

TENARIS SA
Form 6-K
February 26, 2013

FORM 6 - K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

As of February 26, 2013

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

TENARIS, S.A.
46a, Avenue John F. Kennedy
L-1855 Luxembourg
(Address of principal executive offices)

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

Form 20-F ☐ Form 40-F ☐

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

Yes ☐ No ☐

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

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The attached material is being furnished to the Securities and Exchange Commission pursuant to Rule 13a-16 and Form 6-K under the Securities Exchange Act of 1934, as amended. This report contains Tenaris' Consolidated Financial Statements for the years ended December 31, 2012, 2011 and 2010.

SIGNATURE

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

Date: February 26, 2013

Tenaris, S.A.

By: /s/ Cecilia Bilesio
Cecilia Bilesio
Corporate Secretary

TENARIS S.A.

CONSOLIDATED
FINANCIAL STATEMENTS

For the years ended December 31, 2012, 2011 and 2010

29, Avenue de la Porte-Neuve – 3rd Floor.
L – 2227 Luxembourg

CONSOLIDATED INCOME STATEMENT

(all amounts in thousands of U.S. dollars, unless otherwise stated)

		Year ended December 31,		
	Notes	2012	2011	2010
Continuing operations				
Net sales	1	10,834,030	9,972,478	7,711,598
Cost of sales	2	(6,637,293)	(6,273,407)	(4,748,767)
Gross profit		4,196,737	3,699,071	2,962,831
Selling, general and administrative expenses	3	(1,883,789)	(1,859,240)	(1,522,410)
Other operating income	5	71,380	11,541	85,658
Other operating expenses	5	(27,721)	(6,491)	(7,029)
Operating income		2,356,607	1,844,881	1,519,050
Interest income	6	33,459	30,840	32,855
Interest expense	6	(55,507)	(52,407)	(64,103)
Other financial results	6	(28,056)	11,268	(21,305)
Income before equity in earnings of associated companies and income tax		2,306,503	1,834,582	1,466,497
Equity in (losses) earnings of associated companies	7	(63,534)	61,509	70,057
Income before income tax		2,242,969	1,896,091	1,536,554
Income tax	8	(541,558)	(475,370)	(395,507)
Income for the year		1,701,411	1,420,721	1,141,047
Attributable to:				
Owners of the parent		1,699,047	1,331,157	1,127,367
Non-controlling interests	27	2,364	89,564	13,680
		1,701,411	1,420,721	1,141,047
Earnings per share attributable to the owners of the parent during year:				
Weighted average number of ordinary shares (thousands)	9	1,180,537	1,180,537	1,180,537
Basic and diluted earnings per share (U.S. dollars per share)	9	1.44	1.13	0.95
Basic and diluted earnings per ADS (U.S. dollars per ADS)	9	2.88	2.26	1.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

		Year ended December 31,		
		2012	2011	2010
Income for the year		1,701,411	1,420,721	1,141,047
Other comprehensive income:				
Currency translation adjustment		(4,547)	(325,792)	108,184
Changes in the fair value of derivatives held as cash flow hedges		5,631	983	7,649
Share of other comprehensive income of associates:				
- Currency translation adjustment		(108,480)	(43,278)	11,413
- Changes in the fair value of derivatives held as cash flow hedges		2,078	730	1,049
Income tax relating to components of other comprehensive income (*)		(618)	(2,231)	(3,316)

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Other comprehensive income for the year, net of tax	(105,936)	(369,588)	124,979
Total comprehensive income for the year	1,595,475	1,051,133	1,266,026
Attributable to:			
Owners of the parent	1,598,910	1,010,520	1,211,945
Non-controlling interests	(3,435)	40,613	54,081
	1,595,475	1,051,133	1,266,026

(*) Relates to cash flow hedges.

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in thousands of U.S. dollars)		At December 31, 2012		At December 31, 2011	
	Notes				
ASSETS					
Non-current assets					
Property, plant and equipment, net	10	4,434,970		4,053,653	
Intangible assets, net	11	3,199,916		3,375,930	
Investments in associated companies	12 & 27	983,061		670,248	
Other investments	13	2,603		2,543	
Deferred tax assets	21	214,199		234,760	
Receivables	14	142,060	8,976,809	133,280	8,470,414
Current assets					
Inventories	15	2,985,805		2,806,409	
Receivables and prepayments	16	260,532		241,801	
Current tax assets	17	175,562		168,329	
Trade receivables	18	2,070,778		1,900,591	
Available for sale assets	31	21,572		21,572	
Other investments	19	644,409		430,776	
Cash and cash equivalents	19	828,458	6,987,116	823,743	6,393,221
Total assets			15,963,925		14,863,635
EQUITY					
Capital and reserves attributable to owners of the parent			11,388,016		10,506,227
Non-controlling interests	27		172,310		666,716
Total equity			11,560,326		11,172,943
LIABILITIES					
Non-current liabilities					
Borrowings	20	532,407		149,775	
Deferred tax liabilities	21	749,235		828,545	
Other liabilities	22(i)	225,398		233,653	
Provisions	23 (ii)	67,185		72,975	
Trade payables		-	1,574,225	2,045	1,286,993
Current liabilities					
Borrowings	20	1,211,785		781,101	
Current tax liabilities	17	254,603		326,480	
Other liabilities	22 (ii)	318,828		305,214	
Provisions	24 (ii)	26,958		33,605	
Customer advances		134,010		55,564	
Trade payables		883,190	2,829,374	901,735	2,403,699
Total liabilities			4,403,599		3,690,692
Total equity and liabilities			15,963,925		14,863,635

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to owners of the parent						Non-controlling		
	Share	Legal	Share	Currency	Other	Retained	Total	interests	Total
	Capital (1)	Reserves	Premium	Translation	Reserves	Earnings (2)			
B a l a n c e a t									
January 1, 2012	1,180,537	118,054	609,733	(211,366)	9,688	8,799,581	10,506,227	666,716	11,172,94
Income for the									
year	-	-	-	-	-	1,699,047	1,699,047	2,364	1,701,411
Currency									
translation									
adjustment	-	-	-	2,421	-	-	2,421	(6,968)	(4,547
Hedge reserve,									
net of tax	-	-	-	-	3,925	-	3,925	1,088	5,013
Share of other									
comprehensive									
income of									
associates	-	-	-	(108,480)	1,997	-	(106,483)	81	(106,402
Other									
comprehensive									
income for the									
year	-	-	-	(106,059)	5,922	-	(100,137)	(5,799)	(105,936
Total									
comprehensive									
income for the									
year	-	-	-	(106,059)	5,922	1,699,047	1,598,910	(3,435)	1,595,475
Acquisition and									
increase of									
non-controlling									
interests (*)	-	-	-	-	(268,517)	-	(268,517)	(490,066)	(758,583
Dividends paid									
in cash	-	-	-	-	-	(448,604)	(448,604)	(905)	(449,509
B a l a n c e a t									
December 31,									
2012	1,180,537	118,054	609,733	(317,425)	(252,907)	10,050,024	11,388,016	172,310	11,560,32

(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, 2012 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.

(*) See Note 27.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont.)

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

	Attributable to owners of the parent						Non-controlling		
	Share	Legal	Share	Currency	Other	Retained	Total	interests	Total
	Capital (1)	Reserves	Premium	Translation	Reserves	Earnings			
				Adjustment					
B a l a n c e a t									
January 1, 2011	1,180,537	118,054	609,733	108,419	15,809	7,869,807	9,902,359	648,221	10,550,580
Income for the									
year	-	-	-	-	-	1,331,157	1,331,157	89,564	1,420,721
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)
Other									
comprehensive									
income for the									
year	-	-	-	(319,785)	(852)	-	(320,637)	(48,951)	(369,588)
Total									
comprehensive									
income for the									
year	-	-	-	(319,785)	(852)	1,331,157	1,010,520	40,613	1,051,133
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 a l a n c e a t									
December 31,									
2011	1,180,537	118,054	609,733	(211,366)	9,688	8,799,581	10,506,227	666,716	11,172,943

	Attributable to owners of the parent						Non-controlling		
	Share	Legal	Share	Currency	Other	Retained	Total	interests	Total
	Capital (1)	Reserves	Premium	Translation	Reserves	Earnings			
				Adjustment					

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B a l a n c e a t January 1, 2010	1,180,537	118,054	609,733	29,533	10,484	7,143,823	9,092,164	628,672	9,720,836
Income for the year	-	-	-	-	-	1,127,367	1,127,367	13,680	1,141,047
Currency translation adjustment	-	-	-	67,473	-	-	67,473	40,711	108,184
Hedge reserve, net of tax	-	-	-	-	4,643	-	4,643	(310)	4,333
Share of other comprehensive income of associates	-	-	-	11,413	1,049	-	12,462	-	12,462
Other comprehensive income for the year	-	-	-	78,886	5,692	-	84,578	40,401	124,979
Total comprehensive income for the year	-	-	-	78,886	5,692	1,127,367	1,211,945	54,081	1,266,026
Acquisition and increase of non-controlling interests	-	-	-	-	(367)	-	(367)	(2,651)	(3,018)
Dividends paid in cash	-	-	-	-	-	(401,383)	(401,383)	(31,881)	(433,264)
B a l a n c e a t December 31, 2010	1,180,537	118,054	609,733	108,419	15,809	7,869,807	9,902,359	648,221	10,550,580

(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 and 2010 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

		Year ended December 31,		
	Notes	2012	2011	2010
Cash flows from operating activities				
Income for the year		1,701,411	1,420,721	1,141,047
Adjustments for:				
Depreciation and amortization	10 & 11	567,654	554,345	506,902
Income tax accruals less payments	28 (ii)	(160,951)	120,904	(25,447)
Equity in losses (earnings) of associated companies	7	63,534	(61,509)	(70,057)
Interest accruals less payments, net	28 (iii)	(25,305)	(24,880)	17,700
Changes in provisions		(12,437)	(2,443)	(364)
Impairment reversal	5	-	-	(67,293)
Changes in working capital	28(i)	(303,012)	(649,640)	(676,582)
Other, including currency translation adjustment		29,519	(74,194)	44,914
Net cash provided by operating activities		1,860,413	1,283,304	870,820
Cash flows from investing activities				
Capital expenditures	10 & 11	(789,731)	(862,658)	(847,316)
Acquisitions of subsidiaries and associated companies	27	(510,825)	(9,418)	(302)
Increase due to sale of associated company	12	3,140	-	-
Proceeds from disposal of property, plant and equipment and intangible assets		8,012	6,431	9,290
Dividends and distributions received from associated companies	12	18,708	17,229	14,034
Changes in investments in short terms securities		(213,633)	245,448	(96,549)
Net cash used in investing activities		(1,484,329)	(602,968)	(920,843)
Cash flows from financing activities				
Dividends paid	9	(448,604)	(401,383)	(401,383)
Dividends paid to non-controlling interest in subsidiaries		(905)	(22,695)	(31,881)
Acquisitions of non-controlling interests	27	(758,583)	(16,606)	(3,018)
Proceeds from borrowings		2,054,090	726,189	647,608
Repayments of borrowings		(1,271,537)	(953,413)	(862,921)
Net cash used in financing activities		(425,539)	(667,908)	(651,595)
(Decrease) / Increase in cash and cash equivalents		(49,455)	12,428	(701,618)
Movement in cash and cash equivalents				
At the beginning of the year		815,032	820,165	1,528,707
Effect of exchange rate changes		7,079	(17,561)	(6,924)
(Decrease) / Increase in cash and cash equivalents		(49,455)	12,428	(701,618)
At December 31,	28 (iv)	772,656	815,032	820,165
At December 31,				
Cash and cash equivalents		2012	2011	2010
Cash and bank deposits	19	828,458	823,743	843,861
Bank overdrafts	20	(55,802)	(8,711)	(23,696)
		772,656	815,032	820,165

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

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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 Mexican Stock Exchange; the Company's American Depositary Securities ("ADS") trade on the New York Stock Exchange.

These Consolidated Financial Statements were approved for issuance by the Company's board of directors on February 21, 2013.

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.

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 recorded in current other liabilities in the Consolidated Statement of Financial Position. Effective January 1, 2012, the Mexican employee statutory profit sharing provision has been included as part of labor cost (approximately \$43.8 million and \$48.0 million in Cost of sales and \$6.0 million and \$6.5 million in Selling, general and administrative expenses, respectively, for the years ended December 31, 2011 and December 31, 2010 respectively), while in the past was part of the Income tax line and reclassified for comparative purposes.

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 2012 and relevant for Tenaris

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on January 1, 2012 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 2012), “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 (amended 2011) must be applied for annual periods beginning on or after July 1, 2012.

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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.)

§ 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 January 1, 2013.

The Company has not early adopted the IAS 19 revised. The impact of adoption as of January 1, 2013, on the change in value of the pension plans is expected to be an approximately \$69 million increase in the present value of funded and unfunded obligations, with the corresponding impact recognized in equity.

§ IFRS 9, “Financial Instruments”

In November 2009 and October 2010, the IASB issued IFRS 9 “Financial Instruments” which establishes principles for the financial reporting of financial assets by simplifying their classification and measurement.

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

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 and transactions with non-controlling interests

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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B Group accounting (Cont.)

(1) Subsidiaries and transactions with non-controlling interests (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.

The Company accounts for transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Material 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 30 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's 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, 2012, 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 S.à r.l, is required to take actions within its power to cause (a) one of the members of Ternium's board of directors to be nominated by the Company and (b) any director nominated by the Company to be only removed from Ternium's board of directors pursuant to previous written instructions of the Company.

B Group accounting (Cont.)

(2) Associates (Cont.)

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's proportional ownership of Ternium's shareholders' equity at the transaction date. As a result of this treatment, Tenaris's 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.

At December 31, 2012, Tenaris holds through its Brazilian subsidiary Confab Industrial S.A. ("Confab"), 5.0% of the shares with voting rights and 2.5% of Usiminas's total share capital. For the factors and circumstances that evidence that Tenaris has significant influence (as defined by IAS 28, "Investments in Associates") over Usiminas to account it for under the equity method, see Note 27.

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, 2012, 2011 and 2010, no impairment provisions were recorded on Tenaris' investment in Ternium.

Tenaris carries its investment in Usiminas at its proportional equity value, plus goodwill and intangible assets recognized. At December 31, 2012, an impairment charge was recorded on Tenaris' investment in Usiminas, see Note 27.

C Segment information

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

The Projects segment operations mainly comprised the operations of Confab in Brazil. The business in Brazil has changed with the development of the Brazilian offshore pre-salt projects. Historically, most of Projects sales were of line pipe for onshore pipelines and equipment for petrochemical and mining applications, but now, the company is positioning itself as a supplier of mainly OCTG and offshore line pipe, very similar to the rest of the Tubes segment. In order to strengthen Tenaris's position in Brazil, the Company acquired the non-controlling interest and delisted Confab, changing its internal organization in order to fully integrate the Brazilian operations with the rest of the Tubes operations.

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

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

The Tubes segment includes the production and sale of both seamless and welded steel tubular products and related services mainly for the oil and gas industry, particularly oil country tubular goods (OCTG) used in drilling operations, and for other industrial applications with production processes that consist in the transformation of steel into tubular products. Business activities included in this segment are mainly dependent on the oil and gas industry worldwide, as this industry is a major consumer of steel pipe products, particularly OCTG used in drilling activities. Demand for steel pipe products from the oil and gas industry has historically been volatile and depends primarily upon the number of oil and natural gas wells being drilled, completed and reworked, and the depth and drilling conditions of these wells. Sales are generally made to end users, with exports being done through a centrally managed global distribution network and domestic sales made through local subsidiaries.

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C Segment information (Cont.)

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

Others include all other business activities and operating segments that are not required to be separately reported, including the production and selling of sucker rods, welded steel pipes for electric conduits, industrial equipment, coiled tubing, energy and raw materials that exceed internal requirements.

Tenaris's Chief Operating Decision Maker (CEO) holds monthly meetings with senior management, in which operating and financial performance information is reviewed, including financial information that differs from IFRS principally as follows:

- § The use of direct cost methodology to calculate the inventories, while under IFRS it is at full cost, including absorption of production overheads and depreciations.
- § The use of costs based on previously internally defined cost estimates, while, under IFRS, costs are calculated at historical cost (with the FIFO method).
- § The sales of energy and surplus raw materials, are considered as lower cost of goods sold, while under IFRS are considered as revenues.

§ Other timing and no significant differences.

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.

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, Canadian and Japanese subsidiaries from their respective local currencies to the U.S. dollar.

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D Foreign currency translation (Cont.)

(1) Functional and presentation currency (Cont.)

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 other than the Italian and Brazilian have the U.S. dollar as their functional currency.

(2) Transactions in currencies other than the functional currency

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

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recorded as gains and losses from foreign exchange and included in "Other financial results" in the Consolidated Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences 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.

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E Property, plant and equipment (Cont.)

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

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

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

Land	No Depreciation
Buildings and improvements	30-50 years
Plant and production equipment	10-40 years
Vehicles, furniture and fixtures, and other equipment	4-10 years

The 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 2012.

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 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 mainly classified as Selling, general and administrative expenses in the Consolidated Income Statement.

F Intangible assets (Cont.)

(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 that have indefinite useful lives according to external appraisal amounts to \$86.7 million at December 31, 2012 and 2011. 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 2012, 2011 and 2010 totaled \$83.0 million, \$68.4 million and \$61.8 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, 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.

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.

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G Impairment of non financial assets (Cont.)

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 2012 and 2011, 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 instruments and time deposits with a maturity of more than three months at the date of purchase.

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.

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 reserves calculated in accordance with Luxembourg Law;

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

(2) Share capital

The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of \$1.00 per share. Total ordinary shares issued and outstanding as of December 31, 2012, 2011 and 2010 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 for tax items recognized in the Consolidated Statement of Other Comprehensive Income.

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

Deferred income tax is recognized applying the liability method on temporary differences arising between the tax 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.

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O Employee benefits

(1) Employee severance indemnity

Employee severance indemnity costs are assessed at each year-end using the projected unit credit method, 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 applicable 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's Italian subsidiary.

As from January 1, 2007 as a consequence of a change in an Italian law, employees were entitled to make contributions to external funds, thus, Tenaris's Italian subsidiary pays every year the required contribution to the funds with no further obligation. As a result, the plan changed from a defined benefit plan to a defined contribution plan effective from that date, but only limited to the contributions of 2007 onwards.

(2) 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's plans recognize actuarial gains and losses over the average remaining service lives of employees.

(3) 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.

(4) 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 a four year period and Tenaris will redeem vested units following a period of seven years from the grant date, or when the 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.

O Employee benefits (Cont.)

(4) Employee retention and long term incentive program (Cont.)

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 \$71.9 million and \$55.5 million at December 31, 2012 and 2011, respectively. As of December 31, 2012, and 2011 Tenaris has recorded a total liability of \$68.8 million and \$50.3 million, respectively, based on actuarial calculations provided by independent advisors.

P Provisions

Tenaris is subject to various claims, lawsuits and other legal proceedings, including customer claims, in which a third party is seeking payment for alleged damages, reimbursement for losses or indemnity. Tenaris' 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.

Q Trade payables

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

R Revenue recognition

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

Tenaris' 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's storage facilities that have not been shipped to customers amounted to 2.2 %, 1.3% and 1.2% as of December 31, 2012, 2011 and 2010, respectively. The Company has not experienced any material claims requesting the cancellation of bill and hold transactions.

Other revenues earned by Tenaris are recognized on the following 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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S Cost of sales and sales expenses

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

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

T Earnings per share

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

U Financial instruments

Non derivative financial instruments comprise investments in financial debt instruments and equity, time deposits, trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables. Tenaris 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 31.

§ 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.

In accordance with IAS 39 (“Financial Instruments: Recognition and Measurement”) embedded derivatives are accounted 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's operations and customer base exposes the Company to a variety of risks, mainly related to market risks (including the effects of changes in foreign currency exchange rates and interest rates), credit risk and capital market risk. In order to manage the volatility related to these exposures, the management evaluates exposures on a consolidated basis, taking advantage of logical exposure netting. The Company or its subsidiaries may then enter into various derivative transactions in order to prevent potential adverse impacts on Tenaris' financial performance. Such derivative transactions are executed in accordance with internal policies and hedging practices. The Company's objectives, policies and processes for managing these risks remained unchanged during 2012.

A. Financial Risk Factors

(i) Capital Market 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 0.13 as of December 31, 2012, in comparison with 0.08 as of December 31, 2011. The Company does not have to comply with regulatory capital adequacy requirements as known in the financial services industry.

(ii) Foreign exchange risk

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

Tenaris's exposure to currency fluctuations is reviewed on a periodic consolidated basis. A number of derivative transactions are performed in order to achieve an efficient coverage in the absence of operative or natural hedges. Almost all of these transactions are forward exchange rates contracts (see Note 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 certain subsidiaries have functional currencies other than the U.S. dollar, the results of hedging activities, reported in accordance with IFRS, may not reflect entirely the management's assessment of its foreign exchange risk hedging program. Inter-company balances between Tenaris's subsidiaries may generate financial gains (losses) to the extent that functional currencies differ.

The value of Tenaris's financial assets and liabilities is subject to changes arising out of the variation of foreign currency exchange rates. The following table provides a breakdown of Tenaris's main financial assets and liabilities (including foreign exchange derivative contracts) which impact the Company's profit and loss as of December 31, 2012 and 2011:

All amounts Long / (Short) in thousands of U.S. dollars	As of December 31,	
Currency Exposure / Functional currency	2012	2011
Argentine Peso / U.S. Dollar	(168,816)	(181,622)
Euro / U.S. Dollar	(117,370)	66,272
Canadian Dollar / U.S. Dollar	(37,782)	(23,670)

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U.S. Dollar / Brazilian Real	(27,269)	(64,060)
Mexican Peso / U.S. Dollar	(2,456)	56,652
Japanese Yen / U.S. Dollar	2,099	(68,366)

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A. Financial Risk Factors (Cont.)

(ii) Foreign exchange risk (Cont.)

The main relevant exposures correspond to:

§ Argentine Peso / U.S. dollar

As of December 31, 2012 and 2011 primarily of Argentine Peso-denominated trade, social and fiscal payables at certain Argentine subsidiaries which functional currency was the U.S. dollar. A change of 1% in the ARS/USD exchange rate would have generated a pre-tax gain / loss of \$1.7 million and \$1.8 million as of December 31, 2012 and 2011, respectively.

§ Euro / U.S. dollar

As of December 31, 2012, primarily of Euro-denominated liabilities at certain 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 \$1.2 million, which would have been to a large extent offset by changes to Tenaris' net equity position.

As of December 31, 2011, 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.

Considering the balances held as of December 31, 2012 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 \$4.7 million (including a loss / gain of \$10.6 million due to foreign exchange derivative contracts), which would be partially offset by changes to Tenaris's net equity position of \$0.9 million. For balances held as of December 31, 2011, 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 \$6.4 million (including a loss / gain of \$0.3 million due to foreign exchange derivative contracts), which would have been partially offset by changes to Tenaris' net equity position of \$1.0 million.

Additionally, from 2007 through January 1, 2012 the Company recognized an embedded derivative in connection with a USD-denominated ten-year steel supply agreement signed in 2007 by a Canadian subsidiary. 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 in connection with this instrument as of December 31, 2011.

(iii) Interest rate risk

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

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

As of December 31,

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	2012			2011		
	Amount in thousands of U.S. dollars	%		Amount in thousands of U.S. dollars	%	
Fixed rate	778,774	45	%	651,934	70	%
Variable rate	965,418	55	%	278,942	30	%
Total	1,744,192			930,876		

The Company estimates that, if market interest rates applicable to Tenaris's borrowings had been 100 basis points higher, then the additional pre-tax loss would have been \$10.9 million in 2012 and \$7.3 million in 2011.

A. Financial Risk Factors (Cont.)

(iii) Interest rate risk (Cont.)

Tenaris's 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 \$5.7 million in 2012 and \$7.1 million in 2011, partially offsetting the net losses to Tenaris's borrowing costs.

(iv) Credit risk

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

There is no significant concentration of credit risk from customers. No single customer comprised more than 10% of Tenaris's net sales in 2012 and 2011.

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

As of December 31, 2012 and 2011 trade receivables amount to \$2,070.8 million and \$1,900.6 million respectively. Trade receivables have guarantees under letter of credit and other bank guarantees of \$100.3 million and \$240.1 million, credit insurance of \$539.3 million and \$562.1 million and other guarantees of \$11.8 million and \$16.2 million as of December 31, 2012 and 2011 respectively.

As of December 31, 2012 and 2011 trade receivables amounting to \$364.3 million and \$352.6 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 \$29.1 million as of December 31, 2012 and \$25.9 million as of December 31, 2011. The allowance for doubtful accounts and the existing guarantees are sufficient to cover doubtful trade receivables.

(v) Counterparty risk

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

Approximately 88.7% of Tenaris's liquid financial assets correspond to Investment Grade-rated instruments as of December 31, 2012, in comparison with approximately 94.7% as of December 31, 2011.

(vi) Liquidity risk

Tenaris financing strategy aims to maintain adequate financial resources and access to additional liquidity. During 2012, 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.

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A. Financial Risk Factors (Cont.)

(vi) Liquidity risk (Cont.)

Liquid financial assets as a whole (comprising cash and cash equivalents and other current investments) were 9.2% of total assets at the end of 2012 compared to 8.4% at the end of 2011.

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, 2012, Tenaris exposure to financial instruments issued by European sovereign counterparties amounted to \$2.1 million. As of December 31, 2011, Tenaris did 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, 2012 and 2011, U.S. dollar denominated liquid assets represented approximately 79% and 66% 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 27).

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
December 31, 2012				
Assets as per statement of financial position				
Derivative financial instruments	17,852	-	-	17,852
Trade receivables	-	2,070,778	-	2,070,778
Other receivables	-	157,614	-	157,614
Available for sale assets	-	-	21,572	21,572
Other investments	647,012	-	-	647,012
Cash and cash equivalents	828,458	-	-	828,458
Total	1,493,322	2,228,392	21,572	3,743,286

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
December 31, 2012			
Liabilities as per statement of financial position			
Borrowings	-	1,744,192	1,744,192

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Derivative financial instruments	14,031	-	14,031
Trade and other payables (*)	-	926,764	926,764
Total	14,031	2,670,956	2,684,987

	Assets at fair value through profit and loss	Loans and receivables	Available for sale	Total
December 31, 2011				
Assets as per statement of financial position				
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
Total	1,263,444	2,019,874	21,572	3,304,890

B. Financial instruments by category (Cont.)

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

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

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, 2012 and 2011.

December 31, 2012	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	828,458	-	-	828,458
Other investments	451,152	193,257	2,603	647,012
Foreign exchange derivatives contracts	-	17,852	-	17,852
Available for sale assets (*)	-	-	21,572	21,572
Total	1,279,610	211,109	24,175	1,514,894
Liabilities				
Foreign exchange derivatives contracts	-	14,031	-	14,031
Total	-	14,031	-	14,031
December 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
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

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Embedded derivative (See Note 25)	-	-	1,144	1,144
Available for sale assets (*)	-	-	21,572	21,572
Total	1,174,224	85,533	25,259	1,285,016
Liabilities				
Foreign exchange derivatives contracts	-	45,040	-	45,040
Embedded derivative (See Note 25)	-	-	709	709
Total	-	45,040	709	45,749

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

C. Fair value hierarchy (Cont.)

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

The fair value of financial instruments that are not traded in an active market (such as certain debt securities, certificates of deposits with original maturity of more than three months, forward and interest rate derivative instruments) is determined by using valuation techniques which maximize the use of observable market data 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 are not based on observable market data, the instruments are included in Level 3. Tenaris values its assets and liabilities in this level using observable market inputs and management assumptions which reflect the Company's best estimate on how market participants would price the asset or liability at measurement date. Main balances included in this level correspond to Available for sale assets related to Tenaris's interest in Venezuelan companies under process of nationalization (see Note 31).

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

	Year ended December 31,	
	2012	2011
	Assets / Liabilities	
Net assets at the beginning of the year	24,550	41,021
Loss for the year	(435)	(3,078)
Reclassifications	-	(13,320)
Currency translation adjustment and others	60	(73)
Net assets at the end of the year	24,175	24,550

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 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.

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D. Fair value estimation (Cont.)

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 101.1% of its carrying amount including interests accrued in 2012 as compared with 98.8% in 2011. Tenaris estimates that a change of 100 basis points in the reference interest rates would have an estimated impact of approximately 0.1% in the fair value of borrowings as of December 31, 2012 and 0.3% in 2011. Fair values were calculated using standard valuation techniques for floating rate instruments and comparable market rates for discounting flows.

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) 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's 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 according to its expiry date.

For transactions designated and qualifying for hedge accounting, Tenaris documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. Tenaris also documents its assessment on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flow of hedged items. At December 31, 2012 and 2011, the effective portion of designated cash flow hedges amounts to \$2.9 million and \$8.2 million 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.

IV. OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1 Segment information

As mentioned in section II. AP – C, the Segment Information is disclosed as follows:

Reportable operating segments

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

Year ended December 31, 2012	Tubes	Other	Total
Management View			
Net Sales	10,022,501	741,074	10,763,575
· Sales of energy and surplus raw materials	822	69,633	70,455
IFRS - Net Sales	10,023,323	810,707	10,834,030
Management View			
Operating income	2,198,704	109,385	2,308,089
· Differences in cost of sales and others	(58,385)	(1,147)	(59,532)
· Depreciation and amortization (**)	111,509	(3,459)	108,050
IFRS - Operating income	2,251,828	104,779	2,356,607
Financial income (expense), net			(50,104)
Income before equity in earnings of associated companies and income tax			2,306,503
Equity in earnings of associated companies			(63,534)
Income before income tax			2,242,969
Capital expenditures	771,734	17,997	789,731
Depreciation and amortization	549,130	18,524	567,654
Year ended December 31, 2011 (*)			
	Tubes	Other	Total
IFRS			
Net Sales	9,111,691	860,787	9,972,478
Operating income	1,702,188	142,693	1,844,881
Financial income (expense), net			(10,299)
Income before equity in earnings of associated companies and income tax			1,834,582
Equity in earnings of associated companies			61,509
Income before income tax			1,896,091
Capital expenditures	849,362	13,296	862,658
Depreciation and amortization	538,921	15,424	554,345
Year ended December 31, 2010 (*)			
	Tubes	Other	Total
IFRS			
Net Sales	7,032,388	679,210	7,711,598
Operating income	1,427,373	91,677	1,519,050
Financial income (expense), net			(52,553)

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Income before equity in earnings of associated companies and income tax			1,466,497
Equity in earnings of associated companies			70,057
Income before income tax			1,536,554
Capital expenditures	842,127	5,189	847,316
Depreciation and amortization	488,670	18,232	506,902
Impairment reversal	67,293	-	67,293

Transactions between segments, which were eliminated in consolidation, include sales of scrap and pipe protectors from the Other segment to the Tubes segment for \$345.285, \$266,806 and \$204,478 in 2012, 2011 and 2010, respectively.

(*) Comparative amounts have been reclassified to disclose the information according to the reporting segment the Company is organized since September 30, 2012.

(**) Depreciation and amortization under Management view is \$108.0 million higher, mainly because goodwill and other tangible and intangible assets were depreciated differently.

Net income under Management view amounted to \$ 1.463 million, while under IFRS amounted to \$ 1.701 million. In addition to the amounts reconciled above, the main differences arise from the impact of functional currencies on financial result, income taxes as well as the result of investment in associated companies.

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
Year ended December 31, 2012							
Net sales	5,270,062	2,717,234	1,092,642	1,271,585	482,507	-	10,834,030
Total assets	7,779,205	3,824,931	2,327,901	449,056	578,199	1,004,633	15,963,925
Trade receivables	528,443	867,223	273,824	286,212	115,076	-	2,070,778
Property, plant and equipment, net	2,222,906	1,003,871	985,617	64,632	157,944	-	4,434,970
Capital expenditures	338,827	237,456	185,354	9,720	18,374	-	789,731
Depreciation and amortization	316,158	103,537	116,771	7,989	23,199	-	567,654
Year ended December 31, 2011							
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
Year ended December 31, 2010							
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
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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 Germany, Italy, Norway, Romania and the United Kingdom; "Middle East and Africa" comprises principally Angola, Iraq, Saudi Arabia, United Arab Emirates and Nigeria; "Far East and Oceania" comprises principally China, Indonesia and Japan.

(*) Includes Investments in associated companies and Available for sale assets for \$21.6 million in 2012, 2011 and 2010 (see Note 12 and 31).

2 Cost of sales

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2012	2011	2010
Inventories at the beginning of the year	2,806,409	2,460,384	1,687,059
Plus: Charges of the year			
Raw materials, energy, consumables and other	4,330,547	4,409,698	3,690,900
Increase in inventory due to business combinations	1,486	10,688	-
Services and fees	433,944	368,910	329,687
Labor cost	1,256,041	1,177,067	989,332
Depreciation of property, plant and equipment	333,466	312,601	290,299
Amortization of intangible assets	7,091	6,561	3,351
Maintenance expenses	260,274	220,240	174,966
Allowance for obsolescence	49,907	11,067	(34,522)
Taxes	6,793	4,958	7,121
Other	137,140	97,642	70,958
	6,816,689	6,619,432	5,522,092
Less: Inventories at the end of the year	(2,985,805)	(2,806,409)	(2,460,384)
	6,637,293	6,273,407	4,748,767

3 Selling, general and administrative expenses

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2012	2011	2010
Services and fees	213,073	218,991	207,427
Labor cost	570,950	533,219	460,667
Depreciation of property, plant and equipment	15,023	12,400	12,506
Amortization of intangible assets	212,074	222,783	200,746
Commissions, freight and other selling expenses	550,611	545,228	420,417
Provisions for contingencies	21,163	35,847	26,430
Allowances for doubtful accounts	3,840	7,749	(17,361)
Taxes	170,582	148,912	120,591
Other	126,473	134,111	90,987
	1,883,789	1,859,240	1,522,410

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,		
	2012	2011	2010
Wages, salaries and social security costs	1,778,117	1,666,176	1,414,491
Employees' severance indemnity	16,549	14,923	12,850
Pension benefits - defined benefit plans	12,480	10,300	8,795
Employee retention and long term incentive program	19,845	18,887	13,863
	1,826,991	1,710,286	1,449,999

At the year-end, the number of employees was 26,673 in 2012, 26,980 in 2011 and 25,422 in 2010.

5 Other operating items

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2012	2011	2010
Other operating income			
Reimbursement from insurance companies and other third parties agreements (See note 26 b))	49,495	695	9,810
Net income from other sales	12,314	5,510	1,955
Net rents	2,988	2,487	2,793
Impairment reversal (*)	-	-	67,293
Other	6,583	2,849	3,807
	71,380	11,541	85,658
Other operating expenses			
Contributions to welfare projects and non-profits organizations	22,226	4,341	3,304
Provisions for legal claims and contingencies	(668)	1,411	2,741
Loss on fixed assets and material supplies disposed / scrapped	227	48	352
Allowance for doubtful receivables	5,936	691	632
	27,721	6,491	7,029

(*) 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 that environment, Tenaris expected that its competitive conditions and activity levels would 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

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2012	2011	2010
Interest income	33,459	30,840	32,855
Interest expense (*)	(55,507)	(52,407)	(64,103)
Interest net	(22,048)	(21,567)	(31,248)

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Net foreign exchange transaction results	(10,929)	65,365	(26,581)
Foreign exchange derivatives contracts results (**)	(3,194)	(49,349)	7,183
Other	(13,933)	(4,748)	(1,907)
Other financial results	(28,056)	11,268	(21,305)
Net financial results	(50,104)	(10,299)	(52,553)

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6 Financial results (Cont.)

(*) Includes losses on interest rate swaps of \$5.2 million and \$15.6 million in 2011 and 2010 respectively. In order to partially hedge future interest payments related to long-term debt, Tenaris 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.

(**) Includes a loss on identified embedded derivatives of \$0.4 million, \$3.1 million and gains of \$6.1 million for 2012, 2011 and 2010, respectively.

7 Equity in (losses) earnings of associated companies

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2012	2011	2010
From associated companies	4,217	61,509	70,553
Gain (Loss) on sale of associated companies and others	5,899	-	(496)
Impairment loss on associated companies (see Note 27)	(73,650)	-	-
	(63,534)	61,509	70,057

8 Income tax

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2012	2011	2010
Current tax	636,624	573,769	340,686
Deferred tax	(95,066)	(98,399)	54,821
	541,558	475,370	395,507

The tax on Tenaris’s income before tax differs from the theoretical amount that would arise using the tax rate in each country as follows:

(all amounts in thousands of U.S. dollars)	Year ended December 31,		
	2012	2011	2010
Income before income tax	2,242,969	1,896,091	1,536,554
Tax calculated at the tax rate in each country	456,530	418,358	361,235
Non taxable income / Non deductible expenses	80,527	43,265	22,202
Changes in the tax rates	4,707	(7,736)	(17)
Effect of currency translation on tax base (*)	5,214	25,000	12,158
Utilization of previously unrecognized tax losses	(5,420)	(3,517)	(71)
Tax charge	541,558	475,370	395,507

(*) 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 revalued / devalued tax basis of the relevant assets will not result in any deduction / obligation for tax purposes in future periods.

9 Earnings and dividends per share

Earnings per share are calculated by dividing the net income attributable to owners of the parent by the daily weighted average number of ordinary shares in issue during the year.

	Year ended December 31,		
	2012	2011	2010
Net income attributable to the owners of the parent	1,699,047	1,331,157	1,127,367
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)	1.44	1.13	0.95
Basic and diluted earnings per ADS (U.S. dollars per ADS) (*)	2.88	2.26	1.91
Dividends paid	(448,604)	(401,383)	(401,383)
Basic and diluted dividends per share (U.S. dollars per share)	0.38	0.34	0.34
Basic and diluted dividends per ADS (U.S. dollars per ADS) (*)	0.76	0.68	0.68

(*) Each ADS equals to two shares

On November 7, 2012, the Company's board of directors approved the payment of an interim dividend of \$0.13 per share (\$0.26 per ADS), or approximately \$153.5 million, on November 22, 2012, with an ex-dividend date of November 19, 2012.

On May 2, 2012, the Company's shareholders approved an annual dividend in the amount of \$0.38 per share (\$0.76 per ADS). The amount approved included the interim dividend previously paid in November 2011, in the amount of \$0.13 per share (\$0.26 per ADS). The balance, amounting to \$0.25 per share (\$0.50 per ADS), was paid on May 24, 2012. In the aggregate, the interim dividend paid in November 2011 and the balance paid in May 2012 amounted to approximately \$449 million.

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.

10 Property, plant and equipment, net

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

Year ended December 31, 2012	Land, building and improvements	Plant and production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts and equipment	Total
Cost						
Values at the beginning of the year	1,311,786	7,149,005	287,202	318,297	40,822	9,107,112
Translation differences	(8,824)	877	(2,881)	(5,201)	38	(15,991)
Additions	29,000	14,765	3,121	693,729	6,313	746,928
Disposals / Consumptions	(1,513)	(57,128)	(6,927)	(58)	(4,060)	(69,686)
Increase due to business combinations	-	5,325	138	720	102	6,285
Transfers / Reclassifications	87,545	390,514	40,618	(517,593)	459	1,543
Values at the end of the year	1,417,994	7,503,358	321,271	489,894	43,674	9,776,191
Depreciation						
Accumulated at the beginning of the year	293,438	4,580,997	164,292	-	14,732	5,053,459
Translation differences	(1,869)	396	(2,043)	-	247	(3,269)
Depreciation charge	39,082	282,375	25,702	-	1,330	348,489
Transfers / Reclassifications						