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Ternium S.A.  
Form 6-K  
August 02, 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 08/01/2006

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

Ternium S.A.  
46a, Avenue John F. Kennedy - 2nd floor  
L-1855 Luxembourg  
(352) 4661-11-3815  
(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):  
Not applicable

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 Ternium S.A.'s consolidated condensed interim financial statements as of June 30, 2006.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the

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Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TERNIUM S.A.

By: /s/ Roberto Philipps  
-----

Name: Roberto Philipps  
Title: Chief Financial Officer

By: /s/ Daniel Novegil  
-----

Name: Daniel Novegil  
Title: Chief Executive Officer

Dated: August 1, 2006

TERNIUM S.A.

CONSOLIDATED CONDENSED INTERIM  
FINANCIAL STATEMENTS AS OF JUNE 30, 2006  
AND FOR THE SIX-MONTH PERIODS  
ENDED JUNE 30, 2006 AND 2005

46a, Avenue John F. Kennedy, 2nd floor  
L - 1855  
R.C.S. Luxembourg : B 98 668

TERNIUM S.A.

Consolidated condensed interim financial statements as of June 30, 2006  
and for the six-month periods ended June 30, 2006 and 2005  
(All amounts in USD thousands)

### CONSOLIDATED CONDENSED INTERIM INCOME STATEMENTS

|           |       | Three-month period ended<br>June 30, |           | Six-month peri<br>June 30 |
|-----------|-------|--------------------------------------|-----------|---------------------------|
|           | Notes | 2006                                 | 2005      | 2006                      |
|           |       | (Unaudited)                          |           | (Unaudite                 |
| Net sales | 4     | 1,709,072                            | 1,060,256 | 3,237,956                 |

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|  |       |               |               |               |    |
|--|-------|---------------|---------------|---------------|----|
| Cost of sales  | 4 & 5 | (1,078,057)   | (493,378)     | (2,065,242)   |    |
| Gross profit   | 4     | 631,015       | 566,878       | 1,172,714     |    |
| Selling, general and administrative expenses   | 6     | (155,392)     | (114,624)     | (306,385)     |    |
| Other operating income (expenses), net   |       | 1,057         | (6,782)       | 2,876         |    |
| Operating income   |       | 476,680       | 445,472       | 869,205       |    |
| Financial expenses, net  | 7     | (108,212)     | (63,822)      | (231,742)     |    |
| Excess of fair value of net assets acquired over cost  |       | -             | -             | -             |    |
| Equity in earnings (losses) of associated companies  | 8     | 907           | (186)         | (922)         |    |
| Income before income tax expense   |       | 369,375       | 381,464       | 636,541       |    |
| Income tax expense   |       | (80,194)      | (57,101)      | (152,847)     |    |
| Net income for the period  |       | 289,181       | 324,363       | 483,694       |    |
| Attributable to:   |       |               |               |               |    |
| Equity holders of the Company  |       | 232,601       | 139,989       | 397,644       |    |
| Minority interest  |       | 56,580        | 184,374       | 86,050        |    |
|  |       | 289,181       | 324,363       | 483,694       |    |
| Weighted average number of shares outstanding  |       | 2,004,743,442 | 1,168,943,632 | 1,867,797,092 | 1, |
| Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in USD per share) |       | 0.12          | 0.12          | 0.21          |    |

The accompanying notes are an integral part of these consolidated condensed interim financial statements. The Report of the Independent Registered Public Accounting Firm on these consolidated condensed interim financial statements is issued as a separate document. These consolidated condensed interim financial statements should be read in conjunction with our audited Combined Consolidated Financial Statements and notes for the fiscal year ended December 31, 2005.

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TERNIUM S.A.  
Consolidated condensed interim financial statements as of June 30, 2006  
and for the six-month periods ended June 30, 2006 and 2005  
(All amounts in USD thousands)

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### CONSOLIDATED CONDENSED BALANCE SHEETS

|   | Notes | June 30, 2006    | December 31, 2005 |                  |
|---|-------|------------------|-------------------|------------------|
|   | ----- | (Unaudited)      | -----             | -----            |
| <b>ASSETS</b>   |       |                  |                   |                  |
| Non-current assets  |       |                  |                   |                  |
| Property, plant and equipment, net                                | 9     | 5,332,032        | 5,463,871         |                  |
| Intangible assets, net  | 9     | 524,632          | 552,882           |                  |
| Investments in associated companies, net                          | 8     | 8,229            | 9,122             |                  |
| Other investments, net  |       | 12,447           | 12,607            |                  |
| Deferred tax assets   |       | 35,184           | 29,126            |                  |
| Other assets  |       | -                | 952               |                  |
| Receivables, net  |       | 60,183           | 47,863            | 6,116            |
|   |       | -----            | -----             | -----            |
| Current assets  |       |                  |                   |                  |
| Receivables   |       | 219,448          | 291,302           |                  |
| Other assets  |       | -                | 3,160             |                  |
| Derivative financial instruments                                  |       | 11,570           | 5,402             |                  |
| Inventories, net  |       | 1,113,442        | 1,000,119         |                  |
| Trade receivables, net  |       | 551,906          | 472,760           |                  |
| Other investments   |       | -                | 5,185             |                  |
| Cash and cash equivalents   |       | 915,607          | 2,811,973         | 765,630          |
|   |       | -----            | -----             | -----            |
| Non-current assets classified as held for sale                    |       | 9,444            |                   |                  |
|   |       | -----            | -----             | -----            |
| <b>Total assets</b>   |       | <b>8,794,124</b> | <b>8,659,822</b>  | <b>8,659,822</b> |
|   |       | -----            | -----             | -----            |
| <b>EQUITY</b>   |       |                  |                   |                  |
| Capital and reserves attributable to the company's equity holders |       | 3,276,902        | 1,842,822         | 1,842,822        |
| Minority interest   |       | 1,693,324        | 1,733,324         | 1,733,324        |
|   |       | -----            | -----             | -----            |
| <b>Total equity</b>   |       | <b>4,970,226</b> | <b>3,576,146</b>  | <b>3,576,146</b> |
|   |       | -----            | -----             | -----            |
| <b>LIABILITIES</b>  |       |                  |                   |                  |
| Non-current liabilities   |       |                  |                   |                  |
| Provisions  |       | 57,852           | 53,479            |                  |
| Deferred income tax   |       | 991,206          | 1,048,188         |                  |
| Other liabilities   |       | 206,314          | 187,917           |                  |
| Trade payables  |       | 1,098            | 1,167             |                  |
| Borrowings  |       | 1,087,998        | 2,399,878         | 3,690,822        |
|   |       | -----            | -----             | -----            |
| Current liabilities   |       |                  |                   |                  |
| Provisions  |       | -                | 659               |                  |
| Current tax liabilities   |       | 143,002          | 126,972           |                  |
| Other liabilities   |       | 179,697          | 194,073           |                  |
| Trade payables  |       | 648,803          | 555,330           |                  |
| Derivative financial instruments                                  |       | 10,164           | -                 |                  |
| Borrowings  |       | 497,764          | 1,479,430         | 1,393,324        |
|   |       | -----            | -----             | -----            |
| <b>Total liabilities</b>  |       | <b>3,823,898</b> | <b>5,084,822</b>  | <b>5,084,822</b> |
|   |       | -----            | -----             | -----            |

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|                              |           |       |
|------------------------------|-----------|-------|
| Total equity and liabilities | 8,794,124 | 8,659 |
|------------------------------|-----------|-------|

Contingencies, commitments and restrictions to the distribution of profits are disclosed in Note 10.

The accompanying notes are an integral part of these consolidated condensed interim financial statements. The Report of the Independent Registered Public Accounting Firm on these consolidated condensed interim financial statements is issued as a separate document. These consolidated condensed interim financial statements should be read in conjunction with our audited Combined Consolidated Financial Statements and notes for the fiscal year ended December 31, 2005.

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TERNIUM S.A.  
Consolidated condensed interim financial statements as of June 30, 2006  
and for the six-month periods ended June 30, 2006 and 2005  
(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

|  | Attributable to the Company's equity holders (1) |   |                                      |   |                                       |                      |           |
|--|--|---|--------------------------------------|---|---------------------------------------|----------------------|-----------|
|  | Capital<br>stock                                 | Initial<br>public<br>offering<br>expenses | Revaluation<br>and other<br>reserves | Capital<br>stock issue<br>discount<br>(2) | Currency<br>translation<br>adjustment | Retained<br>earnings | Total     |
| Balance at   |  |   |                                      |   |                                       |                      |           |
| January 1  | 1,396,552  | (5,456)                                   | 1,462,137                            | (2,298,048)                               | (92,691)                              | 1,379,960            | 1,842,454 |
| Currency translation adjustment  |  |   |                                      |   | (119,146)                             |                      | (119,146) |
| Net income for the period  |  |   |                                      |   |                                       | 397,644              | 397,644   |
| Total recognized income for the period                                 |  |   |                                      |   | (119,146)                             | 397,644              | 278,498   |
| Dividends paid in cash and other distributions                         |  |   |                                      |   |                                       |                      |           |
| Dividends paid in cash and other distributions by subsidiary companies |  |   |                                      |   |                                       |                      |           |
| Acquisition of business  |  |   |                                      |   |                                       |                      |           |
| Contributions  |  |   |                                      |   |                                       |                      |           |

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|  |           |          |           |             |           |           |           |
|--|-----------|----------|-----------|-------------|-----------|-----------|-----------|
| from shareholders<br>(see Note 3)                                  | 33,801    |          | 43,100    | (26,818)    |           |           | 50,083    |
| Conversion of<br>Subordinated<br>Convertible<br>Loans (see Note 3) | 302,962   |          | 302,962   |             |           |           | 605,924   |
| Initial Public<br>Offering (see Note<br>3)                         | 271,429   | (17,839) | 271,429   |             |           |           | 525,019   |
| Other reserves<br>(see Note 11.b)                                  |           |          | (25,076)  |             |           |           | (25,076)  |
| -----  |           |          |           |             |           |           |           |
| Balance at June 30   | 2,004,744 | (23,295) | 2,054,552 | (2,324,866) | (211,837) | 1,777,604 | 3,276,902 |
| -----  |           |          |           |             |           |           |           |

- (1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 10 (iii).
- (2) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.

Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg GAAP exist. Therefore, retained earnings included in these consolidated condensed interim financial statements may not be wholly distributable. See Note 10 (iii).

The accompanying notes are an integral part of these consolidated condensed interim financial statements. The Report of the Independent Registered Public Accounting Firm on these consolidated condensed interim financial statements is issued as a separate document. These consolidated condensed interim financial statements should be read in conjunction with our audited Combined Consolidated Financial Statements and notes for the fiscal year ended December 31, 2005.

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TERNIUM S.A.  
Consolidated condensed interim financial statements as of June 30, 2006  
and for the six-month periods ended June 30, 2006 and 2005  
(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENTS

|   | Notes | Six-month period ended J |
|---|-------|--------------------------|
|   | ----- | -----                    |
|   |       | 2006                     |
|   |       | -----                    |
|   |       | (Unaudited)              |
| Cash flows from operating activities    |       |                          |
| Net income for the period .....         |       | 483,694                  |
| Adjustments for:                        |       |                          |
| Depreciation and amortization .....     | 9     | 211,773                  |
| Income tax accruals less payments ..... |       | 3,512                    |

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|  |    |           |
|--|----|-----------|
| Derecognition of property, plant and equipment....                                   | 9  | 1,700     |
| Excess of fair value of net assets acquired over cost .....                          |    | -         |
| Equity in losses (earnings) of associated companies .....                            | 8  | 922       |
| Interest accruals less payments .....  |    | 1,894     |
| Changes in provisions .....  |    | 25,010    |
| Changes in working capital .....   |    | (83,999)  |
| Currency translation adjustment and others .....                                     |    | 7,634     |
|  |    | -----     |
| Net cash provided by operating activities.....                                       |    | 652,140   |
|  |    | -----     |
| Cash flows from investing activities   |    |           |
| Capital expenditures .....   | 9  | (186,289) |
| Changes in trust funds.....  |    | 5,185     |
| Acquisition of business .....  | 11 | (103,055) |
| Proceeds from the sale of property, plant and equipment .....                        |    | 1,257     |
|  |    | -----     |
| Net cash (used in) provided by investing activities                                  |    | (282,902) |
|  |    | -----     |
| Cash flows from financing activities   |    |           |
| Dividends paid in cash and other distributions to company's equity shareholders..... |    | -         |
| Dividends paid in cash and other distributions to minority shareholders.....         |    | (27,175)  |
| Net proceeds from Initial Public Offering .....                                      |    | 525,019   |
| Contributions from shareholders.....   |    | 3,085     |
| Proceeds from borrowings .....   |    | 36,541    |
| Repayments of borrowings .....   |    | (754,847) |
|  |    | -----     |
| Net cash used in financing activities  |    | (217,377) |
|  |    | -----     |
| Increase in cash and cash equivalents  |    |           |
|  |    | 151,861   |
|  |    | -----     |
| Movement in cash and cash equivalents  |    |           |
| At January 1, (1).....   |    | 754,980   |
| Acquisition of business .....  |    | -         |
| Effect of exchange rate changes.....   |    | (1,551)   |
| Increase in cash and cash equivalents.....   |    | 151,861   |
|  |    | -----     |
| Cash and cash equivalents at June 30, (1) .....                                      |    | 905,290   |
|  |    | -----     |
| Non-cash transactions  |    |           |
| Conversion of debt instruments into shares .....                                     |    | 605,924   |

(1) In addition, the Company has restricted cash for USD 10,317 and USD 10,650 at June 30, 2006 and December 31, 2005, respectively.

The accompanying notes are an integral part of these consolidated condensed interim financial statements. The Report of the Independent Registered Public Accounting Firm on these consolidated condensed interim financial statements is issued as a separate document. These consolidated condensed interim financial statements should be read in conjunction with our audited Combined Consolidated Financial Statements and notes for the fiscal year ended December 31, 2005.

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TERNIUM S.A.

Consolidated condensed interim financial statements as of June 30, 2006  
and for the six-month periods ended June 30, 2006 and 2005  
(All amounts in USD thousands)

## INDEX TO THE NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

- 1 Basis of presentation
- 2 Accounting policies
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- 4 Segment information
- 5 Cost of sales
- 6 Selling, general and administrative expenses
- 7 Financial expenses, net
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- 9 Property, plant and equipment and Intangible assets, net
- 10 Contingencies, commitments and restrictions on the distribution of profits
- 11 Acquisition of business
- 12 Related party transactions
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TERNIUM S.A.

Notes to the Consolidated Condensed Interim Financial Statements

### 1 Basis of presentation

Ternium S.A. (the "Company" or "Ternium"), a Luxembourg Corporation (Societe Anonyme), was incorporated on December 22, 2003 under the name of Zoompart Holding S.A. to hold investments in flat and long steel manufacturing and distributing companies. The extraordinary shareholders' meeting held on August 18, 2005, changed the corporate name to Ternium S.A.

These consolidated condensed interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting".

These consolidated condensed interim financial statements should be read in conjunction with the audited combined consolidated financial statements for the year ended December 31, 2005.

Certain comparative amounts have been reclassified to conform to changes in presentation in the current period.

The preparation of consolidated condensed interim financial statements requires management to make 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 also the reported amounts of revenues and expenses for the reported periods. Actual results may differ from



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these estimates.

Material intercompany transactions and balances have been eliminated in consolidation. However, the fact that the functional currency of the Company's subsidiaries differ, results in the generation of foreign exchange gains (losses) that are included in the consolidated condensed interim income statement under "Financial expenses, net".

These consolidated condensed interim financial statements were approved by the Board of Directors of Ternium on August 1, 2006.

### 2 Accounting policies

The accounting policies used in the preparation of these consolidated condensed interim financial statements are consistent with those used in the audited combined consolidated financial statements for the year ended December 31, 2005.

Recently issued accounting pronouncements were applied by the Company as from their respective dates.

A detail of the accounting policies followed by the Company in the preparation of these financial statements, other than those followed in the preparation of the audited combined consolidated financial statements for the year ended December 31, 2005 follows:

- Non-current assets (disposal groups) classified as held for sale

Non-current assets (disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

The carrying value of non-current assets classified as held for sale total USD 9.4 million and include principally land and other real estate items. Sale is expected to be completed within a one-year period.

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TERNIUM S.A.

Notes to the Consolidated Condensed Interim Financial Statements (Contd.)

### 3 Initial Public Offering

In January 2006, the Company successfully completed its registration process with the United States Securities and Exchange Commission ("SEC") and announced the commencement of its offer to sell 24,844,720 American Depositary Shares ("ADS") representing 248,447,200 shares of common stock through Citigroup Global Markets Inc., Deutsche Bank Securities Inc., JP Morgan Securities Inc., Morgan Stanley & Co. Incorporated, BNP Paribas Securities Corp., Caylor Securities (USA) Inc. and Bayerische Hypo-und Vereinsbank AG (collectively, the "Underwriters" and the offering thereunder, the "Initial Public Offering"). The gross proceeds from the Initial Public Offering totaled USD 496.9 million and have been used to fully repay Tranche A of the Ternium Credit Facility, after deducting related expenses.

Also, the Company has granted to the Underwriters an option, exercisable for 30

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days from January 31, 2006, to purchase up to 3,726,708 additional ADSs at the public offering price of USD20 per ADS less an underwriting discount of USD0.55 per ADS. On February 23, 2006 the Underwriters exercised such option to purchase 2,298,136 ADSs at the public offering price of USD20 per ADS less an underwriting discount of USD0.55 per ADS. The gross proceeds from this transaction totaled USD46.0 million.

In addition, the Company entered into the Subordinated Convertible Loan Agreements for a total aggregate amount of USD594 million to fund the acquisition of Hylsamex. As per the provisions contained in the Subordinated Convertible Loan Agreements, the Subordinated Convertible Loans would be converted into shares of the Company upon delivery of Ternium's ADSs to the Underwriters. On February 6, 2006 the Company delivered the above mentioned ADSs and, accordingly, the Subordinated Convertible Loans (including interest accrued through January 31, 2006) were converted into shares at a conversion price of USD2 per share, resulting in the issuance of 302,962,261 new shares.

Furthermore, in November 2005, Sidetur, a subsidiary of Sivensa, exchanged with ISL its 3.42% equity interest in Amazonia and USD 3.1 million in cash for shares of the Company. ISL has contributed such interest in Amazonia to the Company in exchange for shares of the Company after the settlement of the Initial Public Offering.

#### 4 Segment information

Primary reporting format - business segments

|                                      | Flat Steel<br>products | Long steel<br>products | Other    | Total       |
|--------------------------------------|------------------------|------------------------|----------|-------------|
|                                      | -----                  |                        |          |             |
|                                      | (Unaudited)            |                        |          |             |
| Six-month period ended June 30, 2006 |                        |                        |          |             |
| Net sales                            | 2,497,332              | 625,560                | 115,064  | 3,237,956   |
| Cost of sales                        | (1,583,385)            | (415,084)              | (66,773) | (2,065,242) |
|                                      | -----                  |                        |          |             |
| Gross profit                         | 913,947                | 210,476                | 48,291   | 1,172,714   |
| Depreciation - PP&E                  | 176,660                | 25,069                 | 607      | 202,336     |
|                                      | -----                  |                        |          |             |
|                                      | Flat Steel<br>products | Long steel<br>products | Other    | Total       |
|                                      | -----                  |                        |          |             |
| Six-month period ended June 30, 2005 |                        |                        |          |             |
| Net sales                            | 1,584,386              | 169,706                | 73,753   | 1,827,845   |
| Cost of sales                        | (774,129)              | (93,866)               | (43,548) | (911,543)   |
|                                      | -----                  |                        |          |             |
| Gross profit                         | 810,257                | 75,840                 | 30,205   | 916,302     |
| Depreciation - PP&E                  | 107,631                | 6,600                  | -        | 114,231     |
|                                      | -----                  |                        |          |             |

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TERNIUM S.A.

Notes to the Consolidated Condensed Interim Financial Statements (Contd.)

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4 Segment information (continued)

Secondary reporting format - geographical segments

Allocation of net sales is based on the customers' location.

Ternium's subsidiaries operate for three main geographical areas. The North American segment comprises principally United States, Canada and Mexico. The South and Central American segment comprises principally Argentina, Brazil, Colombia, Venezuela and Ecuador.

|                                      | South and<br>Central<br>America | North<br>America | Europe<br>and others |
|--------------------------------------|---------------------------------|------------------|----------------------|
|                                      | (Unaudited)                     |                  |                      |
| Six-month period ended June 30, 2006 |                                 |                  |                      |
| Net sales                            | 1,788,347                       | 1,427,482        | 22,127               |
| Depreciation - PP&E                  | 195,820                         | 6,509            | 7                    |
| Six-month period ended June 30, 2005 |                                 |                  |                      |
| Net sales                            | 1,295,708                       | 321,770          | 210,367              |
| Depreciation - PP&E                  | 114,219                         | 4                | 8                    |

5 Cost of sales

|  | Six-month period<br>June 30,<br>2006<br>(Unaudited) |
|--|---|
| Inventories at the beginning of the year               | 1,000,119   |
| Acquisition of business                                | 8,180   |
| Plus: Charges for the period                           |   |
| Raw materials and consumables used and other movements | 1,460,687   |
| Services and fees                                      | 72,943  |
| Labor cost   | 236,125   |
| Depreciation of property, plant and equipment          | 189,614   |
| Amortization of intangible assets                      | 6,943   |
| Maintenance expenses                                   | 150,731   |
| Office expenses  | 3,767   |
| Freight and transportation                             | 11,650  |
| Insurance  | 5,208   |
| Provision for obsolescence                             | 20,779  |
| Recovery from sales of scrap and by-products           | (24,436)  |
| Others   | 36,374  |
| Less: Inventories at the end of the period             | (1,113,442)   |

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Cost of sales 2,065,242

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TERNIUM S.A.  
Notes to the Consolidated Condensed Interim Financial Statements (Contd.)

6 Selling, general and administrative expenses

|  | Six-month period<br>June 30, |
|--|------------------------------|
|  | 2006                         |
|  | (Unaudited)                  |
| Services and fees                            | 27,179                       |
| Labor cost                                   | 69,112                       |
| Depreciation of property plant and equipment | 12,722                       |
| Amortization of intangible assets            | 2,494                        |
| Maintenance and expenses                     | 7,970                        |
| Taxes  | 20,886                       |
| Office expenses                              | 15,535                       |
| Freight and transportation                   | 138,254                      |
| Insurance                                    | 727                          |
| Others                                       | 11,506                       |
|  | 306,385                      |

7 Financial expenses, net

|   | Six-month period<br>June 30, |
|---|------------------------------|
|   | 2006                         |
|   | (Unaudited)                  |
| Interest expense  | (67,499)                     |
| Interest income   | 25,144                       |
| Net foreign exchange transaction gains and change in fair value of derivative instruments | (15,309)                     |
| Debt issue costs  | (9,505)                      |
| Income from Participation Account (i)   | -                            |
| Loss from Participation Account (i)   | (157,546)                    |
| Others  | (7,027)                      |

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|                         |           |
|-------------------------|-----------|
| Financial expenses, net | (231,742) |
|-------------------------|-----------|

(i) Until February 15, 2005, the Company accounted for its investment in Amazonia under the equity method of accounting. Thus, income arising from the Participation Account Agreement has been recorded under Income from Participation Account within Financial expenses, net. Upon conversion of the Amazonia Convertible Debt Instrument on February 15, 2005, the Company acquired control over Amazonia and began accounting for such investment on a consolidated basis. Accordingly, income resulting from Ternium's share of the Participation Account as from February 15, 2005, has been offset against Amazonia's loss for the same concept and shown net under Loss from Participation Account line item.

8 Investments in associated companies, net

|   | Six-month period end |
|---|----------------------|
|   | 2006                 |
|   | (Unaudited)          |
| At the beginning of the year                        | 9,122                |
| Translation adjustment                              | 29                   |
| Equity in (losses) earnings of associated companies | (922)                |
| Consolidation of Amazonia                           | -                    |
| At the end of the period                            | 8,229                |

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TERNIUM S.A.

Notes to the Consolidated Condensed Interim Financial Statements (Contd.)

9 Property, plant and equipment and Intangible assets, net

|                                      | Net Property,<br>Plant and<br>Equipment |
|--------------------------------------|---|
|                                      | (Unaudited)                             |
| Six-month period ended June 30, 2006 |   |
| At the beginning of the year         | 5,463,871                               |
| Currency translation differences     | (143,412)                               |
| Transfers                            | (9,632)                                 |
| Additions                            | 178,116                                 |

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|                                      |           |
|--------------------------------------|-----------|
| Disposals                            | (700)     |
| Derecognition                        | (1,700)   |
| Increase due to business acquisition | 47,825    |
| Depreciation/ Amortization charge    | (202,336) |
| At the end of the period             | 5,332,032 |

(1) Includes USD 675 thousands corresponding to goodwill derived from the acquisition of additional shares of Hylsamex. See Note 11.c.

10 Contingencies, commitments and restrictions on the distribution of profits

This note should be read in conjunction with Note 29 to the Company's audited Combined Consolidated Financial Statements for the year ended December 31, 2005. Significant changes or events since the date of the annual report are as follows:

(i) Consorcio Siderurgia Amazonia Ltd .- PDVSA-Gas C.A. claim  
As a consequence of the commercial transactions entered into by Sidor and PDVSA-Gas during the six-month period ended June 30, 2006, Sidor's potential exposure under its litigation against that company increased by USD 16.3 million, thus reaching a total amount of USD 110.6 million.

(ii) Consorcio Siderurgia Amazonia Ltd .- Sidernet supply agreement  
During the six-month period ended June 30, 2006, Sidor and Sidernet de Venezuela C.A. ("Sidernet", a related party under the common control of San Faustin) entered into a supply agreement for the term of 10 years (the "Supply Agreement") under which Sidernet will perform the heavy cleaning of Sidor's mills, as well as the moving and processing of certain raw and other materials (the "Service"). The total value to be paid by Sidor for the Service is approximately USD 155.8 million.

As part of the Supply Agreement, Sidor agreed to make an advanced payment of USD 15.0 million. This advanced payment will be repaid in 120 equal monthly installments that will be deducted from the payments made by Sidor in connection with the Service.

(iii) Restrictions on the distribution of profits  
Under Luxembourg law, at least 5% of net income per year calculated in accordance with Luxembourg law and regulations must be allocated to a reserve until such reserve has reached an amount equal to 10% of the share capital.

Ternium may pay dividends to the extent that it has distributable retained earnings and distributable reserves calculated in accordance with Luxembourg law and regulations. Therefore, retained earnings included in the consolidated condensed interim financial statements may not be wholly distributable.

Shareholders' equity under Luxembourg law and regulations comprises the following captions (amounts in USD thousands):

|                                  |                     |
|----------------------------------|---------------------|
|                                  | At June 30,<br>2006 |
|                                  | -----               |
| Share capital                    | 2,004,744           |
| Initial Public Offering expenses | (14,928)            |

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|  |           |
|--|-----------|
| Legal reserve                                    | 200,474   |
| Distributable reserves                           | 402,149   |
| Non distributable reserves                       | 1,414,122 |
| Accumulated profit at January 1, 2006            | 107,612   |
| Profit for the period                            | 88,915    |
|  | -----     |
| Total shareholders' equity under Luxembourg GAAP | 4,203,088 |
|  | -----     |

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TERNIUM S.A.

Notes to the Consolidated Condensed Interim Financial Statements (Contd.)

11 Acquisition of business

- a) On November 18 2005, Ternium's Argentine subsidiary, Siderar, agreed to acquire assets and facilities of Acindar Industria Argentina de Aceros S.A. ("Acindar") related to the production of welded steel pipes in the province of Santa Fe in Argentina, as well as 100% of the issued and outstanding shares of Impeco S.A., which in turn owns a plant located in the province of San Luis in Argentina. Purchase price paid totaled USD 55.2 million, subject to subsequent adjustments. These two plants have a production capacity of 140 thousand tons per year of tubes to be used in the construction, agricultural and manufacturing industries. The acquisition has been approved by the Argentine competition authorities and was completed on January 31, 2006. This acquisition did not give rise to goodwill.

The acquired business contributed revenues of USD 28.6 million in the six month period ended June 30, 2006. The fair value of assets and liabilities arising from acquisition are as follows:

|                                    | USD thousands |
|------------------------------------|---------------|
|                                    | -----         |
| Property, plant and equipment      | 47,825        |
| Inventories                        | 8,180         |
| Deferred tax liabilities           | (875)         |
| Others assets and liabilities, net | 53            |
|                                    | -----         |
| Net                                | 55,183        |
|                                    | -----         |

- b) In April 2006, the Company acquired a 50% equity interest in Acerex S.A. de C.V. ("Acerex") through its subsidiary Hylsa S.A. de C.V. for a total purchase price of USD 44.6 million. Upon completion of this transaction Hylsa S.A. de C.V. owns 100% of Acerex. Acerex is a service center dedicated to processing steel to produce short-length and steel sheets in various widths. Acerex operates as a cutting and processing plant for Ternium's Mexican operations and as an independent processor for other steel companies.

As permitted by IFRS 3, the Company accounted for this acquisition under the economic entity model, which requires that the acquisition of an additional equity interest in a controlled subsidiary be accounted for at its carrying amount, with the difference arising on purchase price allocation (amounting to USD 25.1 million) being recorded directly in equity.

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- c) On June 19, 2006, Siderar completed the acquisition of 940,745 additional shares of Hylsamex, representing 0.2% of that company's issued and outstanding common stock, for a total consideration of USD 3.3 million. Ternium's voting and equity interest in Hylsamex after this acquisition totals 99.9% and 86.8%, respectively. This acquisition was effected through a trust fund established by Siderar in 2005 in connection with the initial acquisition of Hylsamex (see note 3(a) to Ternium's Annual Combined Consolidated Financial Statements at December 31, 2005). Goodwill resulting from this acquisition totaled USD 0.7 million.

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Notes to the Consolidated Condensed Interim Financial Statements (Contd.)

12 Related party transactions

The Company is controlled by San Faustin N.V., a Netherlands Antilles corporation, which has 70.52% of the Company's voting rights, either directly or indirectly. The ultimate controlling entity of the Company is Rocca & Partners, a British Virgin Islands corporation.

The following transactions were carried out with related parties:

|  | Six-month period ended June,          |
|--|---------------------------------------|
|  | -----<br>2006<br>-----<br>(Unaudited) |
|  | -----<br>2005<br>-----                |
| (i) Transactions                                 |                                       |
| (a) Sales of goods and services                  |                                       |
| Sales of goods to other related parties          | 42,868                                |
| Sales of goods to associated parties             | 712                                   |
| Sales of services to associated parties          | 1,570                                 |
| Sales of services to other related parties       | 143                                   |
|  | -----<br>45,293<br>-----              |
| (b) Purchases of goods and services              |                                       |
| Purchases of goods from associated parties       | 31,533                                |
| Purchases of goods from other related parties    | 21,572                                |
| Purchases of services from other related parties | 73,414                                |
|  | -----<br>126,519<br>-----             |
| (c) Financial results                            |                                       |
| Income with associated parties                   | 1,824                                 |
| Income with other related parties                | 27                                    |
| Expenses with other related parties              | (1,815)                               |
|  | -----<br>36<br>-----                  |



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|  | At June 30, 2006 | At December 2005 |
|--|------------------|------------------|
|  | (Unaudited)      |                  |
| (ii) Period-end balances                           |                  |                  |
| (a) Arising from sales/purchases of goods/services |                  |                  |
| Receivables from associated parties                | 70,096           |                  |
| Receivables from other related parties             | 43,515           |                  |
| Payables to associated parties                     | (4,367)          |                  |
| Payables to other related parties                  | (28,178)         |                  |
|  | 81,066           |                  |
| b) Other investments                               |                  |                  |
| Time deposit with other related parties            | 10,337           |                  |
| (c) Other balances                                 |                  |                  |
| Trust fund with other related parties              | -                |                  |
| (d) Financial debt                                 |                  |                  |
| Borrowings with other related parties              | (2,161)          | (6)              |

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Notes to the Consolidated Condensed Interim Financial Statements (Contd.)

13 Recent accounting pronouncements

IFRIC Interpretation 9, Reassessment of Embedded Derivatives

In February 2006, the International Financial Reporting Interpretations Committee ("IFRIC") issued IFRIC Interpretation 9 "Reassessment of Embedded Derivatives" ("IFRIC 9"). IFRIC 9 applies to all embedded derivatives within the scope of International Accounting Standard No. 39. However, it does not address (i) remeasurement issues arising from a reassessment of embedded derivatives, or (ii) the acquisition of contracts with embedded derivatives in a business combination nor their possible reassessment at the date of acquisition.

Paragraph 7 of IFRIC 9 states that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. Also, paragraph 8 of IFRIC 9 states that a first-time adopter shall assess whether an embedded derivative is required to be separated from the host contract and

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accounted for as a derivative on the basis of the conditions that existed at the later of the date it first became a party to the contract and the date a reassessment is required by paragraph 7.

An entity shall apply this Interpretation for annual periods beginning on or after 1 June 2006, although earlier application is encouraged. If an entity applies the Interpretation for a period beginning before 1 June 2006, it shall disclose that fact. The Interpretation shall be applied retrospectively.

The Company's management has not assessed the potential impact that the application of IFRIC 9 may have on the Company's financial condition or results of operations.

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Roberto Philipps

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Chief Financial Officer  
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