TENARIS SA
Form 6-K
May 03, 2006

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 May 3, 2006

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

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

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

Form 20-F X   Form 40-F
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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
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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- . -

The attached material is being furnished to the Securities and Exchange Commission pursuant to Rule 13a-16 and Form 6-K under the Securities Exchange Act of 1934, as amended. This report contains Tenaris's press release announcing its 2006 First Quarter Results.

Tenaris Announces 2006 First Quarter Results

LUXEMBOURG--(BUSINESS WIRE)--May 2, 2006--The financial and operational information contained in this press release is based on consolidated condensed interim financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and presented in U.S. dollars.

Tenaris S.A. (NYSE:TS) (BCBA:TS) (BMV:TS) (BI:TEN) ("Tenaris") today announced its results for the first quarter ended March 31, 2006 with comparison to its results for the first quarter ended March 31, 2005.

Summary of 2006 First Quarter Results

(Comparison with fourth quarter of 2005 and first quarter of 2005)

	Q1 2006	Q4 2005		Q1 2005	
Net sales (US$ million)	1,783.2	1,898.6	(6%)	1,452.9	23%
Operating income (US$ million)	600.9	576.9	4%	405.7	48%
Net income (US$ million)(1)	441.7	414.8	6%	280.0	58%
Shareholders' net income (US$ million)	419.7	381.0	10%	264.2	59%
Earnings per ADS (US$)(2)	0.71	0.65	10%	0.45	59%
Earnings per share (US$)	0.36	0.32	10%	0.22	59%
EBITDA (US$ million)	655.6	634.5	3%	457.7	43%
EBITDA margin (% of net sales)	37%	33%		31%	

(1) As required by IAS 1 (revised) as from January 1, 2005 the income for the period disclosed in the income statement does not show minority interest. Earnings per share continue to be calculated on the net income attributable solely to the equity holders of Tenaris.

(2) As of April 26, 2006, the ratio of ADSs to ordinary shares was changed from 1:10 to 1:2. Earnings per ADS are stated using the new ratio.

Earnings per share, operating income and margins continue to grow due to the strength of global demand for our seamless OCTG products from the oil and gas industry. Demand remains particularly strong in the Middle East and Africa region, where drilling activity in Saudi Arabia has been growing rapidly in response to increased investment in exploration and production. Net sales during this first quarter were affected, however, by lower sales of welded pipes for gas transmission projects in Brazil, where important projects have been put on hold. Free cash flow (net cash provided by operations less capital expenditures) was US$474.6 million and the company became net cash positive during the quarter.

Market Background and Outlook

Oil and gas companies are continuing to increase their exploration and production spending in response to sustained high oil and gas prices and projected increases in global demand for oil and gas. This is resulting in increased drilling activity and demand for seamless OCTG products. The international count of active drilling rigs, as published by Baker Hughes excluding, for comparative purposes, the rig count in Iran and Sudan, averaged 896 during the first quarter of 2006, an increase of 10% compared to the same quarter of the previous year and an increase of 3% compared to the fourth quarter of 2005. The corresponding percentage year on year quarterly rig count increases in the Canadian and U.S. markets, which are more sensitive to natural gas prices, were 28% and 19% respectively.

Favorable market conditions and the demand for high-end seamless pipe products are helping us to register sales growth and improved gross margins for our seamless pipe products. We expect that the continuation of favorable market conditions and strong demand for our high-end seamless pipe products will allow us to maintain our operating margins at around the levels recorded this quarter.

Demand for our welded pipe products, however, is being affected by delays to gas pipeline projects in Brazil and Argentina. We expect that some of these projects will go ahead later this year and that we will be able to increase exports but that sales and margins on welded pipes will be lower in 2006 than in 2005.

Analysis of 2006 First Quarter Results

(metric tons)

Sales volume	Q1 2006	Q1 2005	Increase/(Decrease)
North America	202,000	220,000	(8%)
Europe	184,000	179,000	3%
Middle East & Africa	149,000	101,000	48%
Far East & Oceania	82,000	101,000	(19%)
South America	98,000	101,000	(3%)
Total seamless pipes	714,000	703,000	2%
Welded pipes	65,000	109,000	(40%)
Total steel pipes	779,000	812,000	(4%)

Sales volume of seamless pipes increased by 2% to 714,000 tons in the first quarter of 2006 from 703,000 tons in the same period of 2005. Sales volume increased significantly in the Middle East and Africa region reflecting a substantial increase in oil and gas drilling activity and investment in the development of new fields in the region led by Saudi Arabia but extending through much of the Middle East and North Africa. Sales volume declined significantly in the Far East and Oceania, reflecting reduced sales to industrial customers. Sales in North America declined reflecting lower drilling activity in Mexico and lower sales to industrial customers.

Sales volumes of welded pipes decreased by 40% to 65,000 tons in the first quarter of 2006 from 109,000 tons in the same period of 2005. The decrease in sales was due to substantially reduced demand for welded pipes for gas pipeline projects in Brazil following the implementation of several projects in 2005 and delays in the implementation of projects originally projected for this year.

(US$ million)

Net sales	Q1 2006	Q1 2005	Increase/(Decrease)
Seamless pipes	1,441.0	1,105.3	30%
Welded pipes	114.6	160.4	(29%)
Energy	161.6	144.0	12%
Others	66.0	43.3	52%
Total	1,783.2	1,452.9	23%

Net sales in the quarter ended March 31, 2006 increased 23% to US$1,783.2 million, compared to US$1,452.9 million in the corresponding quarter of 2005. Net sales of seamless pipes rose by 30%, due primarily to significantly higher sales of high-end products and higher selling prices for all of our products. Net sales of welded pipes, which included US$11 million in sales of metal structures made by our Brazilian welded pipe subsidiary in the first quarter of 2006 and US$17 million of such sales in the first quarter of 2005, fell by 29% due primarily to the decline in sales volume. Net sales of energy rose by 12% due to higher Italian gas and electric energy prices. Net sales of other goods and services increased 52% due to higher sales of pre-reduced hot briquetted iron from our plant in Venezuela.

(percentage of net sales)

Cost of sales	Q1 2006	Q1 2005
Seamless pipes	48%	54%
Welded pipes	66%	63%
Energy	97%	95%
Others	71%	57%
Total	55%	60%

Cost of sales, expressed as a percentage of net sales, decreased to 55% in the first quarter of 2006, compared to 60% in the same period of 2005 reflecting higher gross margins on our sales of seamless pipe products and a higher proportion of seamless pipe sales in total sales. Cost of sales for seamless pipe products, expressed as a percentage of net sales, decreased to 48% in the first quarter of 2006 compared to 54% in the same period of 2005 principally reflecting a higher proportion of higher-margin, high-end products in the product mix.

Selling, general and administrative expenses, or SG&A, declined as a percentage of net sales to 12.2% in the quarter ended March 31, 2006 compared to 12.7% in the corresponding quarter of 2005.

Net financial income was US$10.6 million in the first quarter of 2006, compared to a net financial expense of US$41.8 million in the same period of 2005. Interest income exceeded interest expenses by US$0.6 million in the first quarter of 2006 compared to a net interest expense of US$9.5 million in the same period of 2005, reflecting changes in the net debt position. A gain of US$8.8 million on net foreign exchange transactions and the fair value of derivative instruments was recorded in the first quarter of 2006, compared to a loss of US$33.9 million during the first quarter of 2005. These gains and losses on net foreign exchange transactions and the fair value of derivative instruments are to a large extent offset by changes to our net equity position and arise due to the fact that most of our subsidiaries prepare their financial statements in currencies other than the US dollar in accordance with IFRS.

Equity in earnings of associated companies generated a gain of US$21.5 million in the first quarter of 2006, compared to a gain of US$30.2 million in the first quarter of 2005. The gain in the first quarter of 2006 was derived mainly from our 11.5% equity shareholding in Ternium and the gain in the first quarter of 2005 was derived mainly from our prior investment in Sidor.

Income tax charges totalled US$191.3 million in the first quarter of 2006, equivalent to 31% of income before equity in earnings of associated companies and income tax.

Income attributable to minority interest rose to US$22.0 million in the first quarter of 2006, compared to US$15.7 million in the corresponding quarter of 2005 reflecting an improvement in operating and financial results at our NKKTubes subsidiary, which was partially offset by weaker operating and financial results at our Confab subsidiary.

Cash Flow and Liquidity

Net cash provided by operations during the first quarter of 2006 was US$544.1 million. Working capital increased by US$24.3 million during the first quarter as a US$115.5 million increase in inventories was largely offset by a reduction in trade receivables (US$34.4 million) and an increase in trade payables (US$58.0 million).

Capital expenditures increased to US$69.5 million for the first quarter of 2006 compared to US$47.3 million in the first quarter of 2005. Capital expenditures in the remaining quarters of the year are expected to be higher as we implement our investment program to increase capacity for high-end products.

During the first quarter of 2006, Tenaris became net cash positive with a net cash position (cash and cash equivalents and other current investments less borrowings) of US$239.7 million at March 31, 2006 compared to net debt of US$183.0 million at December 31, 2005. Total financial debt decreased by US$41.5 million to US$968.8 million at March 31, 2006 from US$1,010.3 million at December 31, 2005.

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

Consolidated condensed interim income statement

(all amounts in thousands of U.S. dollars)	Three-month period ended March 31, 2006 (Unaudited)	Three-month period ended March 31, 2005 (Unaudited)
Net sales	1,783,152	1,452,927
Cost of sales	(972,492)	(865,128)
Gross profit	810,660	587,799
Selling, general and administrative expenses	(217,884)	(185,083)
Other operating income (expenses), net	8,130	2,967
Operating income	600,906	405,683
Financial income (expenses), net	10,596	(41,807)
Income before equity in earnings of associated companies and income tax	611,502	363,876
Equity in earnings of associated companies	21,521	30,163
Income before income tax	633,023	394,039
Income tax	(191,333)	(114,069)
Income for the period	441,690	279,970
Attributable to:		
Equity holders of the Company	419,688	264,234
Minority interest	22,002	15,736
	441,690	279,970

Consolidated condensed interim balance sheet

(all amounts in thousands of U.S. dollars)	At March 31, 2006 (Unaudited)		At December 31, 2005	
ASSETS				
Non-current assets				
Property, plant and equipment, net	2,275,130		2,230,038	
Intangible assets, net	159,747		159,099	
Investments in associated companies	341,446		257,234	
Other investments	25,579		25,647	
Deferred tax assets	212,087		194,874	
Receivables	32,276	3,046,265	65,852	2,932,744
Current assets				
Inventories	1,491,632		1,376,113	
Receivables and prepayments	155,661		143,282	
Current tax assets	121,138		102,455	
Trade receivables	1,289,780		1,324,171	
Other investments	297,557		119,907	
Cash and cash equivalents	910,991	4,266,759	707,356	3,773,284
Total assets		7,313,024		6,706,028
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital	1,180,537		1,180,537	
Legal Reserves	118,054		118,054	
Share Premium	609,733		609,733	
Currency translation adjustments	(54,818)		(59,743)	
Other reserves	30,801		2,718	
Retained earnings	2,076,191	3,960,498	1,656,503	3,507,802
Minority interest		295,470		268,071
Total equity		4,255,968		3,775,873
LIABILITIES				
Non-current liabilities				
Borrowings	639,129		678,112	
Deferred tax liabilities	359,371		353,395	
Other liabilities	157,492		154,378	
Provisions	45,074		43,964	
Trade payables	707	1,201,773	1,205	1,231,054
Current liabilities				
Borrowings	329,703		332,180	
Current tax liabilities	517,216		452,534	

Other liabilities	159,190		138,875	
Provisions	36,566		36,945	
Customers advances	129,291		113,243	
Trade payables	683,317	1,855,283	625,324	1,699,101
Total liabilities		3,057,056		2,930,155
Total equity and liabilities		7,313,024		6,706,028

Consolidated condensed interim cash flow statement

(all amounts in thousands of U.S. dollars)	Three-month period ended March 31, (Unaudited) 2006	2005
Cash flows from operating activities		
Income for the period	441,690	279,970
Adjustments for:		
Depreciation and amortization	54,675	51,977
Income tax accruals less payments	83,458	37,478
Equity in earnings of associated companies	(21,521)	(30,163)
Interest accruals less payments, net	5,292	2,344
Income from disposal of investment	(6,933)	-
Changes in provisions	731	(4,285)
Proceeding from Fintecna arbitration award net of BHP settlement	-	66,594
Changes in working capital	(24,257)	(209,878)
Currency translation adjustment and others	10,947	(11,344)
Net cash provided by operating activities	544,082	182,693
Cash flows from investing activities		
Capital expenditures	(69,529)	(47,316)
Acquisitions of subsidiaries	(29,809)	(38)
Proceeds from disposal of property, plant and equipment and intangible assets	1,820	1,442
Dividends and distributions received from associated companies	-	19,520
Changes in restricted bank deposits	648	(27,680)
Reimbursement from trust funds	-	119,666
Investments in short terms securities	(177,650)	-
Net cash (used in) provided by investing activities	(274,520)	65,594
Cash flows from financing activities		
Dividends paid to minority interest in subsidiaries	(7,581)	-
Proceeds from borrowings	101,085	398,269
Repayments of borrowings	(146,447)	(516,422)
Net cash (used in) provided by financing activities	(52,943)	(118,153)
Increase in cash and cash equivalents	216,619	130,134
Movement in cash and cash equivalents		
At the beginning of the period	672,437	293,824
Effect of exchange rate changes	(1,834)	(298)
Increase in cash and cash equivalents	216,619	130,134

At March 31,	887,222	423,660

	At March 31, 2006	2005
Cash and cash equivalents		
Cash and bank deposits	910,991	477,106
Bank overdrafts	(22,369)	(12,266)
Restricted bank deposits	(1,400)	(41,180)
	887,222	423,660

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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.

Date: May 3, 2006

Tenaris, S.A.

By: /s/ Cecilia Bilesio

Cecilia Bilesio
Corporate Secretary