TENARIS SA
Form 6-K
May 01, 2015
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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 April 30, 2015

Tenaris S.A.

(Translation of Registrant s name into English)

Tenaris S.A.

29, Avenue de la Porte-Neuve

3rd Floor

L-2227 Luxembourg

(Address of principal executive offices)

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

Form 20-F x 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 x

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

The attached material is being furnished to the Securities and Exchange Commission (Commission) pursuant to Rule 13a-16 and Form 6-K under the Securities Exchange Act of 1934, as amended.

As part of its regular reviews of Tenaris s filings of financial statements, the Staff of the Commission has issued comments regarding the carrying value of Tenaris s investment in Usiminas, including seeking explanations on Tenaris s value in use calculations and on the differences between value in use and certain fair value indicators. After receiving the Staff s comments, Tenaris provided additional information to the Staff supporting the Company s accounting treatment of the Usiminas investment under IFRS as of September 30, 2014, and Tenaris had further discussions with members of the Staff.

Discussions with the Staff continue. Tenaris believes that its accounting of the Usiminas investment is in accordance with IFRS; however, if it is determined after the conclusion of this process that an additional impairment of the investment in Usiminas should be recorded in 2014, Tenaris could be required to restate its financial statements for the year ended December 31, 2014. A restatement of the 2014 financial statements could also result in a restatement of the financial statements for the first quarter of 2015.

The value of Tenaris s investment in Usiminas, which was determined by the application of IFRS and tested for impairment using the value in use calculation as per IAS 36, amounted to $284 million as of September 30, 2014, $209 million as of December 31, 2014 and $153 million as of March 31, 2015. The carrying value of the Usiminas investment as of March 31, 2015 amounted to $153 million, representing a 1.2% of Tenaris s net worth.

On or before May 1, 2015, the Company will file Form 12b-25 with the Commission, disclosing that the Company was unable to file on April 30, 2015 its Annual Report on Form 20-F for the fiscal year ended December 31, 2014 (the 2014 Form 20-F), because the Company is continuing to work to resolve the Staff s outstanding comments noted above.

For more information on the carrying value of the Usiminas investment, see note 12 to Tenaris s consolidated financial statements as of March 31, 2015, which have been furnished to the Commission under Form 6-K on April 30, 2015.

Attached hereto is substantially all the information the Company currently expects it would include in its Annual Report on Form 20-F when that report is filed with the Commission, except it does not include any report by the Company s independent registered public accounting firm or any of the documents that will be filed as exhibits to the Form 20-F. Also, it does not reflect any adjustments to the financial statements or other disclosure that may be required upon resolution of the discussions with the Commission Staff referred to above.

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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.

Tenaris S.A.

By: /s/ Cecilia Bilesio
Cecilia Bilesio

Corporate Secretary
Dated: April 30, 2015

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CERTAIN DEFINED TERMS

Unless otherwise specified or if the context so requires:

References in this annual report to the Company refer exclusively to Tenaris S.A., a Luxembourg public limited liability company (société anonyme).

References in this annual report to Tenaris , we , us or our refer to Tenaris S.A. and its consolidated subsidiaries. See II Accounting Policy A Basis of presentation and II Accounting Policy B Group accounting to our audited consolidated financial statements included in this annual report.

References in this annual report to San Faustin refer to San Faustin S.A., a Luxembourg public limited liability company (société anonyme) and the Company s controlling shareholder.

Shares refers to ordinary shares, par value $1.00, of the Company.

ADSs refers to the American Depositary Shares, which are evidenced by American Depositary Receipts, and represent two Shares each.

OCTG refers to oil country tubular goods. See Item 4.B Information on the Company Business Overview Our Products .

tons refers to metric tons; one metric ton is equal to 1,000 kilograms, 2,204.62 pounds, or 1.102 U.S. (short) tons.

billion refers to one thousand million, or 1,000,000,000.

U.S. dollars , US$, USD or $ each refers to the United States dollar.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

We prepare our consolidated financial statements in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the European Union, or IFRS. IFRS differs in certain significant respects from generally accepted accounting principles in the United States, commonly referred to as U.S. GAAP.

We publish consolidated financial statements presented in increments of a thousand U.S. dollars. This annual report includes our audited consolidated financial statements for the years ended December 31, 2014, 2013 and 2012.

Rounding

Certain monetary amounts, percentages and other figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Our Internet Website is Not Part of this Annual Report

We maintain an Internet website at www.tenaris.com. Information contained in or otherwise accessible through our Internet website is not a part of this annual report. All references in this annual report to this Internet site are inactive textual references to these URLs, or uniform resource locators and are for informational reference only. We assume no responsibility for the information contained on our Internet website.

Industry Data

Unless otherwise indicated, industry data and statistics (including historical information, estimates or forecasts) in this annual report are contained in or derived from internal or industry sources believed by Tenaris to be reliable. Industry data and statistics are inherently predictive and are not necessarily reflective of actual industry conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data. Such data and statistics have not been independently verified, and the Company makes no representation as to the accuracy or completeness of such data or any assumptions relied upon therein.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

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

We use words such as aim , will likely result , will continue , contemplate , seek to , future , objective , goal pursue , anticipate , estimate , expect , project , intend , plan , believe and words and terms of similar substan forward-looking statements, but they are not the only way we identify such statements. All forward-looking statements are management s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These factors include the risks related to our business discussed under Item 3.D. Key Information Risk Factors among them, the following:

- our ability to implement our business strategy or to grow through acquisitions, joint ventures and other investments;
- the competitive environment in our business and our industry;
- our ability to price our products and services in accordance with our strategy;
- trends in the levels of investment in oil and gas exploration and drilling worldwide;
- general macroeconomic and political conditions and developments in the countries in which we operate or distribute pipes; *and*
- our ability to absorb cost increases and to secure supplies of essential raw materials and energy.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses that may affect our financial condition and results of operations could differ materially from those that have been estimated. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this annual report. Except as required by law, we are not under any obligation, and expressly disclaim any obligation to, update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The selected consolidated financial data set forth below have been derived from our audited consolidated financial statements for each of the years and at the dates indicated therein. Our consolidated financial statements were prepared in accordance with IFRS, and were audited by PricewaterhouseCoopers Société Coopérative, *Cabinet de révision agréé*, an independent registered public accounting firm. PricewaterhouseCoopers Société Coopérative is a member firm of PwC International Limited (PWC). IFRS differs in certain significant respects from U.S. GAAP.

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For a discussion of the accounting principles affecting the financial information contained in this annual report, please see Presentation of Certain Financial and Other Information Accounting Principles .

Thousands of U.S. dollars (except number of shares and per share amounts)	For the year ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Selected consolidated income statement data[1]					
Continuing operations					
Net sales	10,337,962	10,596,781	10,834,030	9,972,478	7,711,598
Cost of sales	(6,287,460)	(6,456,786)	(6,637,293)	(6,273,407)	(4,748,767)
Gross profit	4,050,502	4,139,995	4,196,737	3,699,071	2,962,831
Selling, general and administrative expenses	(1,963,952)	(1,941,213)	(1,883,789)	(1,859,240)	(1,522,410)
Other operating (expenses) income, net[2]	(187,734)	(13,952)	43,659	5,050	78,629
Operating income	1,898,816	2,184,830	2,356,607	1,844,881	1,519,050
Finance income	38,211	34,767	36,932	30,840	32,855
Finance cost	(44,388)	(70,450)	(55,507)	(52,407)	(64,103)
Other financial results	39,214	7,004	(31,529)	11,268	(21,305)
Income before equity in earnings of non-consolidated companies and income tax	1,931,853	2,156,151	2,306,503	1,834,582	1,466,497
Equity in earnings (losses) of non-consolidated companies	20,141	46,098	(63,206)	61,992	70,057
Income before income tax	1,951,994	2,202,249	2,243,297	1,896,574	1,536,554
Income tax	(586,061)	(627,877)	(541,558)	(475,370)	(395,507)
Income for the year[3]	1,365,933	1,574,372	1,701,739	1,421,204	1,141,047
Income attributable to[3]:					
Owners of the parent	1,343,274	1,551,394	1,699,375	1,331,640	1,127,367
Non-controlling interests	22,659	22,978	2,364	89,564	13,680
Income for the year[3]	1,365,933	1,574,372	1,701,739	1,421,204	1,141,047
Depreciation and amortization	(615,629)	(610,054)	(567,654)	(554,345)	(506,902)
	1,180,536,830	1,180,536,830	1,180,536,830	1,180,536,830	1,180,536,830

Weighted average number of shares outstanding					
Basic and diluted earnings per share for continuing operations	1.14	1.31	1.44	1.13	0.95
Basic and diluted earnings per share	1.14	1.31	1.44	1.13	0.95
Dividends per share(4)	0.45	0.43	0.43	0.38	0.34

(1) Certain comparative amounts have been re-presented to conform to the adoption of revised IAS19 on Employee Benefits for the years ended December 31, 2012, 2011 and 2010. For more information, see II Accounting Policy A Basis of presentation to our audited consolidated financial statements included in this annual report.

(2) Other operating (expenses) income, net in 2014 include an impairment charge of $206 million on our welded pipe operations in Colombia and Canada.

(3) International Accounting Standard No. 1 (IAS 1) (revised), requires that income for the year as shown on the income statement does not exclude non-controlling interests. Earnings per share, however, continue to be calculated on the basis of income attributable solely to the owners of the parent (i.e., the Company).

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

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Thousands of U.S. dollars (except number of shares)	2014	2013	At December 31, 2012	2011	2010
Selected consolidated financial position data[(1)]					
Current assets	7,396,322	6,903,900	6,987,116	6,393,221	5,955,536
Property, plant and equipment, net	5,159,557	4,673,767	4,434,970	4,053,653	3,780,580
Other non-current assets	4,119,832	4,353,303	4,537,457	4,411,510	4,622,772
Total assets	16,675,711	15,930,970	15,959,543	14,858,384	14,358,888
Current liabilities	2,602,829	2,119,729	2,829,374	2,403,699	2,378,546
Non-current borrowings	30,833	246,218	532,407	149,775	220,570
Deferred tax liabilities	714,123	751,105	728,541	809,898	923,333
Other non-current liabilities	356,579	344,052	369,629	372,276	316,477
Total liabilities	3,704,364	3,461,104	4,459,951	3,735,648	3,838,926
Capital and reserves attributable to the owners of the parent	12,819,147	12,290,420	11,328,031	10,456,705	9,871,741
Non-controlling interests	152,200	179,446	171,561	666,031	648,221
Equity	12,971,347	12,469,866	11,499,592	11,122,736	10,519,962
Total liabilities and equity	16,675,711	15,930,970	15,959,543	14,858,384	14,358,888
Share capital	1,180,537	1,180,537	1,180,537	1,180,537	1,180,537
Number of shares outstanding	1,180,536,830	1,180,536,830	1,180,536,830	1,180,536,830	1,180,536,830

(1) Certain comparative amounts have been re-presented to conform to the adoption of revised IAS19 on Employee Benefits as of December 31, 2012, 2011 and 2010. For more information, see II Accounting Policy A Basis of presentation to our audited consolidated financial statements included in this annual report.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks and uncertainties described below, together with all other information contained in this annual report, before making any investment decision. Any of these risks and uncertainties could have a material adverse effect on our business, revenues, financial condition and results of operations, which could in turn affect the price of Shares and ADSs.

Risks Relating to our Industry

Sales and profitability may fall as a result of downturns in the international price of oil and gas and other circumstances affecting the oil and gas industry.

We are a global steel pipe manufacturer with a strong focus on manufacturing products and related services for the oil and gas industry. The oil and gas industry is a major consumer of steel pipe products worldwide, particularly for products manufactured under high quality standards and demanding specifications. Demand for steel pipe products from the oil and gas industry has historically been volatile and depends primarily upon the number of oil and natural gas wells being drilled, completed and reworked, and the depth and drilling conditions of these wells. The level of exploration, development and production activities of, and the corresponding capital spending by, oil and gas companies, including national oil companies, depends primarily on current and expected future prices of oil and natural gas and is sensitive to the industry s view of future economic growth and the resulting impact on demand for oil and natural gas. Several factors, such as the supply and demand for oil and gas, and political and global economic conditions, affect these prices. When the price of oil and gas falls, oil and gas companies generally reduce spending on production and exploration activities and, accordingly, make fewer purchases of steel pipe products. Other circumstances such as geopolitical events and hostilities in the Middle East and elsewhere may also affect drilling activity and, as a result, cause steel pipe consumption to decline, and thus have a material impact on our revenues, profitability and financial condition. For example, the current fall in oil and gas prices and in drilling activity is resulting in a decline in consumption and demand for OCTG products which will negatively affect our revenues and profitability.

Our industry is cyclical and fluctuations in industry inventory levels may adversely affect our sales and revenues.

Inventory levels of steel pipe in the oil and gas industry can vary significantly from period to period and from region to region. These fluctuations can affect demand for our products. During periods of high demand, industry participants increase the production of pipe products and customers accumulate inventory. Conversely, during periods of low investment in drilling and other activities, customers draw from existing inventory. Particularly, when oil and gas prices fall, as has recently happened, oil and gas companies are generally expected to hold or reduce purchases of additional steel pipe products.

Competition in the global market for steel pipe products may cause us to lose market share and hurt our sales and profitability.

The global market for steel pipe products is highly competitive, with the primary competitive factors being price, quality, service and technology. We compete in most markets outside North America primarily against a limited number of manufacturers of premium-quality steel pipe products. In the United States and Canada, we compete against a wide range of local and foreign producers. In recent years, substantial investments have been made, especially in China, to increase production capacity of seamless steel pipe products. New production capacity continues to be installed and there is significant excess production capacity, particularly for commodity or standard product grades. Capacity for the production of more specialized product grades is also increasing. In addition, there is an increased risk of unfairly-traded steel pipe imports in markets in which Tenaris produces and sells its products. In August 2014, the U.S. imposed anti-dumping duties on OCTG imports from various countries, including South Korea. However, despite the trade case ruling, imports from South Korea continue to be at a very high level. Similarly, in Canada, an anti-dumping investigation is underway, while the final determination on injury is still pending, in March 2015 the Canada Border Services Agency introduced anti-dumping duties on OCTG imports from South Korea and other countries. We can give no assurance about the effectiveness of these actions or the final outcome of these investigations. The competitive environment, therefore, is expected to become more intense in the coming years and effective competitive differentiation will be a key success factor for Tenaris. We may not continue to compete effectively against existing or potential producers and preserve our current shares of geographic or product markets, and increased competition may have a material impact on the pricing of our products and services, which could in turn adversely affect our revenues, profitability and financial condition. See Item 4.B. Information on the Company Business Overview Competition .

Increases in the cost of raw materials, energy and other costs, limitations or disruptions to the supply of raw materials and energy, and price mismatches between raw materials and our products may hurt our profitability.

The manufacture of seamless steel pipe products requires substantial amounts of steelmaking raw materials and energy; welded steel pipe products, in turn, are processed from steel coils and plates. The availability and pricing of a significant portion of the raw materials and energy we require are subject to supply and demand conditions, which can be volatile, and to government regulation, which can affect continuity of supply and prices. In addition, disruptions, restrictions or limited availability of energy resources in markets where we have significant operations could lead to higher costs of production and eventually to production cutbacks at our facilities in such markets. For example, shortages of energy and natural gas in Argentina and the resulting supply restrictions imposed by the government could affect operations at our facilities in Argentina. Similarly, in Mexico, existing constraints in natural gas transportation capacity have led to increased imports of natural gas liquids which, from April 1, 2013, resulted in increased natural gas transportation costs and, thus, higher steel pipe products production costs. See Item 3.D. Key Information Risk Factors Risks Relating to our Business Adverse economic or political conditions in the countries where we operate or sell our products and services may decrease our sales or disrupt our manufacturing operations, thereby adversely affecting our revenues, profitability and financial condition . At any given time, we may be unable to obtain an adequate supply of critical raw materials with price and other terms acceptable to us. The availability and prices of raw materials may also be negatively affected by new laws and regulations, including import controls, allocation by suppliers, interruptions in production, accidents or natural disasters, changes in exchange rates, worldwide price fluctuations, and the availability and cost of transportation. Moreover, we are dependent on a few suppliers for a significant portion of our requirements for steel coils at our welded pipe operations in North America and the loss of any of these suppliers could result in increased production costs, production cutbacks and reduced competitiveness at these operations.

We may not be able to recover increased costs of raw materials and energy through increased selling prices on our products, and limited availability could force us to curtail production, which could adversely affect our sales and profitability. In addition, like other manufacturers of steel-related products, we have fixed and semi-fixed costs (e.g., labor and other operating and maintenance costs) that cannot adjust rapidly to fluctuations in product demand. If demand for our products falls significantly, these costs may adversely affect our profitability and financial condition.

Our results of operations and financial conditions could be adversely affected by low levels of capacity utilization.

We have recently announced temporary suspensions of certain of our operations in North America given the impact to our business of the sharp decline of oil prices and high levels of unfairly traded imports of OCTG and line pipe products. Temporary suspensions of operations generally lead to layoffs of employees which may in turn give rise to labor conflicts and affect operations. Moreover, temporary suspensions such as those announced by the Company may also affect profitability and trigger impairment assessments of assets. We continue to analyze our operations in other regions in order to better adjust our cost structures to market conditions and may have to resort to measures such as temporary suspensions in order to rationalize our cost structure.

Risks Relating to our Business

Adverse economic or political conditions in the countries where we operate or sell our products and services may decrease our sales or disrupt our manufacturing operations, thereby adversely affecting our revenues, profitability and financial condition.

We are exposed to economic and political conditions in the countries where we operate or sell our products and services. The economies of these countries are in different stages of social and economic development. Like other companies with worldwide operations, we are exposed to risks from fluctuations in foreign currency exchange rates, interest rates and inflation. We are also affected by governmental policies regarding spending and investment, impositions or strengthening of trade restrictions with respect to certain markets, exchange controls, regulatory and taxation changes, and other adverse political, economic or social developments of the countries in which we operate.

Significant portions of our operations are located in countries with a history of political volatility or instability. As a consequence, our business and operations have been, and could in the future be, affected from time to time to varying degrees by political, economic and social developments and changes in laws and regulations. These developments and changes may include, among others, the nationalization, expropriation or forced divestiture of assets; restrictions on production, imports and exports; interruptions in the supply of essential energy inputs; restrictions on the exchange or transfer of currency, repatriation of capital, or payment of dividends, debt principal or interest, or other contractual obligations; inflation; devaluation; war or other international conflicts; civil unrest and local security concerns, including high incidences of crime and violence involving drug trafficking organizations that threaten the safe operation of our facilities and operations; direct and indirect price controls; tax increases and changes in the interpretation, application or enforcement of tax laws and other retroactive tax claims or challenges; changes in laws, norms and regulations; cancellation of contract rights; and delays or denials of governmental approvals. Both the likelihood of such occurrences and their overall impact upon us vary greatly from country to country and are not predictable. Realization of these risks could have an adverse impact on the results of operations and financial condition of our subsidiaries located in the affected country.

For example, approximately 8% of Tenaris s consolidated net assets are located in Argentina and we derive approximately 20% of our revenues from that country, including sales to the domestic and export markets. Our business may be materially and adversely affected by economic, political, fiscal and regulatory developments in Argentina, including the following:

Our business and operations in Argentina may be adversely affected by inflation or by the measures that may be adopted by the government to address inflation. In particular, increases in services and labor costs could negatively affect our results of operations. In addition, an increased level of labor demands could trigger higher levels of labor conflicts, and eventually result in strikes or work stoppages. Any such disruption of operations could have an adverse effect on our operations and financial results.

Macroeconomic and political conditions in Argentina may adversely affect our business and operations. Increased state-intervention in the economy, along with the introduction of changes to government policies, could have an adverse effect on our operations and financial results.

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The Argentine government has increased taxes on our operations in Argentina through several methods. For example, in September 2013, the Argentine government enacted a new 10% withholding tax on dividend distributions. If the Argentine government continues to increase the tax burden on our operations, our results of operation and financial condition could be adversely affected.

Restrictions on the supply of energy to our operations in Argentina could curtail our production and adversely affect our results of operations. There has been a lack of investment in natural gas and electricity supply and transport capacity in Argentina in recent years. Over the course of the last several years, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and low prices in comparison with alternative fuel sources. This in turn has resulted in shortages of natural gas and electricity to residential and industrial users during periods of high demand. For example, in recent years, our operations in Argentina experienced constraints in their electricity and natural gas supply requirements on many occasions. If demand for natural gas and electricity increases and a matching increase in natural gas and electricity supply and transport capacity fails to materialize on a timely basis, our production in Argentina (or that of our main customers and suppliers), could be curtailed, and our sales and revenues could decline. Although we have taken and are taking measures to limit the effect of supply restrictions on our operations in Argentina, such efforts might not be sufficient to avoid an adverse impact on our production in Argentina and we might not be able to similarly limit the effect of future supply restrictions. In addition, it is possible that we could also face increased costs when using alternative sources of energy.

In the past, the Argentine government and the Argentine Central Bank introduced several rules and regulations to reduce volatility in the U.S. Dollar/Argentine Pesos, or ARS, exchange rate, and implemented restrictions on capital inflows into Argentina and capital outflows from Argentina. Since 2001, Argentine subsidiaries are required to repatriate U.S. dollars collected in connection with exports from Argentina (including U.S. dollars obtained through advance payment and pre-financing facilities) into Argentina and convert them into ARS at the official floating exchange rate applicable on the date of repatriation. Since the last quarter of 2011, the Argentine government tightened its controls on transactions that would represent capital outflows from Argentina, prohibiting the purchase of foreign currency for saving purposes and limiting the ability of Argentine companies to transfer funds (including in connection with the payment of dividends or royalties) outside of Argentina. These existing controls, and any additional restrictions of this kind that may be imposed in the future, could expose us to the risk of losses arising from fluctuations in the exchange rate of the ARS or affect our ability to finance our investments and operations in Argentina, or impair our ability to convert and transfer outside Argentina funds generated by Argentine subsidiaries, for example, to pay dividends or royalties or other activities that require offshore payments. For additional information on current Argentine exchange controls and restrictions see Item 10.D. Additional Information Exchange Controls Argentina .

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

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

Following the Argentine default in 2002, Argentina successfully completed the restructuring of a substantial portion of its sovereign indebtedness in 2005 and 2010. However, certain bondholders that did not participate in the restructurings have sued Argentina for full payment, which litigation has effectively limited Argentina s access to international capital markets. A lack of financial alternatives could impair Argentina s ability to sustain the economy s activity level and foster economic growth.

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

We have been present in the Venezuelan OCTG market for many years and we maintain ongoing business relationships with Petróleos de Venezuela, or PDVSA, and the joint venture operators in the oil and gas sector. Since 2010, our sales in Venezuela have been negatively affected as PDVSA delayed payments to suppliers. While we maintain reserves for potential credit losses and analyze trade account receivables on a regular basis, our revenues, profitability and financial condition could be adversely affected by Venezuela s political and economic environment.

In addition, we have: a 70% interest in the share capital of Tavsa, Tubos de Acero de Venezuela S.A., or Tavsa, the sole producer of seamless steel pipe products in Venezuela, a 50.2% interest in Matesi Materiales Siderúrgicos S.A., or

Matesi, an industrial facility that produces hot briquetted iron, or HBI, and a minority interest in Complejo Siderúrgico de Guayana, or Comsigua, another Venezuelan HBI producer. In May 2009, within the framework of Decree Law 6058, Venezuela s President announced the nationalization of, among other companies, Tavsa, Matesi, and Comsigua (collectively, the Venezuelan Companies). In August 2009, Venezuela, acting through the transition committee appointed by the Minister of Basic Industries and Mines of Venezuela, unilaterally assumed exclusive operational control over Matesi, and in November, 2009, Venezuela, acting through PDVSA Industrial S.A. (a subsidiary of Petróleos de Venezuela S.A.), formally assumed exclusive operational control over the assets of Tavsa. Venezuela did not pay any compensation for the nationalization of Tenaris s investments in the Venezuelan Companies, which are protected under applicable bilateral investment treaties, including the bilateral investment treaty between Venezuela and the Belgium-Luxembourg Economic Union, and Tenaris continues to reserve all of its rights under contracts, investment treaties and Venezuelan and international law. In August 2011 and in July 2012, Tenaris and its wholly-owned subsidiary Talta Trading e Marketing Sociedad Unipessoal Lda, or Talta, initiated arbitration proceedings against Venezuela before the International Centre for Settlement of Investment Disputes, or ICSID, in Washington D.C., pursuant to the bilateral investment treaties entered into by Venezuela with the Belgium-Luxembourg Economic Union and Portugal, seeking adequate and effective compensation for the expropriation of their investment in the Venezuelan Companies.

The arbitration proceedings are still ongoing and, as of the date of this annual report, we can give no assurance that the Venezuelan government will agree to pay a fair and adequate compensation for our interests in the Venezuelan Companies, or that any such compensation will be freely convertible into or exchangeable for foreign currency. For more information on the nationalization of our investments in the Venezuelan Companies and the related ICSID arbitration proceedings, see note 30 Nationalization of Venezuelan Subsidiaries to our audited consolidated financial statements included in this annual report.

In Mexico, amendments to applicable law and regulations may materially and adversely affect our business. For example, in 2014 a comprehensive tax reform became effective in Mexico, which, among other things, introduced a general 10% withholding tax on dividend distributions based upon earnings accrued after January 1, 2014. Any additional changes to Mexican legislation could adversely impact our results of operations. Similarly, our Mexican operations could be affected by criminal violence, primarily due to the activities of drug cartels and related organized crime that Mexico has experienced and may continue to experience. Since 2011, organized criminal activity and violent incidents remained high and spread to new regions of the country. The city of Veracruz, where our facility is located, has experienced several incidents of violence. Although the Mexican government has implemented various security measures and has strengthened its military and police forces, drug-related crime continues to exist in Mexico. Our business may be materially and adversely affected by these activities, their possible escalation and the violence associated with them.

In Brazil, our sales may also be affected by governmental actions and policies and their consequences, such as measures relating to the taxation and ownership of oil and gas production activities and the operations of Petrobras S.A., or Petrobras, a state-run oil company. We have a longstanding business relationship with Petrobras, who we supply with casing (including premium connections) and line pipe products, most of which are produced in our Brazilian welded pipe facility, for both offshore and onshore applications. Given our business relationship with Petrobras, our sales and profitability in Brazil could be affected by operational and financial issues at Petrobras. Demand for complex OCTG and line pipe products used in deepwater applications in Brazil has slowed down in 2013 and shipments for line pipe products in 2014 decreased to a virtual halt. Our profitability in the Brazilian market may fluctuate significantly in future years depending on our success in securing large supply contracts and on other factors, including the cancellation or postponement of specific projects due to changes in governmental policies, and any adverse economic, political or social developments in Brazil. Furthermore, in connection with our industrial equipment manufacturing business in Brazil, in which we also provide assembly services, we account for these contracts under IAS 11, Construction Contracts, which requires management to account for certain contracts according to their percentage of completion based on an estimated final outcome of the contracts, which in certain cases may differ significantly from actual results.

If we do not successfully implement our business strategy, our ability to grow, our competitive position and our sales and profitability may suffer.

We plan to continue implementing our business strategy of developing higher value products designed to serve and meet the needs of customers operating in demanding environments, developing and offering additional value-added services, which enable us to integrate our production activities with our customers supply chain, and continuing to pursue strategic investment opportunities. Any of the components of our overall business strategy could cost more than anticipated or may not be successfully implemented or could be delayed or abandoned. For example, we may fail to develop products that differentiate us from our competitors or fail to find suitable investment opportunities, including acquisition targets that enable us to continue to grow and improve our competitive position. Even if we successfully implement our business strategy, it may not yield the expected results.

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We could be subject to regulatory risks associated with our international operations.

The shipment of goods and services across international borders subjects us to extensive trade laws and regulations. Our import and export activities are governed by customs laws and regulations in each of the countries where we operate. Moreover, the European Union, or EU, the United States and other countries, control the import and export of certain goods and services and impose related import and export recordkeeping and reporting obligations. Those governments also may impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities. Similarly, we are subject to the U.S. anti-boycott laws. These laws and regulations are complex and frequently changing, and they may be enacted, amended, enforced or interpreted in a manner that can materially impact our operations. Any failure to comply with these applicable legal and regulatory obligations also could result in criminal and civil penalties and sanctions.

Future acquisitions, strategic partnerships and capital investments may not perform in accordance with expectations or may disrupt our operations and hurt our profits.

One element of our business strategy is to identify and pursue growth-enhancing strategic opportunities. As part of that strategy, we regularly make significant capital investments and acquire interests in, or businesses of, various companies. For example, in January 2012, through our subsidiary Confab Industrial S.A., or Confab, we acquired a participation in Usinas Siderúrgicas de Minas Gerais S.A., or Usiminas, representing 5.0% of the shares with voting rights and 2.5% of the total share capital and in May 2012, we acquired all the remaining minority interests in Confab. In addition, we continue to build a new greenfield seamless mill in Bay City, Texas, the United States. We will continue to consider strategic acquisitions, investments and partnerships from time to time. We must necessarily base any assessment of potential acquisitions, joint ventures and capital investments on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Our past or future acquisitions, significant investments and alliances may not perform in accordance with our expectations and could adversely affect our operations and profitability. In addition, new demands on our existing organization and personnel resulting from the integration of new acquisitions could disrupt our operations and adversely affect our operations and profitability. Moreover, we may also acquire, as part of future acquisitions, assets unrelated to our business, and we may not be able to integrate them or sell them under favorable terms and conditions.

We may be required to record a significant charge to earnings if we must reassess our goodwill or other assets as a result of changes in assumptions underlying the carrying value of certain assets, particularly as a consequence of deteriorating market conditions.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful life, including goodwill, are subject to at least an annual impairment test. At December 31, 2014, we had $1,745 million in goodwill, which corresponds mainly to the acquisition of Maverick Tube Corporation, or Maverick, in 2006 ($675 million) and Hydril Company, or Hydril, in 2007 ($920 million). As of December 31, 2014, we recorded an impairment charge of $206 million on the value of our welded pipe assets in Colombia and Canada, reflecting the decline in oil prices, their impact on drilling activity and consequently on the demand outlook for welded pipe products in the regions served by these facilities. Additionally, we also recorded (i) a $49 million impairment as of December 31, 2014 and (ii) a $17 million impairment as of March 31, 2015 on the value of our investment in Usiminas. The main drivers of the changes in the Company s estimated value in use of its investment in Usiminas leading to each of these impairments were expectations of a weaker industrial environment in Brazil, and consequently weaker steel demand and the decline in iron ore prices. For more information see note 5 Other operating income and expenses Impairment charge and note 12 Investments in non-consolidated companies Usiminas S.A. , to our audited consolidated financial statements included in this annual report. For a discussion of the SEC s review process in connection with the impairment of our investment in Usiminas, please see Item 4A. Unresolved Staff Comments . If our management was to determine in the future that the goodwill or other assets were impaired, particularly as a consequence of deteriorating market conditions, we would be required to recognize a non-cash charge to reduce the value of these assets, which would adversely affect our results of operations.

Our results of operations and financial condition could be adversely affected by movements in exchange rates.

As a global company we manufacture and sell products in a number of countries throughout the world and a portion of our business is carried out in currencies other than the U.S. dollar, which is the Company s functional and presentation currency. As a result, we are exposed to foreign exchange rate risk. Changes in currency values and foreign exchange regulations could adversely affect our financial condition and results of operations. For information on our foreign exchange rate risk, please see Item 11. Quantitative and Qualitative Disclosure about Market Risk Foreign Exchange Rate Risk .

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

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

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

We conduct business in certain countries known to experience governmental corruption. Although we are committed to conducting business in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to our business, there is a risk that our employees or representatives may take actions that violate applicable laws and regulations that generally prohibit the making of improper payments to foreign government officials for the purpose of obtaining or keeping business, including laws relating to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions such as the U.S. Foreign Corrupt Practices Act, or FCPA.

The cost of complying with environmental regulations and potential environmental and product liabilities may increase our operating costs and negatively impact our business, financial condition, results of operations and prospects.

We are subject to a wide range of local, provincial and national laws, regulations, permit requirements and decrees relating to the protection of human health and the environment, including laws and regulations relating to hazardous materials and radioactive materials and environmental protection governing air emissions, water discharges and waste management. Laws and regulations protecting the environment have become increasingly complex and more stringent and expensive to implement in recent years. Additionally, international environmental requirements vary. While standards in the European Union, Canada, and Japan are generally comparable to U.S. standards, other nations, particularly developing nations, including China, have substantially lesser requirements that may give competitors in such nations a competitive advantage. It is possible that any international agreement to regulate emissions may provide exemptions and lesser standards for developing nations. In such case, we may be at a competitive disadvantage relative to competitors having more or all of their production in such developing nations.

Environmental laws and regulations may, in some cases, impose strict liability rendering a person liable for damages to natural resources or threats to public health and safety without regard to negligence or fault. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances. These laws and regulations may expose us to liability for the conduct of or conditions caused by others or for acts that were in compliance with all applicable laws at the time they were performed.

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

Our oil and gas casing, tubing and line pipe products are sold primarily for use in oil and gas drilling, gathering, transportation, processing and power generation facilities, which are subject to inherent risks, including well failures, line pipe leaks, blowouts, bursts and fires, that could result in death, personal injury, property damage, environmental pollution or loss of production. Any of these hazards and risks can result in environmental liabilities, personal injury claims and property damage from the release of hydrocarbons. Similarly, defects in specialty tubing products could result in death, personal injury, property damage, environmental pollution, damage to equipment and facilities or loss of production.

We normally warrant the oilfield products and specialty tubing products we sell or distribute in accordance with customer specifications, but as we pursue our business strategy of providing customers with additional supply chain services, we may be required to warrant that the goods we sell and services we provide are fit for their intended purpose. Actual or claimed defects in our products may give rise to claims against us for losses suffered by our customers and expose us to claims for damages. The insurance we maintain may not be adequate or available to protect us in the event of a claim, its coverage may be limited, canceled or otherwise terminated, or the amount of our insurance may be less than the related impact on enterprise value after a loss. Similarly, our sales of tubes and components for the automobile industry subject us to potential product liability risks that could extend to being held liable for the costs of the recall of automobiles sold by car manufacturers and their distributors.

Risks Relating to the Structure of the Company

As a holding company, the Company s ability to pay cash dividends depends on the results of operations and financial condition of its subsidiaries and could be restricted by legal, contractual or other limitations.

The Company conducts its operations through subsidiaries. Dividends or other intercompany transfers of funds from those subsidiaries are the Company s primary source of funds to pay its expenses, debt service and dividends and to repurchase Shares or ADSs.

The ability of the Company s subsidiaries to pay dividends and make other payments to us will depend on the results of operations and financial condition and could be restricted by applicable corporate and other laws and regulations, including those imposing foreign exchange controls or restrictions on the repatriation of capital or the making of dividend payments and agreements and commitments of such subsidiaries. If earnings and cash flows of the Company s operating subsidiaries are substantially reduced, the Company may not be in a position to meet its operational needs or to pay dividends. For information concerning limitations on payments of dividends, see Item 3.D. Key Information Risk Factors Risks Relating to our Business Adverse economic or political conditions in the countries where we operate or sell our products and services may decrease our sales or disrupt our manufacturing operations, thereby adversely affecting our revenues, profitability and financial condition .

In addition, the Company s ability to pay dividends to shareholders is subject to legal and other requirements and restrictions in effect at the holding company level. For example, the Company may only pay dividends out of net profits, retained earnings and distributable reserves and premiums, each as defined and calculated in accordance with Luxembourg law and regulations. See Item 8.A. Financial Information Consolidated Statements and Other Financial Information Dividend Policy .

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

As of March 31, 2015, San Faustin beneficially owned 60.45% of our Shares. Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin, or RP STAK, controls a significant portion of the voting power of San Faustin and has the ability to influence matters affecting, or submitted to a vote of, the shareholders of San Faustin. As a result, RP STAK is indirectly able to elect a substantial majority of the members of the Company s board of directors and has the power to determine the outcome of most actions requiring shareholder approval, including, subject to the requirements of Luxembourg law, the payment of dividends. The decisions of the controlling shareholder may not reflect the will or best interests of other shareholders. For example, the Company s articles of association permit the Company s board of directors to waive, limit or suppress preemptive rights in certain cases. Accordingly, the Company s controlling shareholder may cause its board of directors to approve an issuance of Shares for consideration without preemptive rights, thereby diluting the minority interest in the Company. See Item 3.D. Key Information Risk Factors Risks Relating to Shares and ADSs Holders of Shares and ADSs in the United States may not be able to exercise preemptive rights in certain cases .

Risks Relating to Shares and ADSs

In deciding whether to purchase, hold or sell Shares or ADSs, you may not have access to as much information about us as you would in the case of a U.S. company.

There may be less publicly available information about us than is regularly published by or about U.S. issuers. Also, corporate and securities regulations governing Luxembourg companies may not be as extensive as those in effect in the United States, and Luxembourg law and regulations in respect of corporate governance matters might not be as protective of minority shareholders as state corporation laws in the United States. Furthermore, IFRS, the accounting standards in accordance with which we prepare our consolidated financial statements, differ in certain material aspects from U.S. GAAP.

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Holders of ADSs may not be able to exercise, or may encounter difficulties in the exercise of, certain rights afforded to shareholders.

Certain shareholders rights under Luxembourg law, including the rights to participate and vote at general meetings of shareholders, to include items on the agenda for the general meetings of shareholders, to receive dividends and distributions, to bring actions, to examine our books and records and to exercise appraisal rights may not be available to holders of ADSs, or may be subject to restrictions and special procedures for their exercise, as holders of ADSs only have those rights that are expressly granted to them in the deposit agreement. Deutsche Bank Trust Company Americas, as depositary under the ADS deposit agreement, or the Depositary, through its custodian agent, is the registered shareholder of the deposited Shares underlying the ADSs, and therefore only the Depositary can exercise the shareholders rights in connection with the deposited Shares. For example, if we make a distribution in the form of securities, the Depositary is allowed, at its discretion, to sell that right to acquire those securities on your behalf and instead distribute the net proceeds to you. Also, under certain circumstances, such as our failure to provide the Depositary with properly completed voting instructions on a timely basis, you may not be able to vote at general meetings of shareholders by giving instructions to the Depositary. If the Depositary does not receive voting instructions from the holder of ADS by the prescribed deadline, or the instructions are not in proper form, then the Depositary shall deem such holder of ADS to have instructed the Depositary to vote the underlying Shares represented by ADSs in favor of any proposals or recommendations of the Company (including any recommendation by the Company to vote such underlying Shares on any given issue in accordance with the majority shareholder vote on that issue), for which purposes the Depositary shall issue a proxy to a person appointed by the Company to vote such underlying Shares represented by ADSs in favor of any proposals or recommendations of the Company. Under the ADS deposit agreement, no instruction shall be deemed given and no proxy shall be given with respect to any matter as to which the Company informs the Depositary that (i) it does not wish such proxy given, (ii) it has knowledge that substantial opposition exists with respect to the action to be taken at the meeting, or (iii) the matter materially and adversely affects the rights of the holders of ADSs.

Holders of Shares and ADSs in the United States may not be able to exercise preemptive rights in certain cases.

Pursuant to Luxembourg corporate law, existing shareholders of the Company are generally entitled to preferential subscription rights (preemptive rights) in the event of capital increases and issues of Shares against cash contributions. Under the Company s articles of association, the board of directors has been authorized to waive, limit or suppress such preemptive subscription rights; and the renewal of such authorization will be submitted to the consideration of the Company s general extraordinary meeting of shareholders to be held on May 6, 2015 or any adjournment thereof. The Company may, however, issue Shares without preemptive subscription rights only if (i) Shares (including without limitation, the direct issuance of Shares or upon the exercise of options, rights convertible into shares, or similar instruments convertible or exchangeable into Shares) are issued against a contribution other than in cash; (ii) Shares (including by way of free Shares or at discount), up to an amount of 1.5% of the issued shares capital of the Company, are issued to directors, officers, agents, employees of the Company, its direct or indirect subsidiaries or its affiliates (collectively, the Beneficiaries), for the purpose of compensation or incentive of the Beneficiaries or in relation thereto (which the board of directors shall be authorized to issue upon such terms and conditions as it deems fit), including without limitation, the direct issuance of Shares or upon the exercise of options, rights convertible into Shares or similar instruments convertible or exchangeable into Shares.

Holders of ADSs in the United States may, in any event, not be able to exercise any preemptive rights, if granted, for Shares underlying their ADSs unless additional Shares and ADSs are registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, with respect to those rights, or an exemption from the registration requirements of the Securities Act is available. We intend to evaluate, at the time of any rights offering, the costs and potential liabilities associated with the exercise by holders of Shares and ADSs of the preemptive rights for Shares, and any other factors we consider appropriate at the time, and then to make a decision as to whether to register additional Shares. We may decide not to register any additional Shares, requiring a sale by the Depositary of the holders rights and a distribution of the proceeds thereof. Should the Depositary not be permitted or otherwise be unable to sell preemptive rights, the rights may be allowed to lapse with no consideration to be received by the holders of the ADSs.

It may be difficult to enforce judgments against us in U.S. courts.

The Company is a public limited liability company (*société anonyme*) organized under the laws of Luxembourg, and most of its assets are located outside the United States. Furthermore, most of the Company s directors and officers named in this annual report reside outside the United States. As a result, investors may not be able to effect service of process within the United States upon us or our directors or officers or to enforce against us or them in U.S. courts judgments predicated upon the civil liability provisions of U.S. federal securities law. Likewise, it may be difficult for a U.S. investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against the Company, directors and officers. There is also uncertainty with regard to the enforceability of original actions in courts

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outside the United States of civil liabilities predicated upon the civil liability provisions of U.S. federal securities laws. Furthermore, the enforceability in courts outside the United States of judgments entered by U.S. courts predicated upon the civil liability provisions of U.S. federal securities law will be subject to compliance with procedural requirements under applicable local law, including the condition that the judgment does not violate the public policy of the applicable jurisdiction.

Item 4. Information on the Company

Overview

We are a leading global manufacturer and supplier of steel pipe products and related services for the world s energy industry and for other industrial applications. Our customers include most of the world s leading oil and gas companies as well as engineering companies engaged in constructing oil and gas gathering, transportation, processing and power generation facilities. Our principal products include casing, tubing, line pipe, and mechanical and structural pipes.

We operate an integrated worldwide network of steel pipe manufacturing, research, finishing and service facilities with industrial operations in the Americas, Europe, Asia and Africa and a direct presence in most major oil and gas markets.

Our mission is to deliver value to our customers through product development, manufacturing excellence, and supply chain management. We seek to minimize risk for our customers and help them reduce costs, increase flexibility and improve time-to-market. Our employees around the world are committed to continuous improvement by sharing knowledge across a single global organization.

A. History and Development of the Company

The Company

Our holding company s legal and commercial name is Tenaris S.A. The Company was established as a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg on December 17, 2001. The Company s registered office is located at 29 avenue de la Porte-Neuve, 3rd Floor, L-2227, Luxembourg, telephone (352) 2647-8978. Its agent for U.S. federal securities law purposes is Tenaris Global Services (U.S.A.) Corporation, located at 2200 West Loop South, Suite 800, Houston, TX 77027.

Tenaris

Tenaris began with the formation of Siderca S.A.I.C., or Siderca, the sole Argentine producer of seamless steel pipe products, by San Faustin s predecessor in Argentina in 1948. Siat, an Argentine welded steel pipe manufacturer, was acquired in 1986. We grew organically in Argentina and then, in the early 1990s, began to evolve beyond this initial base into a global business through a series of strategic investments. These investments included the acquisition, directly or indirectly, of controlling or strategic interests in the following companies:

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

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

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

Confab Industrial S.A., or Confab, the leading Brazilian producer of welded steel pipe products (a controlling interest in August 1999, and the remainder during the second quarter of 2012);

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

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

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

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

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

[1] In 2009, the Venezuelan government nationalized Tavsa. For more information on the Tavsa nationalization process, see note 30 Nationalization of Venezuelan Subsidiaries to our audited consolidated financial statements included in this annual report.

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

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

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

A sucker rod business in Campina, Romania (February 2012).

In addition, we have established a global network of pipe finishing, distribution and service facilities with a direct presence in most major oil and gas markets and a global network of research and development centers.

For information on Tenaris s principal capital expenditures and divestitures, see Item 4.B. Information on the Company Business Overview Capital Expenditure Program .

B. Business Overview

Our business strategy is to continue expanding our operations worldwide and further consolidate our position as a leading global supplier of high-quality tubular products and services to the energy and other industries by:

pursuing strategic investment opportunities in order to strengthen our presence in local and global markets;

expanding our comprehensive range of products and developing new high-value products designed to meet the needs of customers operating in increasingly challenging environments;

securing an adequate supply of production inputs and reducing the manufacturing costs of our core products; *and*

enhancing our offer of technical and pipe management services designed to enable customers to optimize their selection and use of our products and reduce their overall operating costs.

Pursuing strategic investment opportunities and alliances

We have a solid record of growth through strategic investments and acquisitions. We pursue selective strategic investments and acquisitions as a means to expand our operations and presence in select markets, enhance our global competitive position and capitalize on potential operational synergies. Our track record on acquisitions is described above (See Item 4.A. Information on the Company History and Development of the Company Tenaris). In addition, we are building a new greenfield seamless mill in Bay City, Texas. The new facility will include a state-of-the-art rolling mill as well as finishing and heat treatment lines. We plan to bring the 600,000 tons per year capacity mill and logistics center into operation in 2017, within a budget of approximately $1.5 billion to $1.8 billion.

Developing high-value products

We have developed an extensive range of high-value products suitable for most of our customers operations using our network of specialized research and testing facilities and by investing in our manufacturing facilities. As our customers expand their operations, we seek to supply high-value products that reduce costs and enable our customers to operate safely in increasingly challenging environments.

Securing inputs for our manufacturing operations

We seek to secure our existing sources of raw material and energy inputs, and to gain access to new sources, of low-cost inputs which can help us maintain or reduce the cost of manufacturing our core products over the long term. For example, in February 2014, we entered into an agreement with Ternium and Tecpetrol (a wholly-owned subsidiary of San Faustin, the controlling shareholder of both Tenaris and Ternium) to build a natural gas-fired combined cycle electric power plant in Mexico¸ which will supply Tenaris s and Ternium s respective Mexican industrial facilities. For information on the new power plant, see note 12 Investments in non-consolidated companies Techgen S.A.de C.V. to our audited consolidated financial statements included in this annual report. For more information on the Company s commitments under the new power plant, see item 5 Operating and Financial Review and Prospects E. Off-Balance Sheet Arrangements .

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Enhancing our offer of technical and pipe management services

We continue to enhance our offer of technical and pipe management services for our customers worldwide. Through the provision of these services, we seek to enable our customers to optimize their operations, reduce costs and to concentrate on their core businesses. They are also intended to differentiate us from our competitors and further strengthen our relationships with our customers worldwide through long-term agreements. For example, we have been a supplier for Petróleos Mexicanos, or Pemex, the Mexican state-owned oil company and one of the world s largest crude oil and condensates producers, since 1994. Our just-in-time (JIT) agreements allow us to provide it with comprehensive pipe management services on a continuous basis.

Our Competitive Strengths

We believe our main competitive strengths include:

- our global production, commercial and distribution capabilities, offering a full product range with flexible supply options backed up by local service capabilities in important oil and gas producing and industrial regions around the world;
- our ability to develop, design and manufacture technologically advanced products;
- our solid and diversified customer base and historic relationships with major international oil and gas companies around the world, and our strong and stable market shares in the countries in which we have manufacturing operations;
- our proximity to our customers;
- our human resources around the world with their diverse knowledge and skills;
- our low-cost operations, primarily at state-of-the-art, strategically located production facilities with favorable access to raw materials, energy and labor, and more than 60 years of operating experience; *and*
- our strong financial condition.

Business Segments

Tenaris has one major business segment, Tubes, which is also the reportable operating segment.

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

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

For more information on our business segments, see II Accounting Policies C Segment information to our audited consolidated financial statements included in this annual report.

Our Products

Our principal finished products are seamless and welded steel casing and tubing, line pipe and various other mechanical and structural steel pipes for different uses. Casing and tubing are also known as oil country tubular goods or OCTG. We manufacture our steel pipe products in a wide range of specifications, which vary in diameter, length, thickness, finishing, steel grades, coating, threading and coupling. For most complex applications, including high pressure and high temperature applications, seamless steel pipes are usually specified and, for some standard applications, welded steel pipes can also be used.

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Casing. Steel casing is used to sustain the walls of oil and gas wells during and after drilling.

Tubing. Steel tubing is used to conduct crude oil and natural gas to the surface after drilling has been completed.

Line pipe. Steel line pipe is used to transport crude oil and natural gas from wells to refineries, storage tanks and loading and distribution centers.

Mechanical and structural pipes. Mechanical and structural pipes are used by general industry for various applications, including the transportation of other forms of gas and liquids under high pressure.

Cold-drawn pipe. The cold-drawing process permits the production of pipes with the diameter and wall thickness required for use in boilers, superheaters, condensers, heat exchangers, automobile production and several other industrial applications.

Premium joints and couplings. Premium joints and couplings are specially designed connections used to join lengths of steel casing and tubing for use in high temperature or high pressure environments. A significant portion of our steel casing and tubing products are supplied with premium joints and couplings. We own an extensive range of premium connections, and following the integration of Hydril s premium connections business, we market our premium connection products under the TenarisHydril brand name. In addition, we hold licensing rights to manufacture and sell the Atlas Bradford range of premium connections outside the United States.

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

Other Products. We also manufacture sucker rods used in oil extraction activities, industrial equipment of various specifications and diverse applications, including liquid and gas storage equipment, and welded steel pipes for electric conduits used in the construction industry. In addition, we sell energy and raw materials that exceed our internal requirements.

Production Process and Facilities

We operate relatively low-cost production facilities, which we believe is the result of:

- state-of-the-art, strategically located plants;
- favorable access to high quality raw materials, energy and labor at competitive costs;
- operating history of more than 60 years, which translates into solid industrial know-how;
- constant benchmarking and best-practices sharing among the different facilities;
- increasing specialization of each of our facilities in specific product ranges; *and*

extensive use of information technology in our production processes.

Our seamless pipes production facilities are located in North and South America, Europe and Asia and our welded pipes production facilities are located in North and South America. In addition, we manufacture welded steel pipes for electric conduits in the United States and Colombia, tubular accessories such as sucker rods (used in oil drilling) at facilities in Argentina, Brazil, Mexico and Romania, couplings in the United States, Argentina, China, Indonesia, Mexico and Romania, and pipe fittings in Mexico. In addition to our pipe threading and finishing facilities at our integrated pipe production facilities, we also have pipe threading facilities for steel pipes manufactured in accordance with the specifications of the American Petroleum Institute or API, and premium joints in the United States, Canada, China, Indonesia, Nigeria, the United Kingdom and Saudi Arabia.

The following table shows our aggregate installed production capacity of seamless and welded steel pipes and steel bars at the dates indicated as well as the aggregate actual production volumes for the periods indicated. The figures for effective annual capacity are based on our estimates of effective annual production capacity under present conditions.

	At or for the year ended December 31,		
	2014	**2013**	**2012**
Thousands of tons			
Steel Bars			
Effective Capacity (annual)[1]	3,635	3,635	3,635
Actual Production	2,865	2,612	2,721
Tubes Seamless			

	At or for the year ended December 31, 2014	2013	2012
Effective Capacity (annual)(1)	3,790	3,790	3,740
Actual Production	2,940	2,611	2,806
Tubes Welded			
Effective Capacity (annual)(1)	2,620	2,620	2,620
Actual Production	908	988	1,188

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

Production Facilities Tubes

North America

In North America, we have a fully integrated seamless pipe manufacturing facility, a threading plant and a pipe fittings facility in Mexico, three welded pipe manufacturing facilities, three threading plants and a couplings manufacturing facility in the United States, and a seamless pipe rolling mill, a welded pipe manufacturing facility and one threading plant in Canada.

Mexico

In Mexico, our fully integrated seamless pipe manufacturing facility is located near the major exploration and drilling operations of Pemex, about 13 kilometers from the port of Veracruz on the Gulf of Mexico. Situated on an area of 650 hectares, the plant includes two state-of-the-art seamless pipe mills and has an installed annual production capacity of approximately 1,230,000 tons of seamless steel pipes (with an outside diameter range of 2 to 20 inches) and 1,000,000 tons of steel bars. The plant is served by two highways and a railroad and is close to the port of Veracruz, which reduces transportation costs and facilitates product shipments to export markets.

The Veracruz facility comprises:

- a steel shop, including an electric arc furnace, refining equipment, vacuum degassing, four-strand continuous caster and a cooling bed;
- a multi-stand pipe mill, including a rotary furnace, direct piercing equipment, mandrel mill with retained mandrel, sizing mill and a cooling bed;
- a premium quality finishing, or PQF, technology mill (2 ⅜ to 7 inches), including a rotary furnace, direct piercing equipment, mandrel mill with retained mandrel, sizing mill and a cooling bed;
- a pilger pipe mill, including a rotary furnace, direct piercing equipment, a reheating furnace, sizing mill and a cooling bed;

six finishing lines, including heat treatment facilities, upsetting machines and threading and inspection equipment;

a cold-drawing mill; *and*

automotive components production machinery.

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The major operational units at the Veracruz facility and the corresponding effective annual production capacity (in thousands of tons per year, except for the auto components facility, which is in millions of parts) as of December 31, 2014, are as follows:

	Effective Annual Production Capacity (thousands of tons)(1)
Steel Shop	1,000
Pipe Production	
Multi-Stand Pipe Mill	700
PQF Mill	450
Pilger Mill	80
Cold-Drawing Mill	35
Auto Components Facility	30

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

In Veracruz, located near our fully integrated seamless pipe manufacturing facility, we have a threading plant, which produces premium connections and accessories.

In addition to the Veracruz facilities, we operate a manufacturing facility near Monterrey in the state of Nuevo León, Mexico, for the production of weldable pipe fittings. This facility has an annual production capacity of approximately 15,000 tons.

United States

In the United States we have the following production facilities:

Hickman, Arkansas: This facility, which is our main U.S. production facility and covers an area of 78 hectares, processes steel coils to produce electric resistance welded, or ERW, OCTG and line pipe with an outside diameter range from 2 ⅜ to 16 inches and has an annual production capacity of approximately 900,000 tons. It includes:

- A plant comprising two mills producing 2 ⅜ through 5 ½ inches API products with three finishing lines and three heat treatment lines;
- A plant comprising two mills producing 4 ½ through 16 inches API products with two finishing lines; *and*
- A coating facility coating sizes up to 16 inches.

Conroe, Texas: A plant located on an area of 47 hectares which processes steel coils to produce ERW OCTG, with an outside diameter range of 4 ½ to 8 ⅝ inches and has an annual production capacity of approximately 250,000 tons. The facility includes one mill, one heat treatment line and one finishing line. In April 2015, Tenaris temporarily suspended operations at this mill, due to the record levels of unfairly traded imports of OCTG from South Korea and the sharp decline in the price of oil and consequential reduction in drilling activity.

Counce, Tennessee: A plant located on an area of 54 hectares which processes steel coils to produce line pipe with an outside diameter range of 4 ½ to 8 ⅝ inches and has an annual production capacity of approximately 90,000 tons. The plant has one mill and a finishing line capable of producing line pipe products. Currently, for efficiency reasons, the plant is not operational and these products are being produced by our Hickman plant.

In the Houston area we have the Texas Arai coupling facility with an annual capacity of approximately 4.4 million couplings in OCTG sizes ranging from 2 ⅜ through 20 inches in carbon and alloy steel grades. Furthermore, we have the following threading facilities, which are mainly dedicated to the finishing of tubes with premium connections:

McCarty: a threading facility in Houston, Texas, which comprises two main production buildings in an area of approximately 20 hectares;

Westwego: a threading facility located in Louisiana; on April 6, 2015, Tenaris announced that it will temporarily suspend operations at this facility , mainly due to the ongoing decline in drilling activity driven by the low price of oil; *and*

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

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In addition, we are currently building a new greenfield seamless mill in Bay City, Texas. The new facility will include a state-of-the-art rolling mill as well as finishing and heat treatment lines. We plan to bring the 600,000 tons per year capacity mill and logistics center into operation in 2017, within a budget of approximately $1.5 billion to $1.8 billion. As of December 31, 2014, approximately $0.4 billion had already been invested with an additional $0.5 billion being committed.

Canada

In Canada, we have a seamless steel pipe manufacturing facility located in Sault Ste. Marie, near the mouth of Lake Superior in the province of Ontario. The facility includes a retained mandrel mill, a stretch reducing mill and heat treatment and finishing facilities producing seamless pipe products with an outside diameter range of 2 to $9\frac{7}{8}$ inches. The effective annual production capacity of the facility is approximately 300,000 tons. To source steel bars, in 2007, we signed a 10-year contract with Rio Tinto Fer et Titane (ex-QIT), a Canadian producer of titanium dioxide and high purity iron, under which Rio Tinto Fer et Titane supplies round steel bars at U.S. dollar prices adjusted in accordance with variations in raw material costs. In 2012 we signed a new contract, with an evergreen feature, to extend the original contract. The contract accommodates 50% of our steel bar needs. We use steel bars produced in our integrated facilities in Argentina and Romania for the remainder of our round steel bar requirements.

We also own a welded steel pipe manufacturing facility located in Calgary, Alberta, which processes steel coils into ERW OCTG and line pipe with an outside diameter range of $2\frac{3}{8}$ to $12\frac{3}{4}$ inches. The facility includes a slitter, three welding lines and four threading lines. The effective annual production capacity of this plant is approximately 400,000 tons. Tenaris is temporarily interrupting operations at this mill, due to the high levels of unfairly traded imports of OCTG and line pipe products and the sharp decline in the price of oil and consequential reduction in drilling activity.

In addition, we have a threading facility in Nisku, Alberta, near the center of Western Canadian drilling area. The facility is dedicated to premium connections and accessories including related repairs. In 2010, we closed a repair shop in Dartmouth, Nova Scotia. At the same time, we entered into a lease agreement for the equipment with a third party in Nova Scotia so that we can continue to provide this service to the East Coast.

South America

In South America, we have a fully integrated seamless pipe facility in Argentina. In addition, we have welded pipe manufacturing facilities in Argentina, Brazil and Colombia.

Argentina

Our principal manufacturing facility in South America is a fully integrated plant on the banks of the Paraná river near the town of Campana, approximately 80 kilometers from the City of Buenos Aires, Argentina. Situated on over 300 hectares, the plant includes a state-of-the-art seamless pipe facility and has an effective annual production capacity of approximately 900,000 tons of seamless steel pipe (with an outside diameter range of $1\frac{1}{4}$ to $10\frac{3}{4}$ inches) and 1,300,000 tons of steel bars.

The Campana facility comprises:

- a direct reduced iron, or DRI, production plant;

a steel shop with two production lines, each including an electric arc furnace, refining equipment, four-strand continuous caster and a cooling bed;

two continuous mandrel mills, each including a rotary furnace, direct piercing equipment and a cooling bed and one of them also including a stretch reducing mill;

seven finishing lines, including heat treatment facilities, upsetting machines, threading and inspection equipment and make-up facilities;

a cold-drawing mill; *and*

a port on the Paraná river for the supply of raw materials and the shipment of finished products.

In Argentina, we have a modern gas turbine power generation plant, located in San Nicolás, approximately 150 kilometers from Campana. The 160 megawatt capacity of this power generation plant together with a smaller thermo-electric power generating plant located within the Campana facility, is sufficient to supply all of the electric power requirements of the Campana facility.

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The major operational units at the Campana facility and corresponding effective annual production capacity (in thousands of tons per year) as of December 31, 2014, are as follows:

	Effective Annual Production Capacity (thousands of tons)(1)
DRI	960
Steel Shop	
Continuous Casting I	530
Continuous Casting II	770
Pipe Production	
Mandrel Mill I	330
Mandrel Mill II	570
Cold-Drawing Mill	20

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

In addition to our main integrated seamless pipe facility, we also have two welded pipe manufacturing facilities in Argentina. One is located at Valentín Alsina just south of the city of Buenos Aires. The facility includes ERW and submerged arc welding, or SAW, rolling mills with one spiral line. The facility was originally opened in 1948 and processes steel coils and plates to produce welded steel pipes with an outside diameter range of 4 ½ to 80 inches, which are used for the conveying of fluids at low, medium and high pressure and for mechanical and structural purposes. The facility has an annual production capacity of approximately 350,000 tons. The other welded facility is located at Villa Constitución in the province of Santa Fe. The facility has an annual production capacity of approximately 80,000 tons of welded pipes with an outside diameter range of 1 to 6 inches.

Brazil

In Brazil, we have the Confab welded pipe manufacturing facility, located at Pindamonhangaba, 160 kilometers from the city of São Paulo. The facility includes an ERW rolling mill and a SAW rolling mill with one spiral line and one longitudinal line. The facility, which was originally opened in 1974, processes steel coils and plates to produce welded steel pipes with an outside diameter range of 4 ½ to 100 inches for various applications, including OCTG and line pipe for oil, petrochemical and gas applications. The facility also supplies anticorrosion pipe coating made of extruded polyethylene or polypropylene, external and internal fusion bonded epoxy and paint for internal pipe coating. The facility has an annual production capacity of approximately 500,000 tons. In addition to our welded pipe manufacturing facility, in September 2014, we closed the acquisition of Socotherm Brasil S.A. (now known as Tenaris Coating do Brasil S.A., or Socotherm), a pipe coating services company in which we already had a 50% ownership interest and that performed pipe coating services for us over the years. The pipe coating facility, located beside the Confab welded pipes mill in Pindamonhangaba, was previously managed in partnership by Tenaris and by an affiliate of ShawCor.

Colombia

In Colombia we have the Tubocaribe welded pipe manufacturing facility in Cartagena, on an area of 28 hectares. The total estimated annual production capacity is approximately 140,000 tons. The plant produces mainly ERW OCTG and line pipe products having two mills with an outside diameter range of $2\frac{3}{8}$ to $9\frac{5}{8}$ inches, three heat treatment lines and three threading lines. Inspection lines and materials testing laboratories complete the production facility. A 2 to 42 inches diameter multilayer coating facility complements our line pipe production facilities.

In addition, we are building a new greenfield and state-of-the-art finishing plant, on an area of 30 hectares, adjacent to the Tubocaribe facility. This investment, of approximately $200 million, will expand the finishing capacity by 130,000 tons, through a new casing finishing plant, a new heat treatment plant, a new ultrasound inspection line and new threading lines, including premium connections.

Ecuador

During 2013, we started operating a small threading and finishing service center in Machachi, Ecuador.

Europe

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

Italy

Our principal manufacturing facility in Europe is an integrated plant located in the town of Dalmine in the industrial region of Bergamo, about 40 kilometers from Milan in northern Italy. Situated on an area of 150 hectares, the plant includes a state-of-the-art seamless pipe mill and has an annual production capacity of approximately 790,000 tons of seamless steel pipes and 935,000 tons of steel bars.

The Dalmine facility comprises:

- a steel shop, including an electric arc furnace, two ladle furnaces, one vacuum degassing, two continuous casters and a cooling bed;
- a continuous floating mandrel mill with one heat treatment and two finishing lines;
- a retained mandrel mill with two in-line-high-productivity finishing lines including one heat treatment; *and*
- a rotary expander with a finishing line including a heat treatment.

The major operational units at the Dalmine facility and corresponding effective annual production capacity (in thousands of tons per year) as of December 31, 2014, are as follows:

	Effective Annual Production Capacity (thousands of tons)[1]
Steel Shop	935
Pipe Production	
Mandrel Mill:	
Floating Mandrel Mill Small Diameter[2]	140
Retained Mandrel Mill Medium Diameter (plus Rotary Expander for Large Diameter)	650

(1) Effective annual production capacity is calculated based on standard productivity of production lines, theoretical product mix allocations, the maximum number of possible working shifts and a continued flow of supplies to the production process.
(2) Currently, for efficiency reasons, the plant is not operational.

The Dalmine facility manufactures seamless steel pipes with an outside diameter range of 21 to 711 mm (0.75 to 28.00 inches), mainly from carbon, low alloy and high alloy steels for diverse applications. The Dalmine facility also manufactures steel bars for processing at our other facilities in Italy.

Our production facilities located in Italy have a collective annual production capacity of approximately 920,000 tons of seamless steel pipes. Aside from the main facility mentioned above, they include:

- the Costa Volpino facility, which covers an area of approximately 31 hectares and comprises a cold-drawing mill and an auto components facility producing cold-drawn carbon, low alloy and high alloy steel pipes with an outside diameter range of 12 to 380 mm (0.47 to 15 inches), mainly for automotive, mechanical and machinery companies in Europe. The Costa Volpino facility has an annual production capacity of approximately 80,000 tons;

- the Arcore facility, which covers an area of approximately 26 hectares and comprises a Diescher mill with associated finishing lines. Production is concentrated in heavy-wall mechanical pipes with an outside diameter range of 48 to 219 mm (1.89 to 8.62 inches). The Arcore facility has an annual production capacity of approximately 150,000 tons; *and*

- the Piombino facility, which covers an area of approximately 67 hectares and comprises, a hot dip galvanizing line and associated finishing facilities. Production is focused on finishing of small diameter seamless pipe for plumbing applications in the domestic market, such as residential water and gas transport. The Piombino facility has an annual production capacity of approximately 100,000 tons.

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In addition to these facilities, we operate a manufacturing facility at Sabbio, which manufactures gas cylinders with an annual production capacity of approximately 14,000 tons or 270,000 pieces.

In order to reduce the cost of electrical energy at our operations in Dalmine, we constructed a gas-fired, combined heat and power station with a capacity of 120 megawatts at Dalmine. Our operations in Dalmine consume most of the power generated at the power station which is designed to have sufficient capacity to meet the electric power requirements of these operations at peak load. Excess power is sold to third party consumers and heat is sold for district heating.

Romania

We have a seamless steel pipe manufacturing facility in Romania, located in the city of Zalau, near the Hungarian border, 480 kilometers from Bucharest. The Silcotub facility includes a continuous mandrel mill and has an annual production capacity of approximately 180,000 tons of seamless steel tubes, of which 25,000 tons are cold drawn. The plant produces carbon and alloy steel tubes with an outside diameter range of 8 to 146 mm (0.314 to 5.74 inches). We also have a steelmaking facility in southern Romania, with an annual steelmaking capacity of 400,000 tons. Following investments to convert this capacity to the production of steel bars for seamless pipe production, this facility has been integrated into our Romanian and European operations and supplies steel bars to the Silcotub facility as well as to other rolling mills in our industrial system. The combined Romanian facilities comprise:

- a steel shop including an electric arc furnace, a ladle furnace and a continuous caster;
- a continuous mandrel mill;
- four finishing lines, including heat treatment facilities, upsetting machine, line pipe, threading, make-up and inspection equipment facilities;
- a coupling shop;
- a cold-drawing plant with finishing area; *and*
- automotive and hydraulic cylinders components production machinery.

United Kingdom

In Aberdeen, the United Kingdom, we have a premium connection threading facility and repair shop, which works as a hub to service our customers working in the North Sea region. The facility has an annual production capacity of approximately 24,000 pieces.

Denmark

We have a facility in Esbjerg, Denmark for the manufacturing of casing and tubing accessories and the provision of casing and tubing repairs, with a production range of 2 $^3/_8$ to 18 $^5/_8$ and production capacity of 3,600 ends per year.

Middle East and Africa

We have a threading facility for the production of premium joints and accessories in Saudi Arabia. The facility has an annual production capacity of approximately 40,000 tons of premium joints.

In Nigeria we have a facility dedicated to the production of premium joints and couplings in Onne, where we are consolidating our operations in the area (previously distributed between Onne and Warri). This plant comprises a threading facility for both API and premium connections with an annual production capacity of approximately 40,000 tons, inspection facilities and a stockyard. In addition, in October 2011, we acquired 40% of the shares of Pipe Coaters Nigeria Ltd, a leading company in the Nigerian pipe coating industry. Also, located in Onne, Pipe Coaters Nigeria supplies a wide variety of products and services for the oil and gas industry, such as internal, anticorrosion, concrete and thermal insulation coatings for deepwater applications.

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Far East and Oceania

Our seamless pipe manufacturing facility in Asia, operated by NKKTubes, is located in Kawasaki, Japan, in the Keihin steel complex owned by JFE, the successor company of NKK that resulted from the business combination of NKK with Kawasaki Steel Corporation, or Kawasaki Steel. The facility includes a floating mandrel mill, a plug mill and heat treatment and upsetting and threading facilities producing seamless pipe products with an outside diameter range of 1 to 17 inches. The effective annual production capacity of the facility is approximately 260,000 tons. The plant was operated by NKK until its acquisition by NKKTubes in 2000. Steel bars and other essential inputs and services are supplied by JFE, which retains a 49% interest in NKKTubes through its subsidiary JFE Engineering. The NKKTubes facility produces a wide range of carbon, alloy and stainless steel pipes for the local market and high value-added products for export markets.

We own a facility for the production of premium joints and couplings in Qingdao, on the east coast of China. The facility has an annual production capacity of approximately 40,000 tons of premium joints.

In addition, in Indonesia we have a premium joints threading facility in the state of Batam, which we integrated to our operations following the acquisition of Hydril. We also hold 77.45% of SPIJ, an Indonesian OCTG processing business with heat treatment, premium connection threading facilities, coupling shop and a quality testing laboratory, including an ultrasonic testing machine, which has an annual processing capacity of approximately 120,000 tons.

Production Facilities Others

We have four facilities for the manufacture of sucker rods in Villa Mercedes, San Luis, Argentina, in Moreira Cesar, São Paulo, Brazil, in Veracruz, Mexico and in Campina, Romania. In 2013, we finalized a capacity expansion investment at our sucker rods mill in Veracruz, to meet the growing demand of our customers in North America, with flexible and optimized delivery times. This investment strengthens our total annual manufacturing capacity of sucker rods to 3 million units.

In Moreira Cesar, São Paulo, Brazil, we also have facilities for the manufacture of industrial equipment. In many cases, we also provide the assembly service of this equipment at the client s site.

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

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

- A coiled tubing facility of approximately 150,000 square feet of manufacturing space on 4 hectares. The plant consists of two mills and coating operations capable of producing coiled tubing products in various grades, sizes and wall thicknesses.

- An umbilical tubing facility of approximately 85,000 square feet of manufacturing space on 6 hectares. The facility is capable of producing stainless or carbon steel tubing in various grades, sizes and wall thickness.

Sales and Marketing

Net Sales

Our total net sales amounted to $10,338 million in 2014, compared to $10,597 million in 2013 and $10,834 million in 2012. For further information on our net sales see Item 5.A. Operating and Financial Review and Prospects Results of Operations .

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

Millions of U.S. dollars	**For the year ended December 31,**					
	2014		**2013**		**2012**	
Tubes	9,582	93%	9,812	93%	10,023	93%
Others	756	7%	784	7%	811	7%
Total	**10,338**	100%	**10,597**	100%	**10,834**	100%

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Tubes

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

Millions of U.S. dollars	For the year ended December 31, 2014		2013		2012	
Tubes						
North America	4,609	48%	4,077	42%	4,954	49%
South America	1,823	19%	2,237	23%	2,305	23%
Europe	924	10%	890	9%	1,042	10%
Middle East and Africa	1,817	19%	2,094	21%	1,247	12%
Far East and Oceania	408	4%	513	5%	475	5%
Total Tubes	**9,582**	100%	**9,812**	100%	**10,023**	100%

North America

Sales to customers in North America accounted for 48% of our sales of tubular products and services in 2014, compared to 42% in 2013 and 49% in 2012.

We have significant sales in each of the United States, Canada and Mexico, where we provide customers with an integrated product and service offering based on local production capabilities supported by our global industrial system.

Sales to our oil and gas customers in the United States and Canada are sensitive to oil prices and natural gas prices in that region. In the past few years, the drilling of productive shale gas and tight oil reserves, made possible by new drilling technology, has transformed drilling activity and oil and gas production in the United States. Following 25 years of declining production, U.S. crude oil production began to increase in 2009 and, in the past three years, has risen significantly, increasing 15% year on year in 2012, 15% in 2013 and 16% in 2014, reducing the need for imports. Production of natural gas liquids, or NGLs, has also increased significantly in the past few years in North America. In the United States, natural gas production has increased over the past five years, despite a reduction in gas-directed drilling activity, resulting in a reduction in net imports of natural gas into the United States and prices maintaining levels significantly below natural gas prices in Asia and Europe. In Canada, there has been a similar shift towards drilling of shale gas and tight oil reserves in addition to the development of thermal projects to extract and process extra-heavy oil from Canada s oil sands reserves.

In 2012, demand for our OCTG products in the United States increased driven by higher oil and NGLs drilling activity. Starting in the second half of 2012 and running through 2013, there was a slowdown in drilling activity in the United States as producers, who had invested in excess of operating cash flows, adjusted their investments to levels more in line with their operating cash flows and focused on improving drilling efficiencies in their tight oil and shale gas operations. In 2014, growth in oil drilling activity resumed, reaching a peak in November before starting to fall in response to plunging oil prices. Gas drilling activity has steadily declined over the past three years as production continues to increase reflecting productivity increases particularly in the Marcellus formation, natural gas prices remain low and operators began production from wells that had been previously drilled but not completed. In Canada, demand for our OCTG products and drilling activity has been relatively stable over the past three years, with increased activity in shale gas drilling (mainly for NGLs) largely offsetting declines in conventional drilling. Thermal drilling began to decline in 2014 after increasing strongly in 2012 and maintaining a high level in 2013.

Our sales in the United States are also affected by the level of investment of oil and gas companies in exploration and production in offshore projects. The blow-out at the Macondo well in the Gulf of Mexico and the subsequent spillage of substantial quantities of oil resulted in a moratorium that halted drilling activity. The drilling moratorium was lifted in October 2010, when new regulations affecting offshore exploration and development activities were announced. Since then, drilling activity has recovered.

Oil and gas drilling in Canada is subject to strong seasonality with the peak drilling season in Western Canada being during the winter months when the ground is frozen. During the spring, as the ice melts, drilling activity is severely restricted by the difficulty of moving equipment in muddy terrain.

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

At the end of 2013, Mexico reformed its constitution to permit increased private and foreign investment in the energy industry. Under the reforms, foreign and private investors will be allowed to participate in profit and production sharing contracts and licenses and Pemex has been transformed into a state-owned production company without its previous monopoly on production. A new regulatory framework has been developed and it is expected that contracts to foreign and private investors will begin being awarded in 2015.

Drilling activity in Mexico and demand for our OCTG products has fluctuated in the past few years, with activity increasing in the offshore and south regions but reducing substantially in the Chicontepec and Burgos reserves, where activity has been affected by low productivity and the low level of North American gas prices. In the coming years, the energy reform is expected to lead to increased investment particularly in deepwater exploration and in the shale reserves in Northern Mexico.

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

South America

Sales to customers in South America accounted for 19% of our sales of tubular products and services in 2014, compared to 23% in 2013 and 2012.

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

We have manufacturing subsidiaries in Argentina, Brazil and Colombia. Our seamless pipe manufacturing facility in Venezuela was nationalized in 2009. For more information on the nationalization of this Venezuelan company, see note 30 Nationalization of Venezuelan Subsidiaries to our audited consolidated financial statements included in this annual report.

Our sales in South America are sensitive to the international price of oil and its impact on the drilling activity of participants in the oil and gas sectors, as well as to general economic conditions in these countries. In addition, sales in Argentina, as well as export sales from our manufacturing facilities in Argentina, are affected by governmental actions and policies, such as the taxation of oil and gas exports, measures affecting gas prices in the domestic market, restrictions on transfers of currency abroad, mandatory repatriation of export revenues and other matters affecting the investment climate. Sales in Brazil are also affected by governmental actions and policies and their consequences, such as measures relating to the taxation and ownership of oil and gas production activities and the operations of Petrobras.

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

In Argentina, we have a significant share of the market for OCTG products. We have longstanding business relationships with YPF S.A., or YPF, the Argentine state-controlled company, and with other operators in the oil and gas sector. We strengthened our relationship with YPF in 2013 through a long-term business alliance under which we have agreed to provide additional services with the objective of reducing YPF s operational costs as it aims to increase production through investments in Argentina s shale oil and gas reserves. In the past three years, drilling activity has increased, led by activity in the Vaca Muerta shale play, which is considered to be one of the world s most promising unconventional reserves. However, growth in oil and gas activity and supply has, in recent years, been affected by governmental actions including the application of additional taxes on the export of oil and gas and the freezing for an extended period of domestic gas tariffs for consumers. More recently, the government has put in place programs to encourage new exploration and production activity. In addition, domestic gas tariffs for consumers have begun to increase as a result of the removal of subsidies and to cover the higher costs of natural gas imports.

In Brazil, we have a longstanding business relationship with Petrobras. We supply Petrobras with casing (including premium connections) and line pipe products, most of which are produced in our Brazilian welded pipe facility, for both offshore and onshore applications. With the development of Brazil s deepwater pre-salt complex, our mix of products sold in Brazil has evolved from one including mainly line pipe for onshore pipeline projects to one which includes large diameter conductor and surface casing and line pipe for use in deepwater applications. Demand for complex OCTG and line pipe products used in deepwater applications has grown strongly in the past few years but the rate of growth slowed down in 2013, reflecting financial and operational restraints at Petrobras and in 2014 slowed further, as Petrobras reduced inventories of OCTG products and postponed pipeline investments. Demand for line pipe for pipeline projects declined to very low levels in 2013 and 2014 but is expected to pick up in 2015, in both Brazil and Argentina.

In Colombia, we have established a leading position in the market for OCTG products in the past few years following the acquisition of Tubocaribe, a welded pipe manufacturing facility located in Cartagena. The market in the past few years has grown rapidly as the country encouraged investment in its hydrocarbon industry and opened its national oil company to private investment. Over the past three years, however, drilling activity has slowed down. Our principal customer in Colombia is Ecopetrol, which we supply under a JIT arrangement. We have recently invested in strengthening our industrial position in Colombia through the installation of modern heat treatment, pipe threading and processing facilities which will enable us to serve this market with more local industrial content and our customers with more efficient JIT services.

We have been present in the Venezuelan OCTG market for many years and we maintain ongoing business relationships with PDVSA and the joint venture operators in the oil and gas sector. In the past three years, our sales in Venezuela were negatively affected as PDVSA delayed payments to suppliers. See Item 3.D. Key Information Risk Factors Risks Relating to our Business Adverse economic or political conditions in the countries where we operate or sell our products and services may decrease our sales or disrupt our manufacturing operations, thereby adversely affecting our revenues, profitability and financial condition ; and note 30 Nationalization of Venezuelan Subsidiaries to our audited consolidated financial statements included in this annual report.

Europe

Sales to customers in Europe accounted for 10% of our sales of tubular products and services in 2014, compared to 9% in 2013 and 10% in 2012.

Our single largest country market in Europe is Italy. The market for steel pipes in Italy (as in most of the European Union) is affected by general industrial production trends, especially in the mechanical and automotive industry, and by investment in power generation, petrochemical and oil refining facilities. Sales to the mechanical and automotive industries in Italy and the rest of Europe have declined over the past three years. Sales of pipes for HPI and power generation projects remained relatively stable over the last three years.

In Europe, we also have significant sales to the oil and gas sector, which has grown in recent years, with exploration activity taking place in new areas such as unconventional shale plays in Eastern Europe and offshore drilling in the Black Sea, the Eastern Mediterranean and the Barents Sea, together with ongoing investment in the more traditional areas of the North Sea, Romania, Turkey and Russia. Demand from these markets is affected by oil and gas prices in the international markets and their consequent impact on oil and gas drilling activities in these areas. In addition, recently imposed U.S. and European sanctions are affecting demand for our premium pipe products in Russia and limited exploration success in unconventional shale plays in Eastern Europe has led international operators to cut back on their investments in this area.

Middle East and Africa

Sales to customers in the Middle East and Africa accounted for 19% of our sales of tubular products and services in 2014, compared to 21% in 2013 and 12% in 2012.

In 2013, our sales in the region increased significantly driven by a high level of demand from state-owned customers in the Middle East for premium products for complex gas drilling activity and a significant increase in demand for offshore drilling projects in Africa. While demand for premium products for offshore drilling projects in Africa remained strong in 2014, our sales in the region began to decline in the second half of 2014 due to reduced purchases from state-owned customers in the Middle East.

Our sales in the region remain sensitive to international prices of oil and gas and their impact on drilling activities as well as to the production policies pursued by OPEC, many of whose members are located in this region. In the past few years, oil and gas producing countries in the Middle East, led by Saudi Arabia, have increased investments to develop gas reserves to fuel regional gas-based industrial development, which have positively affected their consumption of premium OCTG products. Saudi Arabia, in particular, has shown strong growth in sour and high pressure gas field drilling activity. They are also increasing investments to maintain or add oil production capacity. In addition, there has been a significant increase in drilling activity in Iraq as that country seeks to reactivate its oil and gas industry. In Africa, international oil companies increased investments in exploration and production in offshore projects in 2012 and 2013 but began to postpone or reduce their investment commitments in 2014 due to the high cost of offshore project developments and a lower success rate in exploration activity.

In the past three years, uprisings affected drilling activity in countries such as Syria, Libya and Yemen and, in the case of Libya, the oil and gas industry was effectively shut down in 2011. In addition, in 2012, 2013 and 2014, U.S. and EU sanctions have affected production and exports in Iran.

Our sales in the Middle East and Africa could be adversely affected by political and other events in the region, such as armed conflicts, terrorist attacks and social unrest, that could materially impact the operations of companies active in the region s oil and gas industry. Our sales in that region can also be affected by the levels of inventories held by the principal national oil companies in the region and their effect on purchasing requirements. For example, Saudi Aramco, after purchasing pipes in excess of their consumption requirements in 2013 and the first half of 2014, has subsequently substantially reduced purchases, notwithstanding increased drilling activity, as they reduce inventory levels.

Far East and Oceania

Sales to customers in the Far East and Oceania accounted for 4% of our sales of tubular products and services in 2014 and 5% in 2013 and 2012.

Our largest markets in the Far East and Oceania are Indonesia, China and Japan, in each of which we have local production facilities.

Sales to Indonesia and other markets in the Far East and Oceania are mainly affected by the level of oil and gas drilling activity, particularly offshore drilling activity, in these countries.

Our sales in China are concentrated on premium OCTG products used in oil and gas drilling activities. Although apparent consumption of pipes in China has increased significantly during the past three years, this increase has been met by higher sales of pipes produced by local producers, who have been increasing their production capacity.

In Japan, our subsidiary, NKKTubes, competes against other domestic producers. The market for steel pipe products in Japan is mostly industrial and depends on general factors affecting domestic investment, including production activity.

Others

Our other products and services include sucker rods used in oil extraction activities, coiled tubes used in oil and gas extraction activities, welded steel pipes for electric conduits, industrial equipment of various specifications and for diverse applications, including liquid and gas storage equipment and sales of raw materials that exceed our internal requirements. Net sales of other products and services decreased 4% in 2014, compared to 2013, mainly due to lower sales of industrial equipment in Brazil.

Competition

The global market for steel pipe products is highly competitive. Seamless steel pipe products, which are used extensively in the oil and gas industry particularly for high pressure, high stress and other complex applications, are produced in specialized mills using round steel billets and specially produced ingots. Welded steel pipe products are produced in mills which process steel coils and plates into steel pipes. Steel companies that manufacture steel coils and other steel products but do not operate specialized seamless steel mills are generally not competitors in the market for seamless steel pipe products, although they often produce welded steel pipes or sell steel coils and plates used to produce welded steel pipes.

The production of steel pipe products following the stringent requirements of major oil and gas companies requires the development of specialized skills and significant investments in manufacturing facilities. By contrast, steel pipe products for standard applications can be produced in most seamless pipe mills worldwide and sometimes compete with welded pipe products for such applications including OCTG applications. Welded pipe, however, is not generally considered a satisfactory substitute for seamless steel pipe in high-pressure or high-stress applications.

In recent years, substantial investments have been made, especially in China, to increase production capacity of seamless steel pipe products. New production capacity continues to be installed in various regions and there is significant excess

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production capacity, particularly for commodity or standard product grades. Capacity for the production of more specialized product grades is also increasing. The competitive environment has, as a result, become more intense, and we expect the current downturn in market demand to cause competition to intensify even further. Effective competitive differentiation will be a key factor for Tenaris.

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

Vallourec, a French company, has mills in Brazil, France, Germany and the United States. Vallourec has a strong presence in the European market for seamless pipes for industrial use and a significant market share in the international market with customers primarily in Europe, the United States, Brazil, and Africa. Vallourec is an important competitor in the international OCTG market, particularly for high-value premium joint products, where it operates a technology partnership with NSSMC (see below). In the last few years, Vallourec has increased its production capacity through building a new mill in Brazil jointly with Sumitomo, which is aimed primarily at export markets and was commissioned in 2011, and a second seamless pipe rolling mill at its existing facility in Youngstown, Ohio, which began commercial production at the end of 2012. In addition to the construction of the new Youngstown mill, it has reinforced its positioning in the U.S. through the acquisition of three tubular businesses from Grant Prideco: Atlas Bradford® Premium Threading & Services, TCA® and Tube-Alloy. Vallourec has also strengthened its position in the Middle East through the acquisition of heat treatment and threading facilities in Saudi Arabia in 2011 and, in 2010, it concluded an agreement with a Chinese seamless steel producer under which it distributes products from the Chinese producer in markets outside China.

Nippon Steel & Sumitomo Metal Corporation, or NSSMC, and JFE (the seamless pipe business of the former Kawasaki Steel) in the aggregate enjoy a significant share of the international market, having established strong positions in markets in the Far East and the Middle East. They are internationally recognized for their supply of high-alloy grade pipe products. On September 27, 2002, Kawasaki Steel and NKK, our partner in NKKTubes, consummated a business combination and merger, through which they became subsidiaries of JFE. JFE continues to operate the former Kawasaki Steel s seamless steel pipe business in competition with NKKTubes.

In recent years, TMK, a Russian company, has led consolidation of the Russian steel pipe industry, invested to modernize and expand its production capacity in Russia and expanded internationally through acquisitions into Eastern Europe and the United States where it acquired a significant position in the U.S. market through its acquisition of IPSCO s tubular operations comprising both seamless and welded pipe mills and the Ultra family of connections. In 2012, TMK opened a research and development center in Houston and has been expanding its capacity to produce premium connection products. TMK also expanded in the Middle East through the acquisition of a controlling interest in Gulf International Pipe Industry LLC, a welded pipe producer in Oman.

Also in recent years, Chinese producers have increased production capacity substantially and strongly increased their exports of steel pipe products, particularly to the United States, the European Union and Canada before anti-dumping restrictions were placed on Chinese imports to those regions. The largest Chinese producer of seamless steel pipes, TPCO, announced in 2009 its intention to build a new seamless pipe facility in the United States; heat treatment and pipe finishing facilities have been constructed and steelmaking and hot rolling facilities are currently under construction in Corpus Christi, Texas. Although producers from China compete primarily in the commodity sector of the market, some of these producers including TPCO, have been upgrading their facilities and processes with the intention of entering into the market for more specialized products.

The tubes and pipes business in the United States and Canada experienced a significant consolidation process several years ago. Following the acquisitions of Maverick and Hydril by Tenaris, US Steel Corporation acquired Lone Star Steel Technologies. In 2008, Evraz Group S.A. and TMK, two Russian companies, acquired IPSCO s Tubular division which has both seamless and welded mills in the United States and Canada. Evraz retained IPSCO s operations in Canada while TMK acquired IPSCO s operations in the United States, as mentioned above. More recently, however, new players have built, or announced plans to build, pipe mills in the United States. These include Boomerang LLC, a company formed by a former Maverick executive, which opened a welded pipe mill in Liberty, Texas, in 2010, and Benteler, a European seamless pipe producer, which is building a new seamless pipe mill in Louisiana. North American pipe producers are largely focused on supplying the U.S. and Canadian markets, where they have their production facilities.

Tubos Reunidos S.A. of Spain, Benteler A.G. of Germany and Voest Alpine AG of Austria each have a significant presence in the European market for seamless steel pipes for industrial applications, while the latter also has a relevant presence in the international OCTG market. In 2006, ArcelorMittal created a tubes division through several acquisitions and has mills in North America, Eastern Europe, Venezuela, Algeria and South Africa and has been building a seamless pipe mill in Saudi Arabia.

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Producers of steel pipe products can maintain strong competitive positions in markets where they have their pipe manufacturing facilities due to logistical and other advantages that permit them to offer value-added services and maintain strong relationships with domestic customers, particularly in the oil and gas sectors. Our subsidiaries have established strong ties with major consumers of steel pipe products in their home markets, reinforced by JIT arrangements, as discussed above.

Capital Expenditure Program

During 2014, our capital expenditures, including investments at our plants and investments in information systems, amounted to $1,089 million, compared to $753 million in 2013 and $790 million in 2012. Of these capital expenditures, investment at our plants amounted to $1,008 million in 2014, compared to $667 million in 2013 and $747 million in 2012.

In 2014, in addition to the capacity expansion in the United States, we focused on improving our finishing capabilities, mainly heat treatment and threading facilities, including premium products lines and investments at our R&D centers. The major highlights of our capital spending program during 2014 included:

- construction of our new greenfield seamless facility in Bay City, Texas, in the United States;
- construction of a new heat treatment and finishing lines for seamless OCTG in Colombia;
- installation of a new heat treatment line at our Veracruz facility in Mexico;
- line redesign and installation of new equipment for seamless pipes in Campana, Argentina;
- construction and installation of equipment at the new R&D center in Rio de Janeiro, Brazil;
- installation of new non-destructive testing equipment at our Veracruz facility in Mexico;
- construction of a new building for Tenaris University at our Zalau facility in Romania;
- an increase in capacity and redesign of production line for large vessels in Dalmine, Italy;
- an increase in heat treatment capacity and renewal of the straightener machine at our Campana facility, in Argentina; *and*
- construction of a new continuous heat treatment line for coiled tubes in the United States.

Capital expenditures in 2015 are expected to be above the level reached in 2014, mainly due to the continuing construction of the new greenfield seamless mill in Bay City, Texas. The new facility will include a state-of-the-art rolling mill as well as finishing and heat treatment lines. We plan to bring the 600,000 tons per year capacity mill and logistics center into operation in 2017 within a budget of approximately $1.5 billion to $1.8 billion. As of December 31, 2014, approximately $0.4 billion had already been invested and an additional $0.5 billion had been committed.

In addition to the capacity expansion in the United States, we expect our investments during 2015 to be spread among our global industrial system, in line with what already occurred during 2014. These investments will mainly aim at enhancing product differentiation, increasing capacity on critical areas, increasing local finishing capabilities, improving the efficiency of our process, enhancing plant s safety and minimizing environmental impact, as well as increasing the infrastructure for training. Major projects for 2015 include:

- installation of a new state-of-the-art threading line for premium products and new heat treatment line at our Veracruz facility in Mexico;
- installation of new heat treatment and finishing lines for seamless OCTG in Colombia;
- increase the production capacity of sucker rods in the United States;
- expansion of the steel shop continuous casting line at our Veracruz facility in Mexico;
- expansion of heat treatment capacity and finishing lines, including premium threading, for seamless OCTG in Saudi Arabia;
- installation of new premium threading lines in Kazakhstan;
- construction of new facility for OCTG accessories at our Zalau facility in Romania; *and*
- increase the capacity for coiled tubing under the innovative BlueCoil technology, at our facility in the United States.

In addition to capital expenditures at our plants, we have invested in information systems for the integration of our production, commercial and managerial activities. These investments are intended to promote the further integration of our operating facilities and enhance our ability to provide value-added services to customers worldwide. Investments in information systems totaled $80 million in 2014, compared to $86 million in 2013 and $43 million in 2012.

Raw Materials and Energy

The majority of our seamless steel pipe products are manufactured in integrated steel making operations using the electric arc furnace route, with the principal raw materials being steel scrap, DRI, HBI, pig iron and ferroalloys. In Argentina, we produce our own DRI from iron ore using natural gas as a reductant. Our integrated steel making operations consume significant quantities of electric energy, a significant portion of which we generate in our own facilities. Our welded steel pipe products are processed from purchased steel coils and plates. Although the weight of the different steelmaking raw materials and steel, vary among the different production facilities in our industrial system, depending on the specifications of the final products and other factors, on average steel scrap, pig iron, HBI and DRI represent approximately 20% of our steel pipe products costs, while steel in the form of billets or coils represents approximately 25%, with direct energy accounting for approximately 5%.

The aforementioned inputs of raw material are subject to price volatility caused by supply, political and economic situations, financial variables and other unpredictable factors. For further information on price volatility, see Item 3.D. Key Information Risk Factors Risks Relating to our Industry Increases in the cost of raw materials, energy and other costs, limitations or disruptions to the supply of raw materials and energy, and price mismatches between raw materials and our products may hurt our profitability . The costs of steelmaking raw materials and of steel coils and plates declined during 2014, particularly in the fourth quarter.

Steel scrap, pig iron and HBI

Steel scrap, pig iron and HBI for our steelmaking operations are sourced from local, regional and international sources. In Argentina, we produce our own DRI and source ferrous scrap domestically through a wholly owned scrap collecting and processing subsidiary. In Italy, we purchase pig iron and ferrous scrap from local and regional markets. In Mexico, we import our pig iron and HBI requirements and purchase scrap from domestic and international markets. In Romania, we source ferrous scrap from the domestic market.

International prices for steel scrap, pig iron and HBI can vary substantially in accordance with supply and demand conditions in the international steel industry. Our costs for these materials remained relatively stable during 2014 until the end of the year, when a correction in pricing started, following the sharp decline in prices of raw materials, such as iron ore. For example, prices for Scrap Shredded FAS U.S. East Coast, published by CRU, averaged $341 per ton in 2013 and $339 per ton in 2014 and in March 2015 they averaged $242 per ton.

Iron ore

We consume iron ore, in the form of pellets and lump ore, for the production of DRI in Argentina. Our annual consumption of iron ore in Argentina is close to 1 million tons and is supplied from Brazil primarily by *Vale S.A.* and *Samarco Mineração S.A.* Prices remained at high levels during the first quarter of 2014; however, slower than expected Chinese growth combined with significant oversupply to push prices down particularly in the second half of the year. As a reference, prices for Iron Ore IODEX 62% Fe (CFR North China), published by Platts, averaged $135 per ton in 2013 and $97 per ton in 2014, and in March 2015 they averaged $57 per ton.

Round steel bars

We purchase round steel bars and ingots for use in our seamless steel pipe facilities in Canada, Japan and Mexico.

In Japan, we purchase these materials from JFE, our partner in NKKTubes. These purchases are made under a supply arrangement pursuant to which the purchase price varies in relation to changes in the cost of production. As a result of their location within a larger production complex operated by the supplier, our operations in Japan are substantially dependent on these contracts for the supply of raw materials and energy. JFE uses imported iron ore, coal and ferroalloys as principal raw materials for producing steel bars at Keihin.

In Canada, we had a long-term agreement with Rio Tinto Fer et Titane, a Canadian producer of titanium dioxide and high purity iron, under which Rio Tinto Fer et Titane was supplying round steel bars, at U.S. dollar prices adjusted in accordance

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with variations in raw material costs. In 2012 we signed a new contract, with an evergreen feature, to extend the original contract. The contract accommodates 50% of our steel bar needs. We use steel bars produced in our integrated facilities in Argentina and Romania for the remainder of our round steel bar requirements.

In Mexico, we have been sourcing steel bars from Ternium s Mexican facilities since 2011, under a long term contract that grants us, during an eight-year period, preferential right to purchase up to 250,000 tons of round steel bars per year.

Steel coils and plates

For the production of welded steel pipe products, we purchase steel coils and steel plates principally from domestic producers for processing into welded steel pipes. We have welded pipe operations in Argentina, Brazil, Canada, Colombia and the United States.

Steel coil market prices were relatively stable during 2014, but started to show a downward trend toward the end of the year. As a reference, prices for hot rolled coils, HRC Midwest USA Mill, published by CRU, averaged $692 per ton in 2013 and $724 per ton in 2014 and in March 2015 they averaged $538 per ton.

For our welded pipe operations in the United States, a significant part of our requirements for steel coils are supplied by Nucor Steel and ArcelorMittal. Our principal supplier in the United States is Nucor Steel, which has a steel coil manufacturing facility in Hickman, Arkansas, near to our principal welded pipe facility in the United States. To secure a supply of steel coils for our U.S. facilities, in May 2013 we entered into a long-term purchase agreement with Nucor Steel which is due to expire at the end of 2017. In December 2014 we reached an agreement with Nucor that temporarily allows us to purchase only the steel volumes that we need, until we see a recovery to the current weak pipe demand associated with the reduction in drilling activity.

In Canada, we have long-term agreements with our main steel suppliers for our welded pipe operations with prices referenced to market levels in U.S. dollars (i.e., CRU HRC index). These main suppliers are: ArcelorMittal Dofasco, which has steel coil manufacturing facilities in Hamilton, Ontario, and Essar Steel Algoma (Essar), which has steel coil manufacturing facilities in Sault Ste. Marie, Ontario. In the case of Essar the contract expired in March 2015 and we have agreed to continue buying from them on a spot basis during 2015.

We also purchase steel coils and plates for our welded pipe operations in South America (Colombia, Brazil and Argentina) principally from Usiminas and ArcelorMittal in Brazil, from Siderar S.A.I.C., or Siderar, a subsidiary of Ternium S.A. in Argentina and from Ternium s facilities in Mexico. In addition, in Brazil we also source plates and coils from international suppliers when not produced domestically.

Energy

We consume substantial quantities of electric energy at our electric steel shops in Argentina, Italy, Mexico and Romania. In Argentina, we have a 160 megawatt power generation plant located at San Nicolás, approximately 150 kilometers from Campana, which together with a smaller thermo-electric power generating plant located within the Campana facility, is sufficient to supply the requirements of our steelmaking facility at Campana. In Dalmine, Italy, we have a 120 megawatt power generation facility, which is designed to have sufficient capacity to meet the electric power requirements of the operations at peak load, and excess power is sold to third party consumers and heat is sold for district heating. In Mexico, our electric power requirements are currently furnished by the Mexican government-owned *Comisión Federal de Electricidad*, or the Federal Electric Power Commission, and in Romania, we source power from the local market.

In order to supply our Mexican operations with energy, we have entered into certain arrangements to build and operate a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico. The power plant is expected to be operational in the fourth quarter of 2016, and will be operated by Techgen, S.A. de C.V., a Mexican project company owned 48% by Ternium, 30% by Tecpetrol International S.A. (a wholly-owned subsidiary of San Faustin S.A., the controlling shareholder of both Tenaris and Ternium) and 22% by Tenaris. The power plant is estimated to require a total investment of $1.1 billion, and each shareholder has agreed to finance or provide guarantees in connection with the plant s construction costs *pro rata* to its respective ownership interest. Tenaris and Ternium have also agreed to enter into power supply and transportation agreements with Techgen, pursuant to which Ternium and Tenaris will contract 78% and 22%, respectively, of Techgen s power capacity of between 850 and 900 megawatts.

We consume substantial volumes of natural gas in Argentina, particularly in the generation of DRI and to operate our power generation facilities. YPF and Metroenergía are our principal suppliers of natural gas in Argentina. The balance of our natural gas requirements is supplied by several companies, including Tecpetrol S.A., or Tecpetrol, a subsidiary of San Faustin, which supplies us under market conditions and according to local regulations.

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We have transportation capacity agreements with Transportadora de Gas del Norte S.A., or TGN, a company in which San Faustin holds a significant but non-controlling interest, corresponding to capacity of 1,000,000 cubic meters per day until April 2017. In order to meet our transportation requirements for natural gas above volumes contracted with TGN, we also have agreements with Gas Natural Ban S.A., or Gasban, for interruptible transportation capacity currently corresponding to approximately 970,000 cubic meters per day. For the final transportation phase, we have a supply contract with Gasban that will be in force until April 2019.

In addition to the normal amount of gas consumed at our Italian plants, we also consume substantial quantities of natural gas in connection with the operation of our power generation facility in Italy. Our natural gas requirements in Italy are supplied by various suppliers.

Our costs for electric energy and natural gas vary from country to country. Energy costs have continued to increase since 2010. In addition, we may face occasional shortages. For example, over the course of the last several years, demand for electricity in Argentina has increased substantially, resulting in shortages of electricity to residential and industrial users during periods of high demand. Similarly, the cost of natural gas for industrial use in Argentina increased significantly during the last years driven by increased local demand and by governmental policies that cut back subsidies for consumption of natural gas by certain users. The demand for natural gas continues to outpace supply, therefore supply to industrial users has often been restricted during the Argentine winter. See Item 3.D. Key Information Risk Factors Risks Relating to our Industry Increases in the cost of raw materials, energy and other costs, limitations or disruptions to the supply of raw materials and energy; and price mismatches between raw materials and our products may hurt our profitability and Item 3.D. Key Information Risk Factors Risks Relating to our Business Adverse economic or political conditions in the countries where we operate or sell our products and services may decrease our sales or disrupt our manufacturing operations, thereby adversely affecting our revenues, profitability and financial condition .

Ferroalloys

At each of our steel shops we coordinate our purchases of ferroalloys worldwide. The international costs of ferroalloys can vary substantially, within a short period. Our costs of ferroalloys decreased toward the end of 2014, in line with the general decline in international raw material prices.

Product Quality Standards

Our steel pipes are manufactured in accordance with the specifications of API, the American Society for Testing and Materials, or ASTM, the International Standardization Organization, or ISO, and the Japan Industrial Standards, or JIS, among other standards. The products must also satisfy our proprietary standards as well as our customers requirements. We maintain an extensive quality assurance and control program to ensure that our products continue to satisfy proprietary and industry standards and are competitive from a product quality standpoint with products offered by our competitors.

We currently maintain, for all our pipe manufacturing facilities, the Quality Management System Certification ISO 9001:2008 granted by Lloyd s Register Quality Assurance, and the API product licenses granted by API-U.S., which are requirements for selling to the major oil and gas companies, which have rigorous quality standards. Our quality management system, based on the ISO 9001 and API Q1 specifications assures that products comply with customer requirements from the acquisition of raw materials to the delivery of the final product, and are designed to ensure the reliability and improvement of both the product and the processes associated with the manufacturing operations.

All our mills involved in the manufacturing of material for the automotive market are certified according to the standard ISO/TS 16949 by Lloyd s Register Quality Assurance.

Research and Development

Research and development, or R&D, of new products and processes to meet the increasingly stringent requirements of our customers is an important aspect of our business.

R&D activities are carried out primarily at our specialized research facilities located at Campana in Argentina, at Veracruz in Mexico, at Dalmine in Italy, at the product testing facilities of NKKTubes in Japan and at the new R&D center at Ilha do Fundao, Rio de Janeiro, Brazil (which commenced operations in 2014). We strive to engage some of the world s leading

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industrial research institutions to solve the problems posed by the complexities of oil and gas projects with innovative applications. In addition, our global technical sales team is made up of experienced engineers who work with our customers to identify solutions for each particular oil and gas drilling environment.

Product development and research currently being undertaken are focused on the increasingly challenging energy markets and include:

- proprietary premium joint products including Dopeless® technology;
- heavy wall deep water line pipe, risers and welding technology;
- proprietary steels;
- tubes and components for the car industry and mechanical applications;
- tubes for boilers;
- welded pipes for oil and gas and other applications;
- sucker rods; *and*
- coatings.

In addition to R&D aimed at new or improved products, we continuously study opportunities to optimize our manufacturing processes. Recent projects in this area include modeling of rolling and finishing process and the development of different process controls, with the goal of improving product quality and productivity at our facilities.

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

We spent $107 million for R&D in 2014, compared to $106 million in 2013 and $83 million in 2012.

Environmental Regulation

We are subject to a wide range of local, provincial and national laws, regulations, permit requirements and decrees relating to the protection of human health and the environment, including laws and regulations relating to hazardous materials and radioactive materials and environmental protection governing air emissions, water discharges and waste management. Laws and regulations protecting the environment have become increasingly complex and more stringent and expensive to implement in recent years. International environmental requirements vary.

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

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

Insurance

We carry property damage, general liability (including employer s, third-party and product liability) and certain other insurance coverage in line with industry practice. Our current general liability coverage includes third party, employers, sudden and accidental seepage and pollution and product liability, up to a limit of $300 million. Our current property insurance program has indemnification caps up to $250 million for direct damage, depending on the different plants. As of February 2015 the Company decided to increase the deductible on the property damage insurance to $100 million.

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Disclosure Pursuant to Section 13(r) of the Exchange Act

Tenaris

The Iran Threat Reduction and Syria Human Rights Act of 2012, or ITRA, created a new subsection (r) in Section 13 of the Exchange Act, which requires a reporting issuer to provide disclosure if the issuer or any of its affiliates engaged in certain enumerated activities relating to Iran, including activities involving the Government of Iran. Tenaris is providing the following disclosure pursuant to Section 13(r).

In January 2010, Tenaris Global Services S.A., or TGS, a Tenaris subsidiary, entered into an agreement with the National Iranian Drilling Company, or NIDC, a company controlled by the Government of Iran, for a total value of EUR9.4 million (approximately $10.1 million). TGS made all deliveries and collected most of its account receivables under the NIDC agreement prior to 2012. In 2012, TGS collected an amount of EUR750 thousand (approximately $810 thousand) for products delivered to NIDC in prior years. As of December 31, 2014, an outstanding balance of EUR172 thousand (approximately $185 thousand) is still due to TGS. In addition, as of December 31, 2014, TGS has not yet fully performed its obligation to allow technical visits to Tenaris s mills by fifteen NIDC experts at TGS s cost. Tenaris expects to fulfill these pending obligations and collect outstanding payments during 2015.

TGS is also a party to an April 2011 agreement with Global Procurement General Trading FZE, or Global FZE, a company incorporated in United Arab Emirates, for the provision of OCTG for an amount of AED16.5 million (approximately $4.5 million). TGS has been informed by Global FZE that the end users of the products delivered under this agreement are Oil Industries Engineering and Construction Group and Pars Oil and Gas Company, which are controlled by the Government of Iran. In 2012, TGS delivered products under the Global FZE agreement for a total value of AED16.3 million (approximately $4.4 million), and collected a total amount of AED15.4 million (approximately $4.2 million). All sales of goods and services to Iran under the agreement with Global FZE have ceased. As of December 31, 2014, a balance of AED862 thousand (approximately $0.2 million) was owing to Tenaris, and Global FZE has advised Tenaris of its inability to process payment to Tenaris of the outstanding balance as a result of the current sanctions relating to Iran.

In March 2011, TGS entered into an agreement for the provision of technical field service assistance to ENI Iran B.V., or ENI Iran, for its project in Darquain, Iran, for a value of EUR246 thousand (approximately $264 thousand). Tenaris has been informed that ENI Iran operates the Darquain project pursuant to a service contract with the National Iranian Oil Company. All services required to be performed by Tenaris for the benefit of ENI Iran were completed and ceased prior to the end of 2012. In December 2013, Tenaris was informed by ENI Iran that it would seek approval to make payment of the contract amount in compliance with applicable laws. In June 2014, Tenaris collected all outstanding amounts under the aforementioned agreement.

Tenaris did not record any profit in 2014 in connection with the agreements described above.

Except as otherwise stated above, there are no pending obligations of Tenaris or its subsidiaries under the agreements described above. While the Tenaris subsidiaries identified above intend to perform their pending obligations under such pre-existing agreements, Tenaris and its subsidiaries ceased prior to the end of 2012 all sales and deliveries of goods and services to Iran. Tenaris s current policy, based on the sanctions against Iran, is not to engage in future sales or deliveries.

Tenaris believes that its activities concerning Iran do not violate any United States or foreign law, and has procedures in place to ensure that such activities comply with all applicable U.S. and foreign laws.

Tenaris s Affiliates

Pursuant to Section 13(r) of the Exchange Act, Tenaris is also required to disclose whether any of its affiliates have engaged in certain Iran-related activities and transactions. Tenova S.p.A., or Tenova, an Italian supplier of equipment for the mining and the steel-making industry, is indirectly controlled by San Faustin and, accordingly, is deemed an affiliate of Tenaris, as that term is defined in Exchange Act Rule 12b-2.

In response to our inquiry, Tenova informed us that:

> During 2014, Tenova or its subsidiaries supplied equipment and performed engineering services for the steel-making and raw material industries to companies believed by Tenova to be subsidiaries of development agencies of the Government of Iran.

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None of the activities performed is connected to the activities described in Sections 5(a) or (b) of the Iran Sanctions Act of 1996, Section 105A(b)(2) of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 or was performed in favor of persons whose property and interests in property are blocked pursuant to Executive Order 13224 (terrorists and terrorist supporters) or 13382 (weapons of mass destruction proliferators and supporters).

All of these sales and activities were authorized by the *Comitato di Sicurezza Finanziaria* CSF, an Italian governmental committee established pursuant to Italian Decree n. 369 of October 12, 2001 (as amended by Italian Law n. 431 of December 14, 2001) under the supervision of the Italian Ministry of Economy.

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

Any future contract between Tenova or its subsidiaries and customers controlled by the Government of Iran will continue to be made in compliance with all laws applicable to Tenova or its relevant subsidiaries.

Tenova informed us that its total sales revenue for 2014 with regard to the foregoing transactions amounted to $34 million, which represents 2.3% of its total sales revenue for 2014.

Tenova also estimated that its net profits from such transactions, after internal cost allocation and taxes, were in the range of $5.1 million.

C. Organizational Structure and Subsidiaries

We conduct all our operations through subsidiaries. The following table shows the significant operating subsidiaries of the Company and its direct and indirect ownership in each subsidiary as of December 31, 2014, 2013 and 2012.

			Percentage Ownership		
Company	**Country of Organization**	**Main Activity**	**2014**	**2013**	**2012**
Algoma Tubes Inc.	Canada	Manufacture of seamless steel pipes	100%	100%	100%
Confab Industrial S.A.	Brazil	Manufacture of welded steel pipes and capital goods	100%	100%	100%
Dalmine S.p.A.	Italy	Manufacture of seamless steel pipes	99%	99%	99%
Exiros B.V.	Netherlands	Procurement of raw materials and other products or services	50%	50%	50%
Hydril Company	U.S.A.	Manufacture and marketing of premium connections	100%	100%	100%
Maverick Tube Corporation	U.S.A.	Manufacture of welded steel pipes	100%	100%	100%

Metalmecánica S.A.	Argentina	Manufacture of sucker rods	100%	100%	100%
NKKTubes K.K.	Japan	Manufacture of seamless steel pipes	51%	51%	51%
PT Seamless Pipe Indonesia Jaya	Indonesia	Manufacture of seamless steel pipes	77%	77%	77%
Prudential Steel ULC	Canada	Manufacture of welded steel pipes	100%	100%	100%
S.C. Silcotub S.A.	Romania	Manufacture of seamless steel pipes	100%	100%	100%
Siat S.A.	Argentina	Manufacture of welded steel pipes	100%	100%	100%
Siderca S.A.I.C.	Argentina	Manufacture of seamless steel pipes	100%	100%	100%
Tenaris Coiled Tubes LLC (and predecessors)	U.S.A.	Manufacture of coiled tubing	100%	100%	100%
Tenaris Connection Limited	St. Vincent & Grenadines	Ownership and licensing of technology	100%	100%	100%
Tenaris Financial Services S.A.	Uruguay	Financial services	100%	100%	100%
Tenaris Global Services S.A.	Uruguay	Holding company and marketing of steel pipes	100%	100%	100%
Tenaris Investments S.àr.l Luxembourg, Zug Branch	Switzerland	Holding company and financial services	100%	100%	100%
Tubos de Acero de México S.A.	Mexico	Manufacture of seamless steel pipes	100%	100%	100%
Tenaris Tubocaribe Ltda.	Colombia	Manufacture of welded steel pipes	100%	100%	100%

Other Investments

Ternium

We have a significant investment in Ternium, one of the leading steel producers of the Americas with production facilities in Latin America. Ternium is a Luxembourg company controlled by San Faustin and its securities are listed on the New York Stock Exchange, or NYSE. As of March 31, 2015, the Company held 11.46% of Ternium s share capital (including treasury shares).

The Company is a party to a shareholders agreement with Techint Holdings S.à r.l., or Techint Holdings, a wholly owned subsidiary of San Faustin, pursuant to which Techint Holdings will take all actions in its power to cause one of the members of Ternium s board of directors to be nominated by the Company and any directors nominated by the Company only be removed pursuant to written instructions by the Company. The Company and Techint Holdings also agreed to cause any vacancies on Ternium s board of directors to be filled with new directors nominated by either the Company or Techint Holdings, as applicable. The shareholders agreement will remain in effect as long as each of the parties holds at least 5% of the shares of Ternium or until it is terminated by either the Company or Techint Holdings pursuant to its terms. Carlos Condorelli was nominated as a director of Ternium pursuant to this agreement.

Usiminas

On January 16 2012, Confab acquired 5.0% of the shares with voting rights and 2.5% of the total share capital in Usiminas, a leading Brazilian producer of high quality, flat steel products used in the energy, automotive and other industries.

This acquisition was part of a larger transaction pursuant to which Confab and Ternium and certain of Ternium s subsidiaries joined Usiminas existing control group through the acquisition of ordinary shares representing 27.7% of Usiminas total voting capital and 13.8% of Usiminas total share capital. In addition, Confab and Ternium and certain of Ternium s subsidiaries entered into an amended and restated Usiminas shareholders agreement with NSSMC, Mitsubishi, Metal One and Previdência Usiminas, an Usiminas employee fund, governing the parties rights within the Usiminas control group. As a result, Usiminas control group, which holds, in the aggregate, 322.7 million ordinary shares subject to the Usiminas shareholders agreement, which represent approximately 63.9% of Usiminas voting capital, is now formed as follows: Nippon Group (comprising NSSMC, Mitsubishi and Metal One), which holds approximately 46.1% of the total shares subject to the Usiminas shareholders agreement; Ternium/Tenaris Group (comprising Ternium Investments, Siderar, Prosid and Confab), which holds approximately 43.3% (with 35.6% corresponding to Ternium and the remaining 7.7% corresponding to Tenaris) of the total shares subject to the Usiminas shareholders agreement; and Previdência Usiminas, which holds the remaining 10.6%. In addition, each of NSSMC and Ternium own 6.7 million and 51.4 million shares not subject to the Usiminas shareholders agreement; however, they are required to vote their shares in accordance with the control group. The rights and obligations of Confab and Ternium and its subsidiaries within the Ternium/Tenaris Group are governed under a separate shareholders agreement. For a discussion of the investment in Usiminas, see note 12 Investments in non-consolidated companies Usiminas S.A. to our audited consolidated financial statements included in this annual report.

Techgen

Techgen, S.A. de C.V., is a joint venture company owned 48% by Ternium, 30% by Tecpetrol International S.A. (a wholly-owned subsidiary of San Faustin S.A., the controlling shareholder of both Tenaris and Ternium) and 22% by Tenaris. Techgen is building a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico. The plant is expected to be operational in the fourth quarter of 2016 and will supply electricity to Ternium s and Tenaris s Mexican facilities.

D. Property, Plants and Equipment

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

Item 4A. Unresolved Staff Comments

As part of its regular reviews of Tenaris s filings of financial statements, the Staff of the U.S. Securities and Exchange Commission (SEC) has issued comments regarding the carrying value of Tenaris s investment in Usiminas. While Tenaris has provided information to the SEC Staff supporting the company s accounting treatment of the Usiminas investment under IFRS, discussions with the Staff continue.

If it is determined after the conclusion of this process that an additional impairment of the investment in Usiminas should be recorded in 2014, Tenaris could be required to restate its 2014 financial statements. A restatement of the 2014 financial statements could also result in a restatement of the financial statements for the first quarter of 2015.

The value of Tenaris s investment in Usiminas was determined by the application of IFRS and tested for impairment using the value in use calculation as per IAS 36.

As of December 31, 2014, the value in use calculation on the investment in Usiminas derived in an impairment charge of $49 million. Additionally, during the fourth quarter of 2014, the investment in Usiminas was reduced by $22 million due to the currency translation adjustment (CTA), following a devaluation of the Brazilian Real (BRL). Therefore, including quarterly results, the value of Tenaris s investment in Usiminas decreased from $284 million as of September 30, 2014 to $209 million as of December 31, 2014.

Additionally, in the first quarter of 2015, an additional impairment of $17 million was recorded and a further devaluation of the BRL reduced the value of the investment by $36 million through CTA. Therefore, including quarterly results, the carrying value as of March 31, 2015 amounted to $153 million, representing a 1.2% of Tenaris Net Worth.

The table below shows Tenaris s carrying value for its investment in Usiminas (expressed on a per share basis) at September 30, 2014, December 31, 2014 and March 31, 2015, as well as the book value of Usiminas equity.

Per share amount in USD	**Carrying value**	**Book value**
September 30, 2014	11.3	7.0
December 31, 2014	8.4	6.4
March 31, 2015	6.1	5.2

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Item 5. Operating and Financial Review and Prospects

The following discussion and analysis of our financial condition and results of operations are based on, and should be read in conjunction with, our audited consolidated financial statements and the related notes included elsewhere in this annual report. This discussion and analysis presents our financial condition and results of operations on a consolidated basis. We prepare our consolidated financial statements in conformity with IFRS. IFRS differ in certain significant respects from U.S. GAAP.

Certain information contained in this discussion and analysis and presented elsewhere in this annual report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. See Cautionary Statement Concerning Forward-Looking Statements . In evaluating this discussion and analysis, you should specifically consider the various risk factors identified in Item 3.D. Key Information Risk Factors , other risk factors identified elsewhere in this annual report and other factors that could cause results to differ materially from those expressed in such forward-looking statements.

Overview

We are a leading global manufacturer and supplier of steel pipe products and related services for the energy industry and other industries.

We are a leading global manufacturer and supplier of steel pipe products and related services for the world s energy industry as well as for other industrial applications. Our customers include most of the world s leading oil and gas companies as well as engineering companies engaged in constructing oil and gas gathering and processing and power facilities. We operate an integrated worldwide network of steel pipe manufacturing, research, finishing and service facilities with industrial operations in the Americas, Europe, Asia and Africa and a direct presence in most major oil and gas markets.

Our main source of revenue is the sale of products and services to the oil and gas industry, and the level of such sales is sensitive to international oil and gas prices and their impact on drilling activities.

Demand for our products and services from the global oil and gas industry, particularly for tubular products and services used in drilling operations, represents a substantial majority of our total sales. Our sales, therefore, depend on the condition of the oil and gas industry and our customers willingness to invest capital in oil and gas exploration and development as well as in associated downstream processing activities. The level of these expenditures is sensitive to oil and gas prices as well as the oil and gas industry s view of such prices in the future. Crude oil prices have fallen from over $100 per barrel in June 2014 to their current levels of around $50-$60 per barrel, as rapid production growth in the U.S. and Canada, slowing global demand growth and OPEC s decision not to cut production levels have combined to create an excess of supply in the market. Natural gas prices have also fallen due to increased supply and limited demand growth. In this context, oil and gas operators, particularly in North America, are substantially cutting their exploration and production budgets for the year 2015, and are focused on reducing costs throughout their operations.

In 2014, worldwide drilling activity increased by 5% compared to 2013. In the United States the rig count in 2014 increased by 6% and in Canada by 7%. In the rest of the world, the rig count increased by 3% in 2014. However, due to the significant decline in oil and gas prices in the past few months, drilling activity is being reduced rapidly in North America, with the U.S. rig count falling by 792 rigs (43%) sequentially in the first quarter of 2015, and the Canadian rig count falling by 217 rigs (41%) in the first quarter of 2015 compared to the first quarter of 2014.

A growing proportion of exploration and production spending by oil and gas companies has been directed at offshore, deep drilling and non-conventional drilling operations in which high-value tubular products, including special steel grades and premium connections, are usually specified. Technological advances in drilling techniques and materials are opening up new areas for exploration and development. More complex drilling conditions are expected to continue to demand new and high value products and services in most areas of the world.

Our business is highly competitive.

The global market for steel pipes is highly competitive, with the primary competitive factors being price, quality, service and technology. We sell our products in a large number of countries worldwide and compete primarily against European and Japanese producers in most markets outside North America. In the United States and Canada we compete against a wide range of local and foreign producers. Competition in markets worldwide has been increasing, particularly for products used in standard applications, as producers in countries like China and Russia increase production capacity and enter export markets.

In addition, there is an increased risk of unfairly-traded steel pipe imports in markets in which we produce and sell our products. In August 2014, the U.S. imposed anti-dumping duties on OCTG imports from various countries, including South Korea. However, despite the trade case ruling, unfairly-traded steel pipe imports from South Korea remain at a very high level. Similarly, in Canada, an anti-dumping investigation is underway and while the final determination on injury is still pending, in March 2015 the Canada Border Services Agency introduced anti-dumping duties on OCTG imports from South Korea and other countries.

Our production costs are sensitive to prices of steelmaking raw materials and other steel products.

We purchase substantial quantities of steelmaking raw materials, including ferrous steel scrap, direct reduced iron (DRI), pig iron, iron ore and ferroalloys, for use in the production of our seamless pipe products. In addition, we purchase substantial quantities of steel coils and plate for use in the production of our welded pipe products. Our production costs, therefore, are sensitive to prices of steelmaking raw materials and certain steel products, which reflect supply and demand factors in the global steel industry and in the countries where we have our manufacturing facilities.

The costs of steelmaking raw materials and of steel coils and plates declined during 2014, particularly at the end of the year.

Outlook

While the extent and duration of the decline in drilling activity remains unclear, we expect demand for OCTG products to decline around 30% in 2015 compared to 2014. We expect that the decline in drilling activity and demand for OCTG will be more rapid and pronounced in the United States and Canada and more gradual in the rest of the world.

For 2015, we expect our sales in the United States and Canada to be affected by the aforementioned reduced drilling activity and by the uncertainty concerning the still very high level of unfairly-traded steel pipe imports and its impact on OCTG inventories in the United States. In the Eastern Hemisphere, our sales will be affected by OCTG destocking in Saudi Arabia and lower offshore drilling activity in sub-Saharan Africa, the North Sea and the Far East. However, we expect our sales in South America to be supported by sales for pipeline projects in Argentina and Brazil.

We are adjusting our operations to face the new environment. The costs of our metallic load are declining, we are making certain adjustments in our workforce worldwide and we are optimizing allocation among our plants to take advantage of differences in operating costs and currency movements. We are also reviewing our fixed costs with a view to making our structure more efficient and taking actions to reduce our investment in working capital.

Functional and presentation currency

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

Except for the Brazilian and Italian subsidiaries whose functional currencies are their local currencies, Tenaris determined that the functional currency of its other subsidiaries is the U.S. dollar, based on the following principal considerations:

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;

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

Transaction and operational environment and the cash flow of these operations have the U.S. dollars as reference currency;

Significant level of integration of the local operations within Tenaris s international global distribution network;

Net financial assets and liabilities are mainly received and maintained in U.S. dollars; *and*

The exchange rate of certain legal currencies has long been affected by recurring and severe economic crises.

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Critical Accounting Estimates

This discussion and analysis of our financial condition and results of operations are based on our audited consolidated financial statements, which have been prepared in accordance with IFRS. IFRS differs in certain significant respects from U.S. GAAP.

The preparation of these audited consolidated financial statements and related disclosures in conformity with IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Management evaluates its accounting estimates and assumptions, including those related to: impairment of long-lived tangible and intangible assets; assets useful lives; obsolescence of inventory; doubtful accounts and loss contingencies, and revises them when appropriate. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Although management believes that these estimates and assumptions are reasonable, they are based upon information available at the time they are made. Actual results may differ significantly from these estimates under different assumptions or conditions.

Our most critical accounting estimates are those that are most important to the portrayal of our financial condition and results of operations, and which require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our most critical accounting estimates and judgments are the following:

Accounting for business combinations

To account for our business combinations we use the purchase method, which requires the acquired assets and assumed liabilities to be recorded at their respective fair value as of the acquisition date. The determination of fair values of assets acquired, liabilities and contingent liabilities assumed and determination of useful lives, requires us to make estimates and use valuation techniques, including the use of independent valuators, when market value is not readily available. The excess of the acquisition cost over the fair value of the identifiable net assets acquired is allocated to goodwill.

Impairment and recoverability of goodwill and other assets

Long-lived assets including identifiable intangible assets are reviewed for impairment at the lowest level for which there are separately identifiable cash flows (cash generating units, or CGU). Most of Tenaris s principal subsidiaries that constitute a CGU have a single main production facility and, accordingly, each such subsidiary represents the lowest level of asset aggregation that generates largely independent cash inflows.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful life, including goodwill, are subject to at least an annual impairment test.

In assessing whether there is any indication that a CGU may be impaired, external and internal sources of information are analyzed. Material facts and circumstances specifically considered in the analysis usually include the discount rate used in Tenaris s cash flow projections and the business condition in terms of competitive and economic factors, such as the cost of raw materials, oil and gas prices, competitive environment, capital expenditure programs for Tenaris s customers and the evolution of the rig count.

An impairment loss is recognized for the amount by which the asset s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset s value in use and fair value less costs to sell. Any impairment loss is allocated to reduce the carrying amount of the assets of the CGU in the following order:

(a) first, to reduce the carrying amount of any goodwill allocated to the CGU; and

(b) then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units), considering not to reduce the carrying amount of the asset below the highest of its fair value less cost to sell, its value in use or zero.

The value in use of each CGU is determined on the basis of the present value of net future cash flows which would be generated by such CGU. Tenaris uses cash flow projections for a five year period with a terminal value calculated based on perpetuity and appropriate discount rates.

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For purposes of calculating the fair value less costs to sell Tenaris uses the estimated value of future cash flows that a market participant could generate from the corresponding CGU. Tenaris uses cash flow projections for a five year period with a terminal value calculated based on perpetuity and appropriate discount rates.

Management judgment is required to estimate discounted future cash flows. Actual cash flows and values could vary significantly from the forecasted future cash flows and related values derived using discounting techniques.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible impairment-reversal at each reporting date.

In 2014, we recorded an impairment charge of $206 million on the value of our welded pipe assets in Colombia and Canada, reflecting the severe decline in oil prices, and its impact on drilling activity and the demand outlook for welded pipe products in the regions served by these facilities. For a detailed explanation of the impairment calculation please see note 5 Other operating income and expenses Impairment charge to our audited consolidated financial statements included in this annual report.

2014 and 2012 Impairment on non-consolidated companies Usiminas

In 2014 we recorded an impairment charge of $49 million related to our investment in Usiminas, due to the deterioration of the business environment in Brazil and the decline in iron ore prices. Previously, in 2012, we had recorded an impairment of $74 million on our investment in Usiminas, due to the weakening industrial environment in Brazil and the uncertainty regarding future prices of iron ore. For more information on our investment in Usiminas and the impairment charge please see note 12 Investments in non-consolidated companies Usiminas S.A. , to our audited consolidated financial statements included in this annual report.

Reassessment of Plant and Equipment Asset Useful Lives

Property, plant and equipment are stated at directly attributable historical acquisition or construction cost less accumulated depreciation and impairment losses, if any. Property, plant and equipment acquired through business combinations are valued initially at fair market value. Depreciation of the cost of the asset (apart from land, which is not depreciated), is done using the straight-line method, to depreciate the cost of the asset to its residual value over its estimated useful life. The depreciation method is reviewed at each year end. Estimating useful lives for depreciation is particularly difficult as the service lives of assets are also impacted by maintenance and changes in technology, and our ability to adapt technological innovation to the existing asset base. In accordance with IAS No. 16, *Property, Plant and Equipment*, the depreciation method, the residual value and the useful life of an asset must be reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change must be treated as a change in an accounting estimate. Management s re-estimation of asset useful lives performed in accordance with IAS 16 (Property, plant and equipment) did not materially affect depreciation expense for 2014. However, if management s estimates prove incorrect, the carrying value of plant and equipment and its useful lives may be required to be reduced from amounts currently recorded. Any such reductions may materially affect asset values and results of operations.

Allowance for Obsolescence of Supplies and Spare Parts and Slow-Moving Inventory

We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the net realizable value taking into consideration assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

In relation to finished goods, we make an allowance for slow-moving inventory based on management s analysis of their ageing and market conditions. For this purpose, stocks of finished goods produced by us, more than one year prior to the reporting date, are valued at their estimated recoverable value.

In addition, we estimate the recoverability of inventories of supplies and spare parts, based in part on the following criteria:

- analysis of the ageing of the supplies and spare parts; *and*

- analysis of the potential of materials to be used as intended based on their state of condition and of their potential obsolescence due to technological changes in the mills.

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Historically, losses due to obsolescence and scrapping of inventory have been within expectations and the allowances established. If, however, circumstances were to materially change, such as significant changes related to the technology used in the mills, management s estimates of the recoverability of the value of aged inventories could be materially affected. In this case, our results of operations, financial condition and net worth could be materially and adversely affected.

Allowances for Doubtful Accounts and Customer Claims

Management estimates the ultimate collectability of accounts receivable. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, negatively impacting their ability to make payments, additional allowances may be required.

Trade account receivables are analyzed on a regular basis and when we become aware of a customer s inability to meet its financial commitments to us, the value of the receivable is reduced through a charge to an allowance for doubtful accounts. In addition, we also record a charge to the allowance for doubtful accounts upon receipt of customer claims in connection with sales that management estimates are unlikely to be collected in full.

In addition, our allowance for doubtful accounts is adjusted periodically in accordance with the ageing of overdue accounts. For this purpose, trade accounts receivable overdue by more than 180 days, and which are not covered by a credit collateral, guarantee, insurance or similar surety, are fully provisioned.

Historically, losses from uncollectible accounts receivables have been low and within the allowances established. If, however, circumstances were to materially change, such as higher than expected defaults or an unexpected material adverse change in a major customer s ability to meet its financial obligation to us, management s estimates of the recoverability of amounts due could be materially reduced. In this case, our results of operations, financial condition, net worth and cash flows could be materially and adversely affected.

Contingencies

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

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A. Results of Operations

The following discussion and analysis of our financial condition and results of operations are based on our audited consolidated financial statements included elsewhere in this annual report. Accordingly, this discussion and analysis present our financial condition and results of operations on a consolidated basis. See Presentation of Certain Financial and Other Information Accounting Principles and Accounting Policies A. Basis of presentation and B. Group accounting to our audited consolidated financial statements included in this annual report. The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes included in this annual report.

Thousands of U.S. dollars (except number of shares and per share amounts)	**For the year ended December 31,**		
	2014	**2013**	**2012**
Selected consolidated income statement data[1]			
Continuing Operations			
Net sales	10,337,962	10,596,781	10,834,030
Cost of sales	(6,287,460)	(6,456,786)	(6,637,293)
Gross profit	4,050,502	4,139,995	4,196,737
Selling, general and administrative expenses	(1,963,952)	(1,941,213)	(1,883,789)
Other operating (expenses) income, net[2]	(187,734)	(13,952)	43,659
Operating income	1,898,816	2,184,830	2,356,607
Finance income	38,211	34,767	36,932
Finance cost	(44,388)	(70,450)	(55,507)
Other financial results	39,214	7,004	(31,529)
Income before equity in earnings of non-consolidated companies and income tax	1,931,853	2,156,151	2,306,503
Equity in earnings (losses) of non-consolidated companies	20,141	46,098	(63,206)
Income before income tax	1,951,994	2,202,249	2,243,297
Income tax	(586,061)	(627,877)	(541,558)
Income for the year	1,365,933	1,574,372	1,701,739
Income attributable to[3]:			
Owners of the parent	1,343,274	1,551,394	1,699,375
Non-controlling interests	22,659	22,978	2,364
	1,365,933	1,574,372	1,701,739
Depreciation and amortization	(615,629)	(610,054)	(567,654)

Weighted average number of shares outstanding	1,180,536,830	1,180,536,830	1,180,536,830
Basic and diluted earnings per share for continuing operations	1.14	1.31	1.44
Basic and diluted earnings per share	1.14	1.31	1.44
Dividends per share(4)	0.45	0.43	0.43

(1) Certain comparative amounts have been re-presented to conform to the adoption of revised IAS19 on Employee Benefits for the year 2012. For more information see II Accounting Policy A Basis of presentation to our audited consolidated financial statements included in this annual report.

(2) Other operating (expenses) income, net in 2014 includes an impairment charge of $206 million on our welded pipe operations in Colombia and Canada.

(3) International Accounting Standard No. 1 (IAS 1) (revised), requires that income for the year as shown on the income statement not exclude non-controlling interests. Earnings per share, however, continue to be calculated on the basis of income attributable solely to the owners of the parent.

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

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Thousands of U.S. dollars (except number of shares)	At December 31,	
	2014	2013
Selected consolidated financial position data		
Current assets	7,396,322	6,903,900
Property, plant and equipment, net	5,159,557	4,673,767
Other non-current assets	4,119,832	4,353,303
Total assets	16,675,711	15,930,970
Current liabilities	2,602,829	2,119,729
Non-current borrowings	30,833	246,218
Deferred tax liabilities	714,123	751,105
Other non-current liabilities	356,579	344,052
Total liabilities	3,704,364	3,461,104
Capital and reserves attributable to the owners of the parent	12,819,147	12,290,420
Non-controlling interests	152,200	179,446
Equity	12,971,347	12,469,866
Total liabilities and equity	16,675,711	15,930,970
Share capital	1,180,537	1,180,537
Number of shares outstanding	1,180,536,830	1,180,536,830

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

Percentage of net sales	For the year ended December 31,		
	2014	2013	2012
Continuing Operations			
Net sales	100.0	100.0	100.0
Cost of sales	(60.8)	(60.9)	(61.3)
Gross profit	39.2	39.1	38.7
Selling, general and administrative expenses	(19.0)	(18.3)	(17.4)
Other operating (expenses) income, net	(1.8)	(0.1)	0.4
Operating income	18.4	20.6	21.8
Finance income	0.4	0.3	0.3
Finance cost	(0.4)	(0.7)	(0.5)
Other financial results	0.4	0.1	(0.3)
	18.7	20.3	21.3

Income before equity in earnings of non-consolidated companies and income tax			
Equity in earnings of non-consolidated companies	0.2	0.4	(0.6)
Income before income tax	18.9	20.8	20.7
Income tax	(5.7)	(5.9)	(5.0)
Income for the year	13.2	14.9	15.7
Income attributable to:			
Owners of the parent	13.0	14.6	15.7
Non-controlling interests	0.2	0.2	0.0

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Fiscal Year Ended December 31, 2014, Compared to Fiscal Year Ended December 31, 2013

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

Millions of U.S. dollars	**For the year ended December 31,**				**Increase / (Decrease)**
	2014		**2013**		
Tubes	9,582	93%	9,812	93%	(2%)
Others	756	7%	784	7%	(4%)
Total	10,338	100%	10,597	100%	(2%)

Tubes

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

Thousands of tons	**For the year ended December 31,**		**Increase / (Decrease)**
	2014	**2013**	
Seamless	2,790	2,612	7%
Welded	885	1,049	(16%)
Total	3,675	3,661	0%

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

Millions of U.S. dollars	**For the year ended December 31,**		**Increase / (Decrease)**
	2014	**2013**	
Net sales			
- North America	4,609	4,077	13%
- South America	1,823	2,237	(19%)
- Europe	924	890	4%
- Middle East & Africa	1,817	2,094	(13%)
- Far East & Oceania	408	513	(20%)
Total net sales	9,582	9,812	(2%)
Operating income [(1)]	1,866	2,097	(11%)
Operating income (% of sales)	19.5%	21.4%	

(1) Operating income in 2014 includes an impairment charge of $206 million on our welded pipe operations in Colombia and Canada.

Net sales of tubular products and services decreased 2% to $9.6 billion in 2014, compared to $9.8 billion in 2013, reflecting flat overall volumes and a 3% decrease in average selling prices, driven by a less rich mix of products sold both for seamless and welded pipes. In North America, sales increased due to higher sales in the U.S. shale plays reflecting higher drilling activity and improved pricing conditions following the final determination of anti-dumping duties on unfair imports from South Korea and other countries, as well as higher levels of sales to deepwater projects in the Gulf of Mexico. In South America, sales decreased due to a virtual halt of shipments of line pipe products in Brazil and Argentina, due to our customers financial and operating constraints. In Europe, sales increased mainly due to a higher level of sales of OCTG products in continental Europe. In the Middle East and Africa, sales decreased mainly due to lower levels of sales in the Middle East reflecting the onset of OCTG destocking in Saudi Arabia in the second half and lower sales in the United Arab Emirates, partially offset by an increase in sales to offshore projects in sub-Saharan Africa. In the Far East and Oceania, sales decreased mainly due to lower sales of OCTG products in Indonesia and China and of line pipe products to offshore and Hidrocarbon Processing Industry projects.

Operating income from tubular products and services decreased 11% to $1,866 million in 2014, from $2,097 million in 2013. Operating income in 2014 includes an impairment charge of $206 million on our welded pipe operations in Colombia and Canada. Excluding the impairment charge, operating income and margins would have been relatively flat as the decline in average selling prices was offset by a similar decline in costs.

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Others

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

Millions of U.S. dollars	For the year ended December 31,		Increase /
	2014	**2013**	**(Decrease)**
Net sales	756	784	(4%)
Operating income	33	88	(62%)
Operating income (% of sales)	4.4%	11.2%	

Net sales of other products and services decreased 4% to $756 million in 2014, compared to $784 million in 2013, mainly due to lower sales of industrial equipment in Brazil, partially offset by higher levels of sales of coiled tubes and pipes for electric conduit in the United States.

Operating income from other products and services decreased 62% to $33 million in 2014, from $88 million in 2013, reflecting the reduction in activity levels in our industrial equipment business in Brazil, which had a negative impact in operating performance and margins.

Selling, general and administrative expenses, or SG&A, increased as a percentage of net sales to 19.0% in 2014 compared to 18.3% in 2013, mainly due to the effect of a 3% increase in labor costs on lower sales.

Other operating income and expenses resulted in expenses of $188 million in 2014, compared to $14 million in 2013, mainly due to an asset impairment charge in 2014, amounting to $206 million. This charge mainly reflect the decline in oil prices, and its impact on drilling activity and therefore on the expected demand for OCTG products, particularly on our welded pipe operations in Colo