

Edgar Filing: TENARIS SA - Form 6-K

TENARIS SA
Form 6-K
May 04, 2005

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 4, 2005

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-__.

Tenaris Announces 2005 First Quarter Results

LUXEMBOURG--(BUSINESS WIRE)--May 2, 2005--Tenaris S.A. (NYSE:TS) (BCBA:TS) (BMV:TS) (BI:TEN)

-- 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.

Tenaris S.A. (NYSE:TS) (BCBA:TS) (BMV:TS) (BI:TEN) ("Tenaris") today announced its results for the quarter ended March 31, 2005 with comparison to its results for the quarter ended March 31, 2004.

Edgar Filing: TENARIS SA - Form 6-K

Summary of 2005 First Quarter Results

	Q1 2005	Q1 2004	Increase
Net sales (US\$ million)	1,452.9	859.3	69%
Operating income (US\$ million)	405.7	102.6	296%
Net income (US\$ million)(1)	280.0	47.6	488%
Shareholders' net income (US\$ million)	264.2	48.4	446%
Net earnings per ADS (US\$)	2.24	0.41	446%
Net earnings per share (US\$)	0.224	0.041	446%
EBITDA(2) (US\$ million)	457.7	156.4	193%
EBITDA margin (% of net sales)	31%	18%	

- (1) As required by IAS 1 (revised) as from January 1, 2005 net income for the period shown in the income statement does not show minority interest. Net earnings per share continue to be calculated on the net income attributable to the equity holders of Tenaris.
- (2) EBITDA equals operating income plus depreciation and amortization charges.

These results build on the positive trend in our results, excluding non-recurring items, shown in all four quarters of 2004. As the leading suppliers of seamless pipe products to the global energy industry, we continue to benefit from increases in investment in oil and gas exploration and production. Net sales increased 14% sequentially, due to a 10% increase in average selling prices for our seamless pipes and much stronger demand for our welded pipes. Our consolidated EBITDA and operating margins rose significantly above the levels recorded in previous years as the sequential increase in seamless pipe selling prices was not accompanied by an equivalent increase in the average cost of goods sold. In addition, our welded pipe business had higher margins on increased demand from pipeline construction projects in the regional market of our two welded pipe mills. Free cash flow was also positive and net debt declined by US\$179.4 million to US\$648.7 million during the quarter.

Market Background and Outlook

Global demand for seamless pipes continues to increase led by higher drilling activity in the oil and gas industry. The international count of active drilling rigs, as published by Baker Hughes, averaged 876 during the first quarter of 2005, an increase of 10% compared to the same quarter of the previous year, with significant increases shown in the Middle East and Venezuela.

As a result of strong market demand and limited capacity availability, particularly for the high-end pipes in which Tenaris increasingly specializes, our average selling price for seamless pipe products has been increasing and we expect that it will increase further during 2005 but at a slower rate than that shown in the previous two quarters.

After the strong rise in most of our steelmaking raw material costs in the second half of 2003 and in 2004, international prices for scrap steel, DRI and pig iron have been mainly flat since the end of the year. On the other hand, the prices of some ferroalloys continued to increase in the first quarter of 2005 and a large percentage increase in international prices for iron oxide pellets and lump ores has been agreed between the principal iron ore miners and major steel producers which will affect our costs in the coming quarters. Energy costs are also increasing.

Demand for our welded pipe products, which depends to a large extent on specific projects, particularly those for the construction of oil and gas pipelines in the regional market of our two welded pipe mills in South America,

Edgar Filing: TENARIS SA - Form 6-K

and can vary significantly from year to year, is rebounding. There are a number of gas pipeline projects under development in Brazil reflecting investment in the country's gas pipeline infrastructure, and in Argentina there are projects to increase capacity in and extend the existing gas pipeline infrastructure in order to meet growing gas consumption.

Assuming no major change in current conditions, we expect our overall 2005 operating margin to remain close to the level registered in this first quarter, which would represent a significant improvement over the level recorded last year.

Analysis of 2005 First Quarter Results

(metric tons)

Sales volume	Q1 2005	Q1 2004	Increase/(Decrease)
North America	220,000	157,000	40%
Europe	179,000	169,000	6%
Middle East & Africa	101,000	82,000	23%
Far East & Oceania	101,000	114,000	(11%)
South America	101,000	96,000	5%
Total seamless pipes	703,000	618,000	14%
Welded pipes	109,000	69,000	58%
Total steel pipes	812,000	687,000	18%

Sales volume of seamless pipes increased by 14% to 703,000 tons in the first quarter of 2005 from 618,000 tons in the same period of 2004. This includes 26,000 tons produced by Silcotub. Sales in North America increased in each of Canada, USA and Mexico with the increase strongest in Canada following an increase in drilling of exploration and deep wells. Sales in Middle East and Africa increased due to higher oil and gas drilling activity in the Middle East and a recovery of activity in Nigeria. Sales in Far East and Oceania declined due to lower sales in China.

Sales volumes of welded pipes increased by 58% to 109,000 tons in the first quarter of 2005 from 69,000 tons in the same period of 2004. The increase in sales was due to a recovery in demand for welded pipes for gas pipeline projects in Brazil.

(US\$ million)

Net sales	Q1 2005	Q1 2004	Increase/(Decrease)
Seamless pipes	1,105.3	674.3	64%
Welded pipes and other metallic products	160.4	66.4	142%
Energy	144.0	103.9	39%
Others	43.3	14.8	193%
Total	1,452.9	859.3	69%

Net sales in the quarter ended March 31, 2005 increased 69% to US\$1,452.9 million, compared to US\$859.3 million in the corresponding quarter of 2004. Net sales of seamless pipes rose by 64%, due to higher average selling prices, which rose to US\$1,572 per ton in the first quarter of 2005 compared to US\$1,090 per ton in the same period of 2004, and higher sales volumes. Net sales of welded and other metallic products, which included US\$17 million in sales of metal structures made by our Brazilian welded pipe subsidiary in the first quarter of 2005 and US\$15 million of such sales in the first quarter of 2004, rose by 142% due to higher sales volume and higher selling prices, which rose to US\$1,316 per ton compared to US\$745 per ton. Net sales of energy rose by 39% due to higher sales of natural gas and a higher value of the Euro against the US dollar. Net

Edgar Filing: TENARIS SA - Form 6-K

sales of other goods and services increased 193% due to sales of pre-reduced hot briquetted iron from the plant that we acquired in July 2004 and higher sales of sucker rods used in oil extraction.

(percentage of net sales)

Cost of sales	Q1 2005	Q1 2004
Seamless pipes	54%	68%
Welded and other metallic products	63%	81%
Energy	95%	97%
Others	57%	65%
Total	60%	72%

Cost of sales, expressed as a percentage of net sales, decreased to 60% in the first quarter of 2005, compared to 72% in the same period of 2004. Cost of sales for seamless pipe products, expressed as a percentage of net sales, decreased to 54% in the first quarter of 2005 compared to 68% in the same period of 2004 as higher average selling prices and volume-related efficiencies offset increased raw material costs. Cost of sales for welded and other metallic products, expressed as a percentage of net sales, decreased to 63% in the first quarter of 2005 compared to 81% in the same quarter of 2004 as higher average selling prices and volume-related efficiencies offset increased raw material prices but is not expected to remain at this level.

Selling, general and administrative expenses, or SG&A, declined as a percentage of net sales to 12.7% in the quarter ended March 31, 2005 compared to 16.3% in the corresponding quarter of 2004.

Net financial expenses rose to US\$41.8 million in the first quarter of 2005, compared to net financial expenses of US\$15.4 million in the same period of 2004. Net interest expenses increased to US\$9.5 million compared to US\$5.6 million, reflecting a higher net debt position. However, Tenaris recorded a loss of US\$33.9 million on net foreign exchange translations and the fair value of derivative instruments in the first quarter of 2005, compared to a loss of US\$15.3 million in the corresponding quarter of 2004. This loss on net foreign exchange translations and the fair value of derivative instruments reflects the application of IFRS and is partially compensated by an increase in our net equity position.

Equity in earnings of associated companies generated a gain of US\$30.2 million in the first quarter of 2005, compared to a loss of US\$0.5 million in the first quarter of 2004. This gain arose mainly in respect of our equity investment in Sidor.

Cash Flow and Liquidity

Net cash provided by operating activities during the first quarter of 2005 was US\$182.7 million. This included a cash inflow of US\$66.6 million resulting from the receipt of payment from Fintecna following the arbitration award net of the final instalment on the liability payable to the consortium led by BHP Billiton Petroleum Ltd. which was prepaid during the quarter. Working capital increased by US\$209.9 million, due to an increase in inventories of US\$91.2 million and a net increase in trade receivables less customer advances and trade payables of US\$109.9 million. The increase in inventories is mainly associated with the increase in business activity and includes HBI produced at the Venezuelan plant we began operating in October 2004 and higher welded pipe inventory.

Total financial debt decreased by US\$133.5 million to US\$1,125.8 million at March 31, 2005 from US\$1,259.3 million at December 31, 2004. Net financial debt decreased by US\$179.4 million to US\$648.7 million at March 31, 2005 from US\$828.1 million.

Some of the statements contained in this press release are "forward-looking

Edgar Filing: TENARIS SA - Form 6-K

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 Income Statement

(All amounts in USD thousands)	Three-month period ended March 31, 2005 2004 (Unaudited)	
Net sales	1,452,927	859,346
Cost of sales	(865,128)	(620,457)
	-----	-----
Gross profit	587,799	238,889
Selling, general and administrative expenses	(185,083)	(139,818)
Other operating income (expenses) net	2,967	3,500
	-----	-----
Operating income	405,683	102,571
Financial income (expenses), net	(41,807)	(15,438)
	-----	-----
Income before equity in earnings (losses) of associated companies and income tax	363,876	87,133
Equity in earnings (losses) of associated companies	30,163	(461)
	-----	-----
Income before income tax	394,039	86,672
Income tax	(114,069)	(39,069)
	-----	-----
Income for the period (1)	279,970	47,603
	-----	-----
Attributable to (1):		
Equity holders of the Company	264,234	48,368
Minority interest	15,736	(765)
	-----	-----
	279,970	47,603
	-----	-----

(1) Up to December 31, 2004 minority interest was shown in the income statement before net income. 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.

Consolidated Balance Sheet

(All amounts in USD thousands)	March 31, 2005 (Unaudited)	December 31, 2004
ASSETS		
Non-current assets		
Property, plant and equipment, net	2,116,339	2,164,601
Intangible assets, net	157,733	49,211
Investments in		

Edgar Filing: TENARIS SA - Form 6-K

associated companies	208,108		99,451	
Other investments	23,963		24,395	
Deferred tax assets	153,946		161,173	
Receivables	32,310	2,692,399	151,365	2,650,196
	-----		-----	
Current assets				
Inventories	1,360,708		1,269,470	
Receivables and prepayments	167,690		279,450	
Current tax assets	96,604		94,996	
Trade receivables	1,131,168		936,931	
Other investments	-		119,666	
Cash and cash equivalents	477,106	3,233,276	311,579	3,012,092
	-----	-----	-----	-----
Total assets		5,925,675		5,662,288
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	
Other Distributable Reserve	82		82	
Currency translation adjustments	(71,126)		(30,020)	
Retained earnings	992,547	2,829,827	617,538	2,495,924
	-----	-----	-----	-----
Minority interest		178,383		165,271
		-----		-----
Total equity		3,008,210		2,661,195
		-----		-----
LIABILITIES				
Non-current liabilities				
Borrowings	546,896		420,751	
Deferred tax liabilities	346,105		371,975	
Other liabilities	166,882		172,442	
Provisions	33,219		31,776	
Trade payables	4,070	1,097,172	4,303	1,001,247
	-----	-----	-----	-----
Current liabilities				
Borrowings	578,915		838,591	
Current tax liabilities	276,547		222,735	
Other liabilities	124,056		176,393	
Provisions	36,908		42,636	
Customers advances	189,975		127,399	
Trade payables	613,892	1,820,293	592,092	1,999,846
	-----	-----	-----	-----
Total liabilities		2,917,465		3,001,093
Total equity and liabilities		5,925,675		5,662,288

Edgar Filing: TENARIS SA - Form 6-K

Consolidated Cash Flow Statement

(All amounts in USD thousands)	Three-month period ended March 31, (Unaudited)	
	2005	2004
Cash flows from operating activities		
Income for the period	279,970	47,603
Adjustments for:		
Depreciation and amortization	51,977	53,824
Income tax accruals less payments	37,478	(10,320)
Equity in (earnings) losses of associated companies	(30,163)	461
Interest accruals less payments, net	2,344	1,551
Changes in provisions	(4,285)	(1,068)
Proceeding from Fintecna arbitration award net of BHP settlement	66,594	(55,090)
Change in working capital	(209,878)	(119,891)
Currency translation adjustment and others	(11,344)	(6,579)
	-----	-----
Net cash provided by (used in) operating activities	182,693	(89,509)
	-----	-----
Cash flows from investing activities		
Capital expenditures	(47,316)	(39,912)
Capital increase and acquisitions of subsidiaries and associated companies	(38)	191
Cost of disposition of property, plant and equipment and intangible assets	1,442	6,519
Dividends and distributions received from associated companies	19,520	-
Changes in restricted bank deposits	(27,680)	-
Reimbursement from trust fund	119,666	-
	-----	-----
Net cash provided by (used in) investing activities	65,594	(33,202)
	-----	-----
Cash flows from financing activities		
Proceeds from borrowings	398,269	132,066
Repayments of borrowings	(516,422)	(41,667)
	-----	-----
Net cash (used in) provided by financing activities	(118,153)	90,399
	-----	-----
Increase/(decrease) in cash and cash equivalents	130,134	(32,312)
Movement in cash and cash equivalents		
At the beginning of the year,	293,824	238,030
Effect of exchange rate changes	(298)	(378)
Increase/(Decrease) in cash and cash equivalents	130,134	(32,312)
At March 31,	423,660	205,340
	-----	-----
	At March 31,	
	2005	2004
Cash and cash equivalents	477,106	220,968
Cash and bank deposits	(12,266)	(15,628)
Bank overdrafts	(41,180)	-
Restricted bank deposits	423,660	205,340

Edgar Filing: TENARIS SA - Form 6-K

CONTACT: Tenaris
Nigel Worsnop, 888-300-5432
www.tenaris.com

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 results for the first quarter of 2005.

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 4, 2005

Tenaris, S.A.

By: /s/ Cecilia Bilesio

Cecilia Bilesio
Corporate Secretary