070</b>	<b>1,804,670</b>	<b>1,410,621</b>	<b>3,581,816</b>

(\*) Includes Proprietary Technology.

The geographical allocation of goodwill was \$1,614.5 million for North America, \$189.4 million for South America and \$0.8 million for Europe for the years ended December 31, 2011 and 2010. For 2011 the geographical allocation include goodwill of \$1.1 million in Middle East & Africa.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**11 Intangible assets, net (Cont.)**

The carrying amount of goodwill allocated by CGU, as of December 31, 2011, was as follows:

(All amounts in million US dollar)

As of December 31, 2011	Tubes Segment			Other Segment	Total
	Maverick Acquisition	Hydril Acquisition	Other	Maverick Acquisition	
CGU					
OCTG (USA and Colombia)	721.5				721.5
Tamsa (Hydril and other)		345.9	19.4		365.3
Siderca (Hydril and other)		265.0	93.3		358.3
Hydril		309.0			309.0
Electric Conduits				45.8	45.8
Coiled Tubing	4.0				4.0
Other			1.9		1.9
<b>Total</b>	<b>725.5</b>	<b>919.9</b>	<b>114.6</b>	<b>45.8</b>	<b>1,805.8</b>

**Impairment tests**

In 2011 and 2010, the CGUs shown in the previous table were tested for impairment. Additionally the Prudential CGU was tested for impairment reversal in 2010. No other CGU was tested for impairment in 2011 and 2010 as no impairment indicators were identified.

Tenaris determined that the CGUs with a significant amount of goodwill in comparison to the total amount of goodwill as of December 31, 2011, were: OCTG, Tamsa, Siderca and Hydril, which represented 97.1% of total goodwill.

The value-in-use was used to determine the recoverable amount for all the CGUs with a significant amount of goodwill in comparison to the total amount of goodwill.

Value-in-use is calculated by discounting the estimated cash flows over a five year period based on forecasts approved by management. For the subsequent years beyond the five-year period, a terminal value is calculated based on perpetuity considering a nominal growth rate of 2%. The growth rate considers the long-term average growth rate for the oil and gas industry, the higher demand to offset depletion of existing fields and the Company's expected market penetration.

Tenaris's main source of revenue is the sale of products and services to the oil and gas industry, and the level of such sales is sensitive to international oil and gas prices and their impact on drilling activities. The main key assumptions, shared by all four CGUs are oil and natural gas prices evolution and the level of drilling activity. Tenaris uses 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. In the case of the OCTG CGU, these assumptions are mainly related to the U.S. market. In the case of Tamsa CGU and Siderca CGU, assumptions are mainly related to the countries where they are located, Mexico and Argentina respectively, and to the international markets as both facilities export a large amount of their production. Regarding Hydril CGU, assumptions are mainly related to the worldwide market.

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In addition, key assumptions for OCTG CGU, Tamsa CGU and Siderca CGU also include raw materials costs as their production process consists on the transformation of steel into pipes. In the case of Tamsa CGU and Siderca CGU, steel comes from their own steel shops, therefore they consume steelmaking raw materials (e.g., iron ore and metal scrap). In the case of OCTG CGU, the main raw material is hot rolled steel coils. In the case of Hydril CGU, raw material costs are negligible.

For purposes of assessing key assumptions, Tenaris uses external sources of information and management judgment based on past experience.

The discount rates used are based on the respective weighted average cost of capital (WACC) which is considered to be a good indicator of capital cost. For each CGU where assets are allocated, a specific WACC was determined taking into account the industry, country and size of the business. In 2011, the discount rates used were in a range between 9% and 12 %; in 2010, the discount rates used were in a range between 9% and 13%.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**11 Intangible assets, net (Cont.)**

From the CGUs with a significant amount of goodwill assigned in comparison to the total amount of goodwill, Tenaris has determined that the CGU for which a reasonable possible change in a key assumption would cause the CGUs carrying amount to exceed its recoverable amount was OCTG CGU.

In OCTG CGU, the recoverable amount calculated based on value in use exceeded carrying value by \$108 million as of December 31, 2011. The main factors that could result in impairment charges in future periods would be an increase in the discount rate / decrease in growth rate used in the Company's cash flow projections and a deterioration of the business, competitive and economic factors, such as the cost of raw materials, oil and gas prices, competitive environment, capital expenditure program of Tenaris clients and the evolution of the rig count in the U.S. market. As there is a significant interaction among the principal assumptions made in estimating its cash flow projections, the Company believes that a sensitivity analysis that considers changes in one assumption at a time could be potentially misleading. A reduction in cash flows of 5.1%, a fall in growth rate to 1.4% or a rise in discount rate of 40 basis points would remove the remaining headroom.

As of December 31, 2011, no cumulative amount of recognized impairment charges are subject to reversal.

**12 Investments in associated companies**

	Year ended December 31,	
	2011	2010
At the beginning of the year	671,855	602,572
Translation differences	(43,278)	11,413
Equity in earnings of associated companies	61,509	70,553
Dividends and distributions received	(17,229)	(14,034)
Treasury shares held by associated companies	(3,339)	
Acquisitions		302
Increase in equity reserves in Ternium	730	1,049
<b>At the end of the year</b>	<b>670,248</b>	<b>671,855</b>

The principal associated companies are:

Company	Country of incorporation	Percentage of ownership and voting rights at December 31,		Value at December 31,	
		2011	2010	2011	2010
Ternium S.A.	Luxembourg	11.46% (*)	11.46%	651,021	651,361
Others				19,227	20,494

(\*) Including treasury shares

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**12 Investments in associated companies (Cont.)**

Summarized selected financial information of Ternium, including the aggregated amounts of assets, liabilities, revenues and profit or loss is as follows:

	<b>Ternium S.A.</b>	
	<b>2011</b>	<b>2010</b>
Non-current assets	5,181,973	5,579,438
Current assets	5,564,601	5,532,893
<b>Total assets</b>	<b>10,746,574</b>	<b>11,112,331</b>
Non-current liabilities	1,934,775	2,540,594
Current liabilities	1,970,600	1,555,636
<b>Total liabilities</b>	<b>3,905,375</b>	<b>4,096,230</b>
Non-controlling interests	1,084,827	1,135,361
Revenues	9,157,198	7,382,004
Gross profit	2,062,946	1,716,750
Net income for the year attributable to equity holders of the company	513,541	622,076

**13 Other investments non current**

	2,806,409	2,806,409
	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Deposits with insurance companies		27,372
Investments in other companies	2,277	2,474
Others	266	13,746
	<b>2,543</b>	<b>43,592</b>

**14 Receivables non current**

	2,806,409	2,806,409
	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>

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Government entities	3,387	3,667
Employee advances and loans	14,763	14,631
Tax credits	12,440	18,220
Receivables from related parties	22,177	930
Legal deposits	31,643	26,687
Advances to suppliers and other advances	27,167	35,530
Derivative financial instruments	427	1,853
Others	24,721	22,717
	<b>136,725</b>	<b>124,235</b>
Allowances for doubtful accounts (see Note 23 (i))	(3,445)	(3,806)
	<b>133,280</b>	<b>120,429</b>

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**15 Inventories**

	<b>2,806,409</b>	<b>2,806,409</b>
	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Finished goods	969,636	890,313
Goods in process	693,739	576,092
Raw materials	499,112	443,265
Supplies	465,443	429,409
Goods in transit	331,216	272,744
	<b>2,959,146</b>	<b>2,611,823</b>
Allowance for obsolescence (see Note 24 (i))	(152,737)	(151,439)
	<b>2,806,409</b>	<b>2,460,384</b>

**16 Receivables and prepayments**

	2,806,409	2,806,409
	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Prepaid expenses and other receivables	72,278	58,176
Government entities	7,392	7,190
Employee advances and loans	11,978	19,479
Advances to suppliers and other advances	61,659	54,048
Government tax refunds on exports	25,973	30,130
Receivables from related parties	14,892	35,153
Derivative financial instruments	5,955	29,684
Miscellaneous	47,354	55,250
	<b>247,481</b>	<b>289,110</b>
Allowance for other doubtful accounts (see Note 24 (i))	(5,680)	(6,574)
	<b>241,801</b>	<b>282,536</b>

**17 Current tax assets and liabilities**

	<b>2,806,409</b>	<b>2,806,409</b>
	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Current tax assets</b>		
V.A.T. credits	114,561	126,214
Prepaid taxes	53,768	123,103

	<b>168,329</b>	<b>249,317</b>
	<b>Year ended December 31,</b>	
<b>Current tax liabilities</b>	<b>2011</b>	<b>2010</b>
Income tax liabilities	240,539	108,744
V.A.T. liabilities	24,392	24,384
Other taxes	80,001	74,524
	<b>344,932</b>	<b>207,652</b>

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**18 Trade receivables**

	<b>2,806,409</b>	<b>2,806,409</b>
	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Current accounts	1,911,952	1,410,235
Receivables from related parties	14,588	32,235
	<b>1,926,540</b>	<b>1,442,470</b>
Allowance for doubtful accounts (see Note 24 (i))	(25,949)	(20,828)
	<b>1,900,591</b>	<b>1,421,642</b>

The following table sets forth details of the aging of trade receivables:

	<b>Trade</b>		<b>Past due</b>	
	<b>Receivables</b>	<b>Not Due</b>	<b>1 - 180 days</b>	<b>&gt; 180 days</b>
<b>At December 31, 2011</b>				
Guaranteed	818,438	657,786	137,344	23,308
Not guaranteed	1,108,102	890,188	195,324	22,590
<b>Guaranteed and not guaranteed</b>	<b>1,926,540</b>	<b>1,547,974</b>	<b>332,668</b>	<b>45,898</b>
Allowance for doubtful accounts	(25,949)		(4,129)	(21,820)
<b>Net Value</b>	<b>1,900,591</b>	<b>1,547,974</b>	<b>328,539</b>	<b>24,078</b>
<b>At December 31, 2010</b>				
Guaranteed	615,672	543,346	62,842	9,484
Not guaranteed	826,798	632,274	173,573	20,951
<b>Guaranteed and not guaranteed</b>	<b>1,442,470</b>	<b>1,175,620</b>	<b>236,415</b>	<b>30,435</b>
Allowance for doubtful accounts	(20,828)		(4,202)	(16,626)
<b>Net Value</b>	<b>1,421,642</b>	<b>1,175,620</b>	<b>232,213</b>	<b>13,809</b>

**19 Cash and cash equivalents, and Other investments**

	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Other investments</b>		

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Financial debt instruments and time deposits	<b>430,776</b>	<b>676,224</b>
<b>Cash and cash equivalents</b>		
Cash at banks	202,927	174,167
Liquidity funds	258,723	361,999
Short term investments	362,093	307,695
<b>Cash and cash equivalents</b>	<b>823,743</b>	<b>843,861</b>

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**20 Borrowings**

	Year ended December 31,	
	2011	2010
<b>Non-current</b>		
Bank borrowings	151,475	222,596
Other loans		402
Finance lease liabilities	100	260
Costs of issue of debt	(1,800)	(2,688)
	<b>149,775</b>	<b>220,570</b>
<b>Current</b>		
Bank borrowings	760,604	997,378
Other loans, including related companies	12,221	4,729
Bank overdrafts	8,711	23,696
Finance lease liabilities	160	163
Costs of issue of debt	(595)	(2,040)
	<b>781,101</b>	<b>1,023,926</b>
<b>Total Borrowings</b>	<b>930,876</b>	<b>1,244,496</b>

The maturity of borrowings is as follows:

	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
<b>At December 31, 2011</b>							
Financial lease	160	90	10				260
Other borrowings	780,941	110,819	8,518	8,753	6,578	15,007	930,616
<b>Total borrowings</b>	<b>781,101</b>	<b>110,909</b>	<b>8,528</b>	<b>8,753</b>	<b>6,578</b>	<b>15,007</b>	<b>930,876</b>
Interest to be accrued (*)	16,050	1,797	808	725	618	749	20,747
<b>Total</b>	<b>797,151</b>	<b>112,706</b>	<b>9,336</b>	<b>9,478</b>	<b>7,196</b>	<b>15,756</b>	<b>951,623</b>
	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
<b>At December 31, 2010</b>							
Financial lease	163	163	97				423
Other borrowings	1,023,763	154,064	33,106	7,999	7,873	17,268	1,244,073

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<b>Total borrowings</b>	<b>1,023,926</b>	<b>154,227</b>	<b>33,203</b>	<b>7,999</b>	<b>7,873</b>	<b>17,268</b>	<b>1,244,496</b>
Interest to be accrued (*)	19,075	4,818	1,813	1,544	1,357	2,060	30,667
Interest rate derivatives contract	5,359						5,359
<b>Total</b>	<b>1,048,360</b>	<b>159,045</b>	<b>35,016</b>	<b>9,543</b>	<b>9,230</b>	<b>19,328</b>	<b>1,280,522</b>

(\*) Includes the effect of hedge accounting.

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**20 Borrowings (Cont.)**

Significant borrowings include:

Disbursement date	Borrower	Type	In million of \$		Final maturity
			Original	Outstanding	
May 2007	Hydril	Syndicated	300.0	33.3	May 2012 (*)
June 2008	Dalmine	Syndicated	150.0	75.0	June 2013
2011	Siderca	Bank loans	339.7	339.7	Several in 2012
2011	Tamsa	Bank loans	250.9	250.9	Several in 2012 & 2013

(\*) The main covenants on these loan agreements are limitations on liens and encumbrances, limitations on the sale of certain assets, certain restrictions on capital expenditures, restrictions on investments and compliance with financial ratios (e.g., leverage ratio and interest coverage ratio).

As of December 31, 2011, Tenaris was in compliance with all of its covenants.

The weighted average interest rates before tax shown below were calculated using the rates set for each instrument in its corresponding currency as of December 31, 2011 and 2010 (considering hedge accounting). The changes in interest rate are basically due to changes in floating interest rate and to the designation for hedge accounting of certain Argentine Peso-denominated debts.

Total borrowings	2011	2010
	3.84%	4.08%

Breakdown of long-term borrowings by currency and rate is as follows:

**Non current borrowings**

Currency	Interest rates	Year ended December 31,	
		2011	2010
USD	Variable	65,087	155,356
MXN	Fixed	77,553	
BRL	Fixed		55,059
Others	Variable	480	7,284
Others	Fixed	6,655	2,871
<b>Total non current borrowings</b>		<b>149,775</b>	<b>220,570</b>

Tenaris consolidated debt includes \$7.3 million of Dalmine secured by certain of its properties. The carrying amount of those assets at December 31, 2011 amounts to \$122.2 million.

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Breakdown of short-term borrowings by currency and rate is as follows:

### Current borrowings

Currency	Interest rates	Year ended December 31,	
		2011	2010
USD	Variable	165,827	384,644
ARS	Fixed	339,733	342,614
MXN	Fixed	173,313	200,174
EUR	Variable	38,076	37,817
USD	Fixed	173	34,451
BRL	Fixed	49,171	
Others	Variable	9,472	17,657
Others	Fixed	5,336	6,569
<b>Total current borrowings</b>		<b>781,101</b>	<b>1,023,926</b>

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**21 Deferred income tax**

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rate of each country.

The evolution of deferred tax assets and liabilities during the year are as follows:

**Deferred tax liabilities**

	Fixed assets	Inventories	Intangible and Other (a)	Total
At the beginning of the year	373,759	31,852	673,201	1,078,812
Translation differences	(31,095)	(2,055)	(3,567)	(36,717)
Charged directly to Other Comprehensive Income			234	234
Income statement charge / (credit)	11,389	(4,058)	(72,914)	(65,583)
<b>At December 31, 2011</b>	<b>354,053</b>	<b>25,739</b>	<b>596,954</b>	<b>976,746</b>

	Fixed assets	Inventories	Intangible and Other (a)	Total
At the beginning of the year	251,174	38,736	708,641	998,551
Translation differences	8,020	1,175	4,429	13,624
Charged directly to Other Comprehensive Income			1,133	1,133
Income statement charge / (credit)	114,565	(8,059)	(41,002)	65,504
<b>At December 31, 2010</b>	<b>373,759</b>	<b>31,852</b>	<b>673,201</b>	<b>1,078,812</b>

(a) Includes the effect of currency translation on tax base explained in Note 8

**Deferred tax assets**

	Provisions and allowances	Inventories	Tax losses	Other	Total
At the beginning of the year	(68,855)	(146,413)	(29,440)	(110,401)	(355,109)
Translation differences	5,299	454	(805)	3,555	8,503
Charged directly to Other Comprehensive Income				1,246	1,246
Income statement charge / (credit)	(6,832)	(25,506)	(4,951)	(312)	(37,601)
<b>At December 31, 2011</b>	<b>(70,388)</b>	<b>(171,465)</b>	<b>(35,196)</b>	<b>(105,912)</b>	<b>(382,961)</b>

	<b>Provisions</b>				
	<b>and</b>		<b>Tax</b>		
	<b>allowances</b>	<b>Inventories</b>	<b>losses</b>	<b>Other</b>	<b>Total</b>
At the beginning of the year	(51,157)	(139,971)	(35,772)	(108,467)	(335,367)
Translation differences	(1,778)	(266)	(2,926)	(1,842)	(6,812)
Charged directly to Other Comprehensive Income				972	972
Income statement charge / (credit)	(15,920)	(6,176)	9,258	(1,064)	(13,902)
<b>At December 31, 2010</b>	<b>(68,855)</b>	<b>(146,413)</b>	<b>(29,440)</b>	<b>(110,401)</b>	<b>(355,109)</b>

The recovery analysis of deferred tax assets and deferred tax liabilities is as follows:

	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Deferred tax assets to be recovered after 12 months	(135,918)	(129,416)
Deferred tax liabilities to be recovered after 12 months	913,867	1,012,852

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Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

**21 Deferred income tax (Cont.)**

Deferred income tax assets and liabilities are offset when (1) there is a legally enforceable right to set off current tax assets against current tax liabilities and (2) when the deferred income taxes relate to the same fiscal authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The following amounts, determined after appropriate setoff, are shown in the consolidated statement of financial position:

	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Deferred tax assets	(234,760)	(210,523)
Deferred tax liabilities	828,545	934,226
	<b>593,785</b>	<b>723,703</b>

The movement on the net deferred income tax liability account is as follows:

	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
At the beginning of the year	723,703	663,184
Translation differences	(28,214)	6,812
Charged directly to Other Comprehensive Income	1,480	2,105
Income statement (credit) / charge	(98,399)	54,821
Deferred employees' statutory profit sharing charge	(4,785)	(3,219)
<b>At the end of the year</b>	<b>593,785</b>	<b>723,703</b>

**22 Other liabilities****(i) Other liabilities Non current**

	<b>Year ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Employee liabilities		
Employee's statutory profit sharing	32,246	31,551
Employee severance indemnity (a)	44,598	46,459
Pension benefits (b)	43,621	45,243
Employee retention and long term incentive program	50,260	33,460

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	<b>170,725</b>	<b>156,713</b>
Taxes payable	4,307	1,518
Derivative financial instruments	13,738	
Miscellaneous	44,883	34,978
	<b>62,928</b>	<b>36,496</b>
	<b>233,653</b>	<b>193,209</b>

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*Tenaris S.A. Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009*

**22 Other liabilities (Cont.)****(i) Other liabilities Non current (Cont.)***(a) Employees severance indemnity*

The amounts recognized in the statement of financial position are as follows:

	(44,598)	(44,598)
	Year ended December 31,	
	2011	2010
At the beginning of the year	46,459	52,725
Current service cost	12,310	11,291
Interest Cost	1,676	2,094
Translation differences	(1,203)	(3,467)
Actuarial losses (gains)	937	(535)
Used	(15,899)	(18,177)
Other	318	2,528
<b>At the end of the year</b>	<b>44,598</b>	<b>46,459</b>

The amounts recognized in the income statement are as follows: