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TENARIS SA
Form 6-K
May 07, 2007

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 7, 2007

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

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

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

Form 20-F Form 40-F

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

Yes No

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

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 2007 First Quarter Results.

SIGNATURE

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

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Date: May 7, 2007

Tenaris, S.A.

By: /s/ Cecilia Bilesio

Cecilia Bilesio
Corporate Secretary

Tenaris Announces 2007 First Quarter Results

The financial and operational information contained in this press release is based on unaudited consolidated condensed interim financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and presented in U.S. dollars.

LUXEMBOURG--(BUSINESS WIRE)--May 4, 2007--Tenaris S.A. (NYSE:TS) (BI:TEN) (BMV:TS) (BCBA:TS) ("Tenaris") today announced its results for the quarter ended March 31, 2007 with comparison to its results for the quarter ended March 31, 2006.

Summary of 2007 First Quarter Results (Comparison with fourth quarter and first quarter of 2006)

| | Q1 2007 | Q4 2006 | | Q1 2006 | |
|---|---------|---------|-------|---------|-----|
| Net sales (US\$ million) | 2,425.3 | 2,460.9 | (1%) | 1,621.9 | 50% |
| Operating income (US\$ million) | 757.6 | 812.6 | (7%) | 597.1 | 27% |
| Net income (US\$ million) | 509.4 | 612.0 | (17%) | 441.7 | 15% |
| Shareholders' net income (US\$ million) | 480.3 | 574.8 | (16%) | 419.7 | 14% |
| Earnings per ADS (US\$) | 0.81 | 0.97 | (16%) | 0.71 | 14% |
| Earnings per share (US\$) | 0.41 | 0.49 | (16%) | 0.36 | 14% |
| EBITDA (US\$ million) | 858.1 | 901.6 | (5%) | 651.8 | 32% |
| EBITDA margin (% of net sales) | 35% | 37% | | 40% | |

Our results in the first quarter continued to show strong year-on-year growth with net sales up 50%, operating income up 27% and earnings per share up 14%. Sequentially, however, revenues were flat, operating income declined 7% and earnings per share, on a comparable basis(1), declined 11%. Demand for our products and services outside North America remains firm but, in North America, it has been affected by the slowdown in Canada. Free cash flow (net cash provided by operations less capital expenditures) during the period totaled US\$568.4 million, and net debt decreased to US\$1,574.7 million at March 31, 2007.

(1) Excluding the gain recorded on the sale of Dalmine Energie in the fourth quarter of 2006.

Market Background and Outlook

Oil prices fluctuated during the first quarter, declining at the beginning of the period before recovering towards the end. North American gas prices, which had declined sharply in the second half of last year falling below US\$5 per million BTU in September, recovered to a range of US\$7-8 per million BTU. The international count of

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active drilling rigs, as published by Baker Hughes, continued to rise and averaged 982 during the first quarter, an increase of 3% over the previous quarter and one of 10% compared to the same quarter of the previous year. In North America, however, where drilling activity is more sensitive to regional gas prices, the Canadian rig count registered a 20% decline in the first quarter of 2007 compared to the first quarter of 2006. The U.S. rig count remained stable showing a 1% increase during the first quarter of 2007 compared to the fourth quarter of 2006 and was up 14% compared to the first quarter of 2006.

In addition to the slowdown in Canadian drilling activity during the recently-ended winter drilling season, sales of our tubular products and services in North America during the first quarter of 2007 were also affected by the increase in imports from China. Demand in the rest of the world, however, remains firm as oil and gas operators continue to increase investments in exploration and production activity. We expect that, based on current forward gas prices, drilling activity in Canada will recover in the next winter drilling season and that we will increase our worldwide sales of high-end products later in the year as we bring on stream new heat treatment and finishing facilities. Consequently, we should continue to record year-on-year growth in sales and maintain our segment operating margin at current levels.

Sales of our large diameter pipes for pipeline projects in South America started to pick up at the end of the first quarter as we commenced deliveries to the GASCAC phase of the GASENE project in Brazil. Further increases in sales are expected during the year as we complete deliveries to this and other projects in Brazil and a delayed project in Argentina.

Annual Shareholders Assembly

The annual general shareholders' meeting of Tenaris will take place at 11:00 am on June 6, 2007 in Luxembourg. The notice and agenda for the meeting, the shareholder meeting brochure and proxy statement and the Company's 2006 annual report may be downloaded from our website at www.tenaris.com/investors and may be obtained on request by calling 1-800-990-1135 (within the USA) or +1-201-680-6630 (outside the USA).

Analysis of 2007 First Quarter Results

| Sales volume (metric tons) | Q1 2007 | Q1 2006 | Increase/(Decrease) |
|----------------------------|-----------|---------|---------------------|
| Tubes - Seamless | 746,000 | 714,000 | 4% |
| Tubes - Welded | 252,000 | 7,000 | |
| Tubes - Total | 998,000 | 721,000 | 38% |
| Projects - Welded | 75,000 | 58,000 | 29% |
| Total | 1,073,000 | 779,000 | 38% |

| Tubes (Net sales - \$ million) | Q1 2007 | Q1 2006 | Increase/(Decrease) |
|-----------------------------------|---------|---------|---------------------|
| North America | 727.8 | 449.6 | 62% |
| South America | 260.5 | 218.8 | 19% |
| Europe | 418.7 | 296.2 | 41% |
| Middle East & Africa | 580.0 | 310.9 | 87% |
| Far East & Oceania | 157.7 | 172.6 | (9%) |
| Total net sales (\$ million) | 2,144.7 | 1,448.0 | 48% |
| Cost of sales (% of sales) | 50% | 48% | |
| Operating income (\$ million) | 722.0 | 572.2 | 26% |

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Operating income (% of sales) 34% 40%

Net sales of tubular products and services rose 48% to US\$2,144.7 million in the first quarter of 2007, compared to US\$1,448.0 million in the first quarter of 2006, due primarily to the incorporation of sales from the former Maverick operations. On a like for like basis both average selling prices and sales volumes increased. Sales rose strongly in the Middle East and Africa on increased demand for our TenarisBlue(R) premium connections and other specialized OCTG products and services. In North America, on a like-for-like basis, sales declined reflecting the slowdown in drilling activity and distributor inventory adjustments in Canada and lower activity in Mexico. In Europe, sales of line pipe products to process and power plant customers increased as did hollows for gas cylinders and mechanical pipe for hydraulic cylinders. In South America, sales increased in Colombia and Argentina but sales of OCTG products and services were lower in Venezuela as PDVSA continued to draw down inventories. In the Far East and Oceania, sales declined primarily due to lower sales of OCTG products and services in the region.

| Projects | Q1 2007 | Q1 2006 | Increase/(Decrease) |
|-------------------------------|---------|---------|---------------------|
| Net sales (\$ million) | 124.4 | 96.2 | 29% |
| Cost of sales (% of sales) | 66% | 65% | |
| Operating income (\$ million) | 26.3 | 16.3 | 61% |
| Operating income (% of sales) | 21% | 17% | |

Net sales of pipes for pipeline projects increased 29% to US\$124.4 million in the first quarter of 2007, compared to US\$96.2 million in the first quarter of 2006, primarily reflecting higher sales in Brazil where deliveries for the GASCAC phase of the GASENE project began during the period.

| Others | Q1 2007 | Q1 2006 | Increase/(Decrease) |
|-------------------------------|---------|---------|---------------------|
| Net sales (\$ million) | 156.2 | 77.6 | 101% |
| Cost of sales (%of sales) | 82% | 77% | |
| Operating income (\$ million) | 9.3 | 8.6 | 8% |
| Operating income (% of sales) | 6% | 11% | |

Net sales of other products and services rose 101% to US\$156.2 million in the first quarter of 2007, compared to US\$77.6 million in the first quarter of 2006, reflecting the inclusion of sales of conduit pipes and higher sales of metallic structures by our Brazilian subsidiary.

Selling, general and administrative expenses, or SG&A, increased as a percentage of net sales to 15.4% in the quarter ended March 31, 2007 compared to 13.4% in the corresponding quarter of 2006 due primarily to an increase in amortization expenses following the incorporation of Maverick. Amortization of customer relationships and other intangibles acquired with Maverick amounted to US\$37 million in the quarter.

Net interest expenses rose to US\$35.5 million in the first quarter of 2007 compared to a net interest income of US\$0.8 million in the same period of 2006 reflecting an increased net debt position following the Maverick acquisition.

Other financial results recorded a loss of US\$13.0 million during the first quarter of 2007, compared to a gain of US\$9.7 million during the first quarter of 2006. These results largely reflect gains and losses on net foreign exchange transactions and the fair value of derivative instruments and are to a large extent offset by changes to

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our net equity position. They 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\$25.9 million in the first quarter of 2007, compared to a gain of US\$21.5 million in the first quarter of 2006. These gains were derived mainly from our equity investment in Ternium.

Income tax charges totalled US\$225.5 million in the first quarter of 2007, equivalent to 32% of income before equity in earnings of associated companies and income tax, compared to US\$190.0 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\$29.1 million in the first quarter of 2007, compared to US\$22.0 million in the corresponding quarter of 2006 reflecting higher operating and financial results at our Confab and NKKTubes subsidiaries.

Cash Flow and Liquidity

Net cash provided by operations during the first quarter of 2007 was US\$688.3 million, compared to US\$544.1 million in the first quarter of 2006. Working capital increased by US\$90.5 million, reflecting principally a decline in trade payables of US\$71.4 million and an increase in inventories of US\$65.5 million.

Capital expenditures amounted to US\$119.9 million in the first quarter of 2007, compared to US\$69.5 million in the first quarter of 2006. The increase reflects the progress of implementation of our two-year investment program to increase capacity for specialized products and investments in the former Maverick operations.

During the first quarter of 2007, total financial debt decreased by US\$253.0 million to US\$3,398.2 million at March 31, 2007 from US\$3,651.2 million at December 31, 2006. Net financial debt during the first quarter of 2007 decreased by US\$520.6 million to US\$1,574.7 million at March 31, 2007.

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

Consolidated Condensed Interim Income Statement

| (Thousands of U.S. dollars) | Three-month period ended March 31, | |
|--|---------------------------------------|-----------|
| | 2007 | 2006 |
| | ----- | |
| | (Unaudited) | |
| Continuing operations | | |
| Net sales | 2,425,299 | 1,621,891 |
| Cost of sales | (1,291,498) | (816,327) |
| | ----- | |
| Gross profit | 1,133,801 | 805,564 |
| Selling, general and administrative expenses | (374,267) | (216,640) |

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| | | |
|---|-----------|-----------|
| Other operating income (expenses), net | (1,937) | 8,185 |
| Operating income | 757,597 | 597,109 |
| Interest income | 22,191 | 12,395 |
| Interest expense | (57,727) | (11,639) |
| Other financial results | (13,043) | 9,697 |
| Income before equity in earnings of associated companies and income tax | 709,018 | 607,562 |
| Equity in earnings of associated companies | 25,907 | 21,521 |
| Income before income tax | 734,925 | 629,083 |
| Income tax | (225,531) | (190,026) |
| Income for continuing operations | 509,394 | 439,057 |
| Discontinued operations | | |
| Income (loss) for discontinued operations | - | 2,633 |
| Income for the period | 509,394 | 441,690 |
| Attributable to: | | |
| Equity holders of the Company | 480,304 | 419,688 |
| Minority interest | 29,090 | 22,002 |
| | 509,394 | 441,690 |

Consolidated Condensed Interim Balance Sheet

(Thousands of U.S. dollars)

| | At March 31, 2007 | At December 31, 2006 |
|-------------------------------------|-------------------|----------------------|
| | (Unaudited) | |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment, net | 2,978,406 | 2,939,241 |
| Intangible assets, net | 2,826,641 | 2,844,498 |
| Investments in associated companies | 453,483 | 422,958 |
| Other investments | 26,807 | 26,834 |
| Deferred tax assets | 293,353 | 291,641 |
| Receivables | 39,330 | 41,238 |
| | 6,618,020 | 6,566,410 |
| Current assets | | |
| Inventories | 2,437,796 | 2,372,308 |
| Receivables and prepayments | 268,845 | 272,632 |
| Current tax assets | 160,676 | 202,718 |
| Trade receivables | 1,642,841 | 1,625,241 |
| Other investments | 188,688 | 183,604 |
| Cash and cash equivalents | 1,634,812 | 1,372,329 |
| | 6,333,658 | 6,028,832 |
| Total assets | 12,951,678 | 12,595,242 |

EQUITY

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| | | | | |
|---|-----------|------------|-----------|------------|
| 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 | 29,023 | | 3,954 | |
| Other reserves | 28,143 | | 28,757 | |
| Retained earnings | 3,877,888 | 5,843,378 | 3,397,584 | 5,338,619 |
| | ----- | | ----- | |
| Minority interest | | 387,552 | | 363,011 |
| | | ----- | | ----- |
| Total equity | | 6,230,930 | | 5,701,630 |
| | | ----- | | ----- |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 2,765,327 | | 2,857,046 | |
| Deferred tax liabilities | 978,204 | | 991,945 | |
| Other liabilities | 193,339 | | 186,724 | |
| Provisions | 84,405 | | 92,027 | |
| Trade payables | 354 | 4,021,629 | 366 | 4,128,108 |
| | ----- | | ----- | |
| Current liabilities | | | | |
| Borrowings | 632,858 | | 794,197 | |
| Current tax liabilities | 693,545 | | 565,985 | |
| Other liabilities | 217,241 | | 187,701 | |
| Provisions | 22,729 | | 26,645 | |
| Customer advances | 365,861 | | 352,717 | |
| Trade payables | 766,885 | 2,699,119 | 838,259 | 2,765,504 |
| | ----- | ----- | ----- | ----- |
| Total liabilities | | 6,720,748 | | 6,893,612 |
| Total equity and liabilities | | 12,951,678 | | 12,595,242 |

Consolidated Condensed Interim Cash Flow Statement

| (Thousands of U.S. dollars) | Three-month period ended March 31, | |
|--|------------------------------------|----------|
| | 2007 | 2006 |
| | ----- | |
| Cash flows from operating activities | (Unaudited) | |
| Income for the period | 509,394 | 441,690 |
| Adjustments for: | | |
| Depreciation and amortization | 100,487 | 54,675 |
| Income tax accruals less payments | 125,377 | 83,458 |
| Equity in earnings of associated companies | (25,907) | (21,521) |
| Interest accruals less payments, net | 45,429 | 5,292 |
| Income from disposal of investment | - | (6,933) |
| Changes in provisions | (7,230) | 731 |
| Changes in working capital | (90,519) | (24,257) |
| Other, including currency translation adjustment | 31,243 | 10,947 |
| | ----- | ----- |
| Net cash provided by operating activities | 688,274 | 544,082 |
| | ----- | ----- |

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| | | |
|---|-----------|--------------|
| Cash flows from investing activities | | |
| Capital expenditures | (119,912) | (69,529) |
| Acquisitions of subsidiaries and minority interest | (1,750) | (29,809) |
| Decrease in subsidiaries | (1,195) | - |
| Proceeds from disposal of property, plant and equipment and intangible assets | 2,693 | 1,820 |
| Changes in restricted bank deposits | - | 648 |
| Investments in short terms securities | (5,084) | (177,650) |
| | ----- | ----- |
| Net cash used in investing activities | (125,248) | (274,520) |
| | ----- | ----- |
| Cash flows from financing activities | | |
| Dividends paid to minority interest in subsidiaries | (3,359) | (7,581) |
| Proceeds from borrowings | 48,174 | 101,085 |
| Repayments of borrowings | (360,899) | (154,601) |
| | ----- | ----- |
| Net cash used in financing activities | (316,084) | (61,097) |
| | ----- | ----- |
| Increase in cash and cash equivalents | 246,942 | 208,465 |
| Movement in cash and cash equivalents | | |
| At the beginning of the period | 1,365,008 | 680,591 |
| Effect of exchange rate changes | 2,736 | (1,834) |
| Increase in cash and cash equivalents | 246,942 | 208,465 |
| At March 31, | 1,614,686 | 887,222 |
| | ----- | ----- |
| Cash and cash equivalents | | At March 31, |
| | ----- | ----- |
| | 2007 | 2006 |
| Cash and bank deposits | 1,634,812 | 910,991 |
| Bank overdrafts | (20,105) | (22,369) |
| Restricted bank deposits | (21) | (1,400) |
| | 1,614,686 | 887,222 |

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