TENARIS SA
Form 6-K
August 09, 2010

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 August 9, 2010

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 Half-Year Report.

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: August 9, 2010

Tenaris, S.A.

By: /s/ Cecilia Bilesio

Cecilia Bilesio

Corporate Secretary

TENARIS S.A.

half-year report 2010

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CERTAIN DEFINED TERMS

Unless otherwise specified or if the context so requires:

- References in this half-year report to the Company refer exclusively to Tenaris S.A., a Luxembourg joint stock corporation (*société anonyme holding*).
- References in this half-year report to Tenaris , we , us or our refer to Tenaris S.A. and its consolidated subsidiaries.
- References in this half-year report to San Faustin refer to San Faustin N.V., a Netherlands Antilles corporation and the Company s controlling shareholder.
- Shares refers to ordinary shares, par value $1.00 of the Company.
- ADSs refers to the American Depositary Shares, which are evidenced by American Depositary Receipts, and represent two Shares each.
- tons refers to metric tons; one metric ton is equal to 1,000 kilograms, 2,204.62 pounds, or 1.102 U.S. (short) tons.
- billion refers to one thousand million, or 1,000,000,000.
- dollars , U.S. dollars , US$ or $ each refers to the United States dollar.

purpose

This half-year report for the six-month period ended June 30, 2010 has been prepared in compliance with Article 4 of the Luxembourg Transparency Law of 11 January 2008, and should be read in conjunction with the annual report for the year ended December 31, 2009 (including the financial statements included therein) and the unaudited consolidated condensed interim financial statements included in this half-year report.

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.

We publish consolidated financial statements expressed in U.S. dollars. The unaudited consolidated condensed interim financial statements included in this half-year report have been prepared in accordance with IAS 34, Interim Financial Reporting . These unaudited consolidated condensed interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009, which have been prepared in accordance with IFRS. See Note 2 Accounting Policies and Basis of Presentation to our unaudited consolidated condensed interim financial statements included in this half-year report.

The unaudited consolidated condensed interim financial statements included in this half-year report have been reviewed by PricewaterhouseCoopers through Price Waterhouse & Co. S.R.L., for purposes of complying with the requirements of the different jurisdictions where the Company is publicly listed.

Rounding

Certain monetary amounts, percentages and other figures included in this half-year 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.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This half-year report and any other oral or written statements made by us to the public may contain 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.

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. This half-year 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 half-year report that by their nature contain forward-looking statements include, but are not limited to, Principal Risks and Uncertainties , and Operating and Financial Review and Prospects . In addition to the risks related to our business discussed under Principal Risks and Uncertainties , other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to:

- our ability to implement our business strategy or to grow through acquisitions, joint ventures and other investments;
- 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 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.

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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 half-year 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.

Company OVERVIEW

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, transportation, processing and power generation facilities. Our principal products include casing, tubing, line pipe, and mechanical and structural pipes.

Over the last two decades, we have expanded our business globally through a series of strategic investments. We now operate an integrated worldwide network of steel pipe manufacturing, research, finishing and service facilities with industrial operations in North and South America, Europe, Asia and Africa and a direct presence in most major oil and gas markets.

Our business is organized in two main business segments: Tubes and Projects.

- Tubes includes our operations that consist of the production, distribution and sale of seamless and welded steel tubular products and related services mainly for energy and select industrial applications.

- Projects includes our operations that consist of the production, distribution and sale of welded steel pipes mainly used in the construction of major pipeline projects.

A third business segment (Others) includes all other business activities and operating segments that are not required under IFRS to be separately reported, such as the production, distribution and sale of sucker rods, welded steel pipes for electric conduits, industrial equipment and raw materials that exceed our internal requirements.

For more information on the Company, including its competitive strengths, business segments and products see our annual report for the year ended December 31, 2009, and for a discussion and analysis of our financial condition and results of operations see Business overview - Operating and Financial Review and Prospects in this half-year report.

PRINCIPAL RISKS AND UNCERTAINTIES

We face certain risks associated to our business and the industry in which we operate. We are a global steel pipe manufacturer with a strong focus on manufacturing products and related services for the oil and gas industry. Demand for our products depends primarily on the level of exploration, development and production activities of oil and gas companies which is affected by current and expected future prices of 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. The recent global financial and economic crisis, which started in September 2008 and lasted through much of 2009, and the slowdown in economic activity caused by the global recession, reduced worldwide demand for energy and resulted in a significant decline in oil and gas prices. This decrease in oil and gas prices, coupled with a shortage of liquidity and credit to fund the continuation and expansion of industrial business operations worldwide reduced the level of drilling, gathering, transportation and processing activities and caused many of our customers to reduce or delay their oil and gas exploration and production spending in 2009, which consequently reduced the demand for, and price of, our products and services. This had, and to some extent continues to have and may continue to have, a negative impact on our business, revenues, profitability and financial condition. Similarly, our sales of steel pipe products for pipeline projects depend mainly on the implementation of major regional projects, which are likely to be adversely affected by changes in governmental policies, the impact of the credit crisis on our customers ability to perform their payment obligations with us and any adverse economic, political or social developments in our major markets. In turn, increases in the cost of raw materials and energy may hurt our profitability if we are not able to recover them through increased prices of our products.

We have significant operations in various countries, including Argentina, Brazil, Canada, Colombia, Italy, Japan, Mexico, Romania and the United States, and we sell our products and services throughout the world. Therefore, like other companies with worldwide operations, our business and operations have been, and could in the future be, affected from time to time to varying degrees by political developments, events, laws and regulations (such as nationalization, expropriations or forced divestiture of assets; restrictions on production, imports and exports, interruptions in the supply of essential energy inputs; exchange and/or transfer restrictions, inability to repatriate income or capital; 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; changes in the interpretation or application 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). As a global company, a portion of our business is carried out in currencies other than the U.S. dollar, which is the Company s functional currency. As a result, we are exposed to foreign exchange rate risk, which could adversely affect our financial position and results of operations.

On May 22, 2009, Venezuela s President Hugo Chávez announced the nationalization of Tavsa, Matesi and Comsigua. On August 19, 2009, we announced that Venezuela, acting through the transition committee appointed by the Ministry of Basic Industries and Mines of Venezuela, unilaterally assumed exclusive operational control over Matesi. On November 17, 2009, we announced that 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. Following this formal change in operational control, PDVSA Industrial assumed complete responsibility over Tavsa s operations and management and since then Tavsa s operations are being managed by the transition committee previously appointed by Venezuela. Our representatives in Tavsa s board of directors have ceased their functions. Our investments in Tavsa, Matesi and Comsigua are protected under applicable bilateral investment treaties, including the bilateral investment treaty between Venezuela and the Belgian-Luxembourgish Union, and we continue to reserve all of our rights under contracts, investment treaties and Venezuelan and international law, and to consent to the jurisdiction of the ICSID in connection with the nationalization process. However, we can give no assurance that the Venezuelan government will agree to pay a fair and adequate compensation for our interest in Tavsa, Matesi and Comsigua, or that any such compensation will be freely convertible into or exchangeable for foreign currency. We may be forced to engage in litigation procedures to enforce our rights under contracts, investment treaties and Venezuelan and international law, and the time, costs and management efforts associated with such litigation may be significant. For further information on the nationalization of the Venezuelan subsidiaries, see Note 14 Processes in Venezuela to our unaudited consolidated condensed interim financial statements included in this half-year report.

A key element of our business strategy is to develop and offer higher value-added products and services and to continuously identify and pursue growth-enhancing strategic opportunities. Failure to successfully implement our strategy or to integrate future acquisitions and strategic partnerships could affect our ability to grow, our competitive position and our sales and profitability. In addition, failure to agree with our joint venture partner in Japan on the strategic direction of our joint operations, may have an adverse impact on our operations in Japan.

As of December 31, 2009, we had $1,804.7 million in goodwill, which are exposed to impairment tests and correspond mainly to the acquisition of Maverick ($771.3 million) and Hydril ($919.9 million). In 2008, as a consequence of changes in market conditions, we recorded an impairment charge for $502.9 million (of which $394.3 million correspond to intangible assets originated from the acquisition of Maverick in 2006). No impairment charge was recorded in 2009; however, we can give no assurance that further impairment charges will not be required in the future.

Potential environmental, product liability and other claims arising from the inherent risks associated with the products we sell and the services we render, 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 could create significant liabilities for us. Environmental laws and regulations may, in some cases, impose strict liability (even joint and several strict liability) rendering a person liable for damages to natural resources or threats to public health and safety without regard to negligence or fault. In addition, 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. The cost of complying with such regulations is not always clearly known or determinable since some of these laws have not yet been promulgated or are under revision. These costs, along with unforeseen environmental liabilities, may increase our operating costs or negatively impact our net worth.

Similarly, 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. For a discussion of an ongoing review by the audit committee of the Company s board of directors of certain matters related to these laws, see Note 10 Contingencies, commitments and restrictions to the distribution of profits Contingencies Ongoing investigation to our unaudited consolidated condensed interim financial statements included in this half-year report. Violations of the foregoing laws could result in monetary or other penalties against us or our subsidiaries, including potential criminal sanctions, and could damage our reputation and, therefore, our ability to do business.

As a holding company, our ability to pay expenses, debt service and cash dividends depends on the results of operations and financial condition of our subsidiaries, which could be restricted by legal, contractual or other limitations, including exchange controls or transfer restrictions, and other agreements and commitments of our subsidiaries.

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

business overview

Operating and Financial Review and Prospects

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and the related notes included in our annual report for the year ended December 31, 2009, and is based on, and should be read in conjunction with, the unaudited consolidated condensed interim financial statements for the six-month period ended June 30, 2010, included in this half-year report.

Certain information contained in this discussion and analysis and presented elsewhere in this half-year 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 this half-year report. In evaluating this discussion and analysis, you should specifically consider the various risk factors identified in Principal Risks and Uncertainties , other risk factors identified elsewhere in this half-year report and other factors that could cause results to differ materially from those expressed in such forward looking statements.

Market Background and Outlook

In the first half of 2010, global drilling activity has continued to recover led by substantially higher oil and gas shale drilling activity in the United States and Canada. Activity has increased in most markets reflecting the stability of oil prices at attractive levels and increased investment in regional gas developments.

Drilling activity, as measured by the count of active drilling rigs published by Baker Hughes, has continued to increase in both the international markets and the United States and Canada. The international rig count averaged 1,075 during the first semester of 2010, 9% higher than the second semester of 2009 and 7% higher than the first semester of 2009. The corresponding rig count in the United States, which is more sensitive to North American gas prices, averaged 1,427 during the first semester of 2010, 37% higher than the second semester of 2009 and 26% than the first semester of 2009. In Canada, the corresponding rig count, which is affected by seasonal drilling patterns, averaged 318 during the first semester of 2010, an increase of 52% compared to the first semester of 2009.

In the second half of the year, we expect the global recovery in drilling activity to continue its gradual recovery but at a lower pace. Lower conventional gas drilling activity in North America will limit increases in the North American rig count and the International rig count, as published by Baker Hughes, has already returned to pre-crisis levels. Recovery in the hydrocarbon processing sector is also expected to take hold as refining projects move forward in the Middle East, Asia and Brazil.

In the second half, we expect revenues to increase driven by higher sales in the United States and Canada and a recovery of shipments in our Projects operating segment in the fourth quarter. Sales in other regions should remain stable. We also expect to maintain our operating margins as a percentage of sales at current levels as like-for-like price increases offset the impact of higher raw material and labor costs and a less favorable seamless/welded product mix.

Results of Operations

Unaudited Consolidated condensed interim income statement

(all amounts in thousands of U.S. dollars, unless otherwise stated)	**Six-month period ended June 30,**			
Continuing operations	**2010**		**2009**	
		%		%
Net sales	3,620,483	100.0	4,530,632	100.0
Cost of sales	(2,170,472)	(59.9)	(2,628,211)	(58.0)
Gross profit	**1,450,011**	**40.1**	**1,902,421**	**42.0**
Selling, general and administrative expenses	(738,531)	(20.4)	(783,006)	(17.3)
Other operating income (expense), net	3,163	0.1	3,024	0.1
Operating income	**714,643**	**19.7**	**1,122,439**	**24.8**
Interest income	11,500	0.3	12,737	0.3
Interest expense	(41,958)	(1.2)	(63,582)	(1.4)
Other financial results	323	0.0	(52,266)	(1.2)
Income before equity in earnings of associated companies and income tax	**684,508**	**18.9**	**1,019,328**	**22.5**
Equity in earnings of associated companies	42,814	1.2	57,935	1.3
Income before income tax	**727,322**	**20.1**	**1,077,263**	**23.8**
Income tax	(210,142)	(5.8)	(319,592)	(7.1)
Income for continuing operations	**517,180**	**14.3**	**757,671**	**16.7**
Discontinued operations				
Result for discontinued operations	-	-	(28,138)	(0.6)
Income for the period	**517,180**	**14.3**	**729,533**	**16.1**
Attributable to:				
Equity holders of the Company	501,647	13.9	709,315	15.7
Non-controlling interests	15,533	0.4	20,218	0.4
	517,180	**14.3**	**729,533**	**16.1**