

TENARIS SA
Form 6-K
November 02, 2018

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 October 31, 2018

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)

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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-__.

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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.A. Consolidated Condensed Interim Financial Statements for the nine-month period ended September 30, 2018.

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: November 2, 2018.

Tenaris, S.A.

By: /s/ Cecilia Bilesio

Cecilia Bilesio

Corporate Secretary

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the nine-month period ended September 30, 2018

TENARIS S.A.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

September 30, 2018

29, Avenue de la Porte-Neuve – 3rd Floor.

L - 2227 Luxembourg

R.C.S. Luxembourg: B 85 203

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the nine-month period ended September 30, 2018

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

(all amounts in thousands of U.S. dollars, unless otherwise stated)		Three-month period ended September 30,		Nine-month period ended September 30,	
	Notes	2018	2017	2018	2017
		(Unaudited)		(Unaudited)	
Continuing operations					
Net sales	3	1,898,892	1,302,924	5,553,611	3,699,588
Cost of sales	4	(1,305,232)	(918,338)	(3,837,295)	(2,607,923)
Gross profit		593,660	384,586	1,716,316	1,091,665
Selling, general and administrative expenses	5	(335,714)	(304,723)	(1,022,922)	(926,286)
Other operating income (expense), net		551	(808)	(264)	1,180
Operating income		258,497	79,055	693,130	166,559
Finance Income	6	10,804	11,776	29,786	35,762
Finance Cost	6	(8,586)	(6,501)	(29,182)	(18,459)
Other financial results	6	10,839	(12,549)	43,156	(44,631)
Income before equity in earnings of non-consolidated companies and income tax		271,554	71,781	736,890	139,231
Equity in earnings of non-consolidated companies		55,930	24,752	142,876	90,153
Income before income tax		327,484	96,533	879,766	229,384
Income tax		(80,355)	(1,307)	(230,931)	53,295
Income for continuing operations		247,129	95,226	648,835	282,679
Discontinued operations					
Result for discontinued operations	14	-	-	-	91,542
Income for the period		247,129	95,226	648,835	374,221
Attributable to:					
Owners of the parent		246,927	104,854	650,238	384,505
Non-controlling interests		202	(9,628)	(1,403)	(10,284)
		247,129	95,226	648,835	374,221
Earnings per share attributable to the owners of the parent during the period:					
Weighted average number of ordinary shares (thousands)		1,180,537	1,180,537	1,180,537	1,180,537
Continuing operations					
Basic and diluted earnings per share (U.S. dollars per share)		0.21	0.09	0.55	0.25
Basic and diluted earnings per ADS (U.S. dollars per ADS) (1)		0.42	0.18	1.10	0.50
Continuing and discontinued operations					
Basic and diluted earnings per share (U.S. dollars per share)		0.21	0.09	0.55	0.33
Basic and diluted earnings per ADS (U.S. dollars per ADS) (1)		0.42	0.18	1.10	0.65

(1) Each ADS equals two shares.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(all amounts in thousands of U.S. dollars)	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018 (Unaudited)	2017	2018 (Unaudited)	2017
Income for the period	247,129	95,226	648,835	374,221
Items that may be subsequently reclassified to profit or loss:				
Currency translation adjustment	(16,400)	55,681	(95,462)	145,978
Change in value of cash flow hedges and instruments at fair value	5,007	(4,418)	(9,293)	7,648
From participation in non consolidated companies:				
- Currency translation adjustment (*)	24,970	3,273	(13,441)	(589)
- Changes in the fair value of derivatives held as cash flow hedges and others	(5)	(4,590)	(45)	62
Income tax relating to components of other comprehensive income	(16)	-	36	23
	13,556	49,946	(118,205)	153,122
Items that will not be reclassified to profit or loss:				
Remeasurements of post employment benefit obligations	-	-	508	605
Income tax on items that will not be reclassified	-	-	(52)	(219)
Remeasurements of post employment benefit obligations of non-consolidated companies	(407)	(35)	(670)	1,426
	(407)	(35)	(214)	1,812
Other comprehensive income (loss) for the period, net of tax	13,149	49,911	(118,419)	154,934
Total comprehensive income for the period	260,278	145,137	530,416	529,155
Attributable to:				
Owners of the parent	260,106	154,579	532,040	538,866
Non-controlling interests	172	(9,442)	(1,624)	(9,711)
	260,278	145,137	530,416	529,155
Total comprehensive income for the period attributable to Owners of the parent arises from				
Continuing operations	260,106	154,579	532,040	447,324
Discontinued operations	-	-	-	91,542
	260,106	154,579	532,040	538,866

(*) Tenaris recognized its share over the initial effects on the adoption of IAS 29 “Financial Reporting in Hyperinflationary Economies” by Ternium (\$37.2 million) in other comprehensive income as a currency translation adjustment.

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. These Consolidated Condensed Interim Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2017.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the nine-month period ended September 30, 2018

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(all amounts in thousands of U.S. dollars)		At September 30, 2018		At December 31, 2017	
	Notes	(Unaudited)			
ASSETS					
Non-current assets					
Property, plant and equipment, net	8	6,092,025		6,229,143	
Intangible assets, net	9	1,590,979		1,660,859	
Investments in non-consolidated companies	13	743,748		640,294	
Other equity investments		21,572		21,572	
Other investments	10	180,620		128,335	
Deferred tax assets		190,224		153,532	
Receivables, net		130,049	8,949,217	183,329	9,017,064
Current assets					
Inventories, net		2,664,573		2,368,304	
Receivables and prepayments, net		163,606		135,698	
Current tax assets		143,484		132,334	
Trade receivables, net		1,659,023		1,214,060	
Derivative financial instruments	11	10,088		8,231	
Other investments	10	794,330		1,192,306	
Cash and cash equivalents	10	236,303	5,671,407	330,221	5,381,154
Total assets			14,620,624		14,398,218
EQUITY					
Capital and reserves attributable to owners of the parent			11,691,657		11,482,185
Non-controlling interests			95,340		98,785
Total equity			11,786,997		11,580,970
LIABILITIES					
Non-current liabilities					
Borrowings		31,553		34,645	
Deferred tax liabilities		474,135		457,970	
Other liabilities		215,586		217,296	
Provisions		37,125	758,399	36,438	746,349
Current liabilities					
Borrowings		702,577		931,214	
Derivative financial instruments	11	76,294		39,799	
Current tax liabilities		210,695		102,405	
Other liabilities		241,521		157,705	
Provisions		20,828		32,330	
Customer advances		60,577		56,707	
Trade payables		762,736	2,075,228	750,739	2,070,899
Total liabilities			2,833,627		2,817,248
Total equity and liabilities			14,620,624		14,398,218

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. These Consolidated Condensed Interim Financial Statements should be read in conjunction with our audited Consolidated

Financial Statements and notes for the fiscal year ended December 31, 2017.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the nine-month period ended September 30, 2018

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

(all amounts in thousands of U.S. dollars)

	Attributable to owners of the parent						Total	Non-controlling interests	Total	(Unaudited)
	Share Capital (1)	Legal Reserves	Share Premium	Currency Translation Adjustment (2)	Other Reserves	Retained Earnings (3)				
Balance at December 31, 2017	1,180,537	118,054	609,733	(824,423)	(320,569)	10,718,853	11,482,185	98,785	11,580,970	
Changes in accounting policies (Note 2)	-	-	-	-	2,786	5,220	8,006	12	8,018	
Balance at December 31, 2017	1,180,537	118,054	609,733	(824,423)	(317,783)	10,724,073	11,490,191	98,797	11,588,988	
Income (loss) for the period	-	-	-	-	-	650,238	650,238	(1,403)	648,835	
Currency translation adjustment	-	-	-	(95,261)	-	-	(95,261)	(201)	(95,462)	
Remeasurements of post employment benefit obligations, net of taxes	-	-	-	-	482	-	482	(26)	456	
Change in value of instruments at fair value through other comprehensive income and cash flow hedges, net of taxes	-	-	-	-	(9,263)	-	(9,263)	6	(9,257)	
From other comprehensive income of non-consolidated companies	-	-	-	(13,441)	(715)	-	(14,156)	-	(14,156)	
Other comprehensive (loss) for the period	-	-	-	(108,702)	(9,496)	-	(118,198)	(221)	(118,419)	

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Total comprehensive income (loss) for the period	-	-	-	(108,702)	(9,496)	650,238	532,040	(1,624)	530,416
Changes in non-controlling interests	-	-	-	-	(24)	-	(24)	28	4
Dividends paid in cash	-	-	-	-	-	(330,550)	(330,550)	(1,861)	(332,411)
Balance at September 30, 2018	1,180,537	118,054	609,733	(933,125)	(327,303)	11,043,761	11,691,657	95,340	11,786,999

Attributable to owners of the parent

	Share Capital (1)	Legal Reserves	Share Premium	Currency Translation Adjustment (2)	Other Reserves	Retained Earnings (3)	Total	Non-controlling interests	Non-controlling Total
Balance at December 31, 2016	1,180,537	118,054	609,733	(965,955)	(313,088)	10,658,136	11,287,417	125,655	11,413,072
Income (loss) for the period	-	-	-	-	-	384,505	384,505	(10,284)	374,221
Currency translation adjustment	-	-	-	145,381	-	-	145,381	597	145,978
Remeasurements of post employment benefit obligations, net of taxes	-	-	-	-	386	-	386	-	386
Change in value of available for sale financial instruments and cash flow hedges, net of taxes	-	-	-	-	7,695	-	7,695	(24)	7,671
From other comprehensive income of non-consolidated companies	-	-	-	(589)	1,488	-	899	-	899
Other comprehensive income for the period	-	-	-	144,792	9,569	-	154,361	573	154,934
	-	-	-	144,792	9,569	384,505	538,866	(9,711)	529,155

Total comprehensive income (loss) for the period										
Changes in non-controlling interests	-	-	-	-	-	-	-	(34)	(34)	
Dividends paid in cash	-	-	-	-	-	(330,550)	(330,550)	(19,200)	(349,750)	
Balance at September 30, 2017	1,180,537	118,054	609,733	(821,163)	(303,519)	10,712,091	11,495,733	96,710	11,592,4	

(1) The Company has an authorized share capital of a single class of 2.5 billion shares having a nominal value of USD1.00 per share. As of September 30, 2018 and 2017 there were 1,180,536,830 shares issued. All issued shares are fully paid.

(2) Other reserves include mainly the result of transactions with non-controlling interest that do not result in a loss of control, the remeasurement of post-employment benefit obligations and the changes in value of cash flow hedges and in financial instruments measured at fair value through other comprehensive income.

(3) The Distributable Reserve and Retained Earnings as of September 30, 2018 calculated in accordance with Luxembourg Law are disclosed in Note 12.

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. These Consolidated Condensed Interim Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2017.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the nine-month period ended September 30, 2018

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

(all amounts in thousands of U.S. dollars)	Notes	Nine-month period ended September 30,	
		2018	2017
Cash flows from operating activities		(Unaudited)	
Income for the period		648,835	374,221
Adjustments for:			
Depreciation and amortization	8 & 9	417,247	457,359
Income tax accruals less payments		104,838	(160,622)
Equity in earnings of non-consolidated companies		(142,876)	(90,153)
Interest accruals less payments, net		5,964	7,572
Changes in provisions		(10,815)	(21,968)
Income from the sale of Conduit business		-	(89,694)
Changes in working capital		(658,961)	(531,724)
Derivatives, currency translation adjustment and others		7,288	45,883
Net cash provided by (used in) operating activities		371,520	(9,126)
Cash flows from investing activities			
Capital expenditures	8 & 9	(273,669)	(437,162)
Changes in advance to suppliers of property, plant and equipment		4,937	6,209
Acquisition of subsidiaries		-	(10,418)
Proceeds from disposal of Conduit business	14	-	327,631
Loan to non-consolidated companies	13	(14,740)	(10,956)
Repayment of loan by non-consolidated companies	13	9,370	3,900
Proceeds from disposal of property, plant and equipment and intangible assets		4,199	4,398
Investment in companies under cost method		-	(3,681)
Dividends received from non-consolidated companies		25,722	22,971
Changes in investments in securities		348,423	512,046
Net cash provided by investing activities		104,242	414,938
Cash flows from financing activities			
Dividends paid		(330,550)	(330,550)
Dividends paid to non-controlling interest in subsidiaries		(1,698)	(19,200)
Changes in non-controlling interests		4	(34)
Proceeds from borrowings		723,303	861,963
Repayments of borrowings		(948,436)	(888,515)
Net cash (used in) financing activities		(557,377)	(376,336)
(Decrease) increase in cash and cash equivalents		(81,615)	29,476
Movement in cash and cash equivalents			
At the beginning of the period		330,090	398,580
Effect of exchange rate changes		(12,445)	6,722
(Decrease) increase in cash and cash equivalents		(81,615)	29,476
At September 30,		236,030	434,778

	At September 30,	
Cash and cash equivalents	2018	2017
Cash and bank deposits	236,303	436,359
Bank overdrafts	(273)	(1,581)
	236,030	434,778

The accompanying notes are an integral part of these Consolidated Condensed Interim Financial Statements. These Consolidated Condensed Interim Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2017.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the nine-month period ended September 30, 2018

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

- 1 General information
- 2 Accounting policies and basis of presentation
- 3 Segment information
- 4 Cost of sales
- 5 Selling, general and administrative expenses
- 6 Financial results
- 7 Dividend distribution
- 8 Property, plant and equipment, net
- 9 Intangible assets, net
- 10 Cash and cash equivalents and other investments
- 11 Derivative financial instruments
- 12 Contingencies, commitments and restrictions to the distribution of profits
- 13 Investments in non-consolidated companies
- 14 Discontinued operations
- 15 Agreement for the acquisition of Saudi Steel Pipe Company
- 16 Related party transactions
- 17 Category of financial instruments and classification within the fair value hierarchy
- 18 Nationalization of Venezuelan Subsidiaries
- 19 Subsequent event

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the nine-month period ended September 30, 2018

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

(In the notes all amounts are shown in U.S. dollars, unless otherwise stated)

1

General information

Tenaris S.A. (the "Company") was established as a public limited liability company (*société anonyme*) under the laws of the Grand-Duchy of Luxembourg on December 17, 2001. The Company holds, either directly or indirectly, controlling interests in various subsidiaries in the steel pipe manufacturing and distribution businesses. References in these Consolidated Condensed Interim Financial Statements to "Tenaris" refer to Tenaris S.A. and its consolidated subsidiaries. A list of the principal Company's subsidiaries is included in Note 30 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2017.

The Company's shares trade on the Buenos Aires Stock Exchange, the Italian Stock Exchange and the Mexican Stock Exchange; the Company's American Depositary Securities ("ADS") trade on the New York Stock Exchange.

These Consolidated Condensed Interim Financial Statements were approved for issuance by the Company's Board of Directors on October 31, 2018.

2

Accounting policies and basis of presentation

These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". The accounting policies used in the preparation of these Consolidated Condensed Interim Financial Statements are consistent with those used in the audited Consolidated Financial Statements for the year ended December 31, 2017 except for the adoption of new and amended standards as set out below. These Consolidated Condensed Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and in conformity with IFRS as adopted by the European Union ("EU").

The preparation of Consolidated Condensed Interim Financial Statements requires management to make certain accounting estimates and assumptions that might affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet dates, and the reported amounts of revenues and expenses for the reported periods. Actual results may differ from these estimates.

Material inter-company transactions, balances and unrealized gains (losses) on transactions between Tenaris's subsidiaries have been eliminated in consolidation. However, since the functional currency of some subsidiaries is its respective local currency, some financial gains (losses) arising from inter-company transactions are generated. These are included in the Consolidated Condensed Interim Income Statement under *Other financial results*.

There were no significant changes in valuation techniques during the period and there have been no changes in any risk management policies since the year ended December 31, 2017.

Whenever necessary, certain comparative amounts have been reclassified to conform to changes in presentation in the current period.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the nine-month period ended September 30, 2018

2 Accounting policies and basis of presentation (Cont.)

Accounting pronouncements applicable as from January 1, 2018 and relevant for Tenaris

IFRS 9, “Financial instruments”

Tenaris has adopted IFRS 9 “Financial instruments” from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 9, Tenaris has adopted the new rules using the retrospective approach, meaning that the cumulative impact of the adoption was recognized in the opening retained earnings and other reserves of the current period as of January 1, 2018 and that comparatives were not restated.

The new impairment model requires recognition of impairment provisions based on expected credit losses rather than on incurred credit losses. The impact of this change was a decrease of \$6.4 million in the allowance for doubtful accounts.

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at January 1, 2018 are compared as follows:

Financial Assets	FVPL	Held to maturity	Amortized cost (loans & receivables 2017)	FVOCI (Available for sale 2017)
Closing balance December 31, 2017 - IAS 39	1,163,808	344,336	1,541,724	21,572
Reclassified bonds and other fixed income from HTM to FVOCI	-	(344,336)	-	344,336
Reclassified fixed income from FVPL to amortized cost	(550,646)	-	550,646	-
Reclassified bonds and other fixed income from FVPL to FVOCI	(153,702)	-	-	153,702
Opening balance January 1, 2018 - IFRS 9	459,460	-	2,092,370	519,610
	Effect on other reserves	Effect on retained earnings		
Opening balance January 1, 2018 - IAS 39	(320,569)	10,718,853		
Reclassify investments from HTM to FVOCI	3,126	-		
Reclassify investments from FVPL to FVOCI	(352)	352		

Opening balance January 1, 2018 - IFRS 9 (317,795) 10,719,205

Since January 1, 2018 the Company classifies its financial instruments in the following measurement categories:

Amortized Cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through other comprehensive income (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Unrealized gains or losses are recorded as a fair value adjustment in the consolidated statement of comprehensive income and transferred to the consolidated income statement when the financial asset is sold. Exchange gains and losses and impairments related to the financial assets are immediately recognized in the consolidated income statement.

Fair value through profit and loss (“FVPL”): Assets that do not meet the criteria for amortized cost or FVOCI. Changes in fair value of financial instruments at FVPL are immediately recognized in the consolidated income statement.

The classification depends on the Company’s business model for managing the financial assets and contractual terms of the cash flows.

IFRS 15, “Revenue from contracts with customers”

The group has adopted IFRS 15 “Revenue from contracts with customers” from January 1 2018, which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The policy sets out the requirements in accounting for revenue arising from contracts with customers and is based on the principle that revenue is recognized when control of a good or service is transferred to the customer. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules using the modified retrospective approach, meaning that the cumulative impact of the adoption was recognized in retained earnings as of January 1, 2018 and that comparatives were not restated.

The impact of the adoption as of January 1, 2018 on the aggregate of revenues, cost of sales and selling expenses was a decrease of \$0.7 million net.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the nine-month period ended September 30, 2018

2 Accounting policies and basis of presentation (Cont.)

New and amended standards not yet adopted and relevant for Tenaris

In January 2016, the IASB issued IFRS 16, "Leases". The new standard will result in almost all leases recognized on the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 must be applied on annual periods beginning on or after January 1, 2019.

This standard was endorsed by the EU.

The Company's management is currently assessing the potential impact that the application of this standard may have on the Company's financial condition or results of operations.

None of the accounting pronouncements issued after December 31, 2017 and as of the date of these Consolidated Condensed Interim Financial Statements has a material effect on the Company's financial condition or result of operations.

3 Segment information

Reportable operating segment

(All amounts in millions of U.S. dollars)

Nine-month period ended September 30, 2018	Tubes	Other	Continuing operations	Discontinued operations
IFRS - Net Sales	5,249	305	5,554	-
Management view - operating income	492	58	550	-
Difference in cost of sales	135	6	141	-
Direct cost and others	128	5	133	-
Absorption	7	1	8	-

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Differences in depreciation and amortization	(5)	-	(5)	-
Differences in selling, general and administrative expenses	-	6	6	-
IFRS - operating income	623	70	693	-
Financial income (expense), net			44	-
Income before equity in earnings of non-consolidated companies and income tax			736	-
Equity in earnings of non-consolidated companies			143	-
Income before income tax			879	-
Capital expenditures	272	2	274	-
Depreciation and amortization	404	13	417	-

Nine-month period ended September 30, 2017	Tubes	Other	Continuing operations	Discontinued operations
IFRS - Net Sales	3,488	212	3,700	12
Management view - operating income	(15)	25	10	3
Difference in cost of sales	141	-	141	(1)
Direct cost and others	104	(1)	103	(1)
Absorption	37	1	38	-
Differences in Depreciation and Amortization	(3)	-	(3)	-
Differences in Selling, general and administrative expenses	16	1	17	-
Differences in Other operating income (expenses), net	3	(2)	1	-
IFRS - operating income	142	24	166	2
Financial income (expense), net			(27)	-
Income before equity in earnings of non-consolidated companies and income tax			139	2
Equity in earnings of non-consolidated companies			90	-
Income before income tax			229	2
Capital expenditures	431	6	437	-
Depreciation and amortization	447	10	457	-

In the nine-month period ended September 30, 2018 and 2017, transactions between segments, which were eliminated in consolidation, are mainly related to sales of scrap, energy, surplus raw materials and others from the Other segment to the Tubes segment for \$41 and \$39 million respectively. In addition to the amounts reconciled above, the main

differences in net income arise from the impact of functional currencies on financial result, deferred income taxes as well as the result of investment in non-consolidated companies and changes on the valuation of inventories according to cost estimation internally defined.

Tenaris S.A. Consolidated Condensed Interim Financial Statements for the nine-month period ended September 30, 2018

3 Segment information (Cont.)

Geographical information

(all amounts in thousands of U.S. dollars)	North America	South America	Europe	Middle East & Africa	Asia Pacific	Total continuing operations	Total discontinued operations
Nine-month period ended September 30, 2018							
Net sales	2,609,210	1,056,550	548,444	1,118,510	220,897	5,553,611	-
Capital expenditures	154,689	51,961	62,391	1,140	3,488	273,669	-
Depreciation and amortization	248,811	80,890	63,862	7,801	15,883	417,247	-
Nine-month period ended September 30, 2017							
Net sales	1,719,211	801,636	379,727	642,545	156,469	3,699,588	11,899
Capital expenditures	349,688	44,639	33,154	6,416	3,120	437,017	145
Depreciation and amortization	262,755	94,706	73,718	9,132	17,048	457,359	-

Allocation of net sales to geographical information is based on customer location. Allocation of depreciation and amortization is based on the geographical location of the underlying assets.

There are no revenues from external customers attributable to the Company's country of incorporation (Luxembourg). For geographical information purposes, "North America" comprises Canada, Mexico and the USA; "South America" comprises principally Argentina, Brazil and Colombia; "Europe" comprises principally Italy and Romania; "Middle East and Africa" comprises principally Egypt, Kazakhstan, Nigeria and Saudi Arabia and; "Asia Pacific" comprises principally China, Japan, Indonesia and Thailand.

4 Cost of sales

(all amounts in thousands of U.S. dollars)	Nine-month period ended September 30, 2018	
	2018	2017
	(Unaudited)	
Inventories at the beginning of the period	2,368,304	1,563,889
Plus: Charges of the period		
Raw materials, energy, consumables and other	2,615,195	2,019,681
Services and fees	205,843	175,708

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Labor cost	644,580	556,813
Depreciation of property, plant and equipment	323,441	281,348
Amortization of intangible assets	6,619	15,274
Maintenance expenses	142,697	140,568
Allowance for obsolescence	20,960	(15,704)
Taxes	70,947	13,371
Other	103,282	69,193
	4,133,564	3,256,252
Less: Inventories at the end of the period	(2,664,573)	(2,204,815)
From discontinued operations	-	(7,403)
	3,837,295	2,607,923

5 Selling, general and administrative expenses

(all amounts in thousands of U.S. dollars)	Nine-month period ended September 30,	
	2018	2017
	(Unaudited)	
Services and fees	91,956	101,747
Labor cost	355,526	329,970
Depreciation of property, plant and equipment	12,615	13,311
Amortization of intangible assets	74,572	147,426
Commissions, freight and other selling expenses	357,075	236,433
Provisions for contingencies	14,056	5,929
Allowances for doubtful accounts	(6,261)	(4,143)
Taxes	50,921	41,384
Other	72,462	56,270
	1,022,922	928,327
From discontinued operations	-	(2,041)
	1,022,922	926,286