Ternium S.A.
Form 6-K
November 01, 2017

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 10/31/2017

Ternium S.A.

(Translation of Registrant's name into English)

Ternium S.A.
29 Avenue de la Porte-Neuve – 3rd floor

L-2227 Luxembourg

(352) 2668-3152

(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 financial statements as of September 30, 2017.

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.

TERNIUM S.A.

By: /s/ Pablo Brizzio
Name: Pablo Brizzio
Title: Chief Financial Officer

By: /s/ Daniel Novegil
Name: Daniel Novegil
Title: Chief Executive Officer

Dated: October 31, 2017

TERNIUM S.A.

Consolidated Condensed Interim Financial Statements

as of September 30, 2017

and for the nine-month periods

ended on September 30, 2017 and 2016

29 Avenue de la Porte-Neuve, 3rd floor

L – 2227

R.C.S. Luxembourg: B 98 668

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TERNIUM S.A.
Consolidated Condensed Interim Financial Statements as of September 30, 2017

and for the nine-month periods ended September 30, 2017 and 2016

(All amounts in USD thousands)

Consolidated Condensed Interim Income Statements

	Notes	Three-month period ended September 30, 2017	Three-month period ended September 30, 2016	Nine-month period ended September 30, 2017	Nine-month period ended September 30, 2016
		(Unaudited)		(Unaudited)	
Net sales	3	2,479,533	1,856,051	6,782,261	5,374,394
Cost of sales	3 & 4	(1,916,963)	(1,291,278)	(5,081,566)	(3,967,814)
Gross profit	3	**562,570**	**564,773**	**1,700,695**	**1,406,580**
Selling, general and administrative expenses	3 & 5	(211,249)	(168,442)	(572,572)	(512,478)
Other operating income (expenses), net	3	(1,476)	2,817	(21,305)	916
Operating income	3	**349,845**	**399,148**	**1,106,818**	**895,018**
Finance expense	6	(29,235)	(28,746)	(74,718)	(65,272)
Finance income	6	5,251	3,363	14,346	10,479
Other financial income (expenses), net	6	(4,842)	13,186	(75,465)	20,567
Equity in earnings (losses) of non-consolidated companies		15,535	783	52,108	8,109
Profit before income tax expense		**336,554**	**387,734**	**1,023,089**	**868,901**
Income tax expense		(103,823)	(123,401)	(198,180)	(306,733)
Profit for the period		**232,731**	**264,333**	**824,909**	**562,168**
Attributable to:		-	-	-	-
Owners of the parent		194,938	228,854	705,978	477,225
Non-controlling interest		37,793	35,479	118,931	84,943
Profit for the period		**232,731**	**264,333**	**824,909**	**562,168**

Weighted average number of shares outstanding	1,963,076,776	1,963,076,776	1,963,076,776	1,963,076,776
Basic and diluted earnings (losses) per share for profit (loss) attributable to the equity holders of the company (expressed in USD per share)	0.10	0.12	0.36	0.24

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 year ended December 31, 2016.

TERNIUM S.A.
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(All amounts in USD thousands)

Consolidated Condensed Interim Statements of Comprehensive Income

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	**2016**	**2017**	**2016**
	(Unaudited)		**(Unaudited)**	
Profit for the period	**232,731**	**264,333**	**824,909**	**562,168**
Items that may be reclassified subsequently to profit or loss:				
Currency translation adjustment	(24,389)	(12,240)	(47,578)	(116,482)
Currency translation adjustment from participation in non-consolidated companies	19,688	(4,816)	12,047	55,740
Changes in the fair value of derivatives classified as cash flow hedges	(38,191)	719	849	(767)
Income tax relating to cash flow hedges	(34)	(216)	9	230
Other comprehensive income items	20	-	92	-
Other comprehensive income items from participation in non-consolidated companies	(747)	174	(482)	910
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of post employment benefit obligations	121	-	(1,189)	(272)
Remeasurement of post employment benefit obligations from participation in non-consolidated companies	(196)	(857)	5,985	(4,312)
Other comprehensive income (loss) for the period, net of tax	**(43,728)**	**(17,236)**	**(30,267)**	**(64,953)**
Total comprehensive income for the period	**189,003**	**247,097**	**794,642**	**497,215**
Attributable to:				
Owners of the parent	159,244	216,535	693,012	454,079
Non-controlling interest	29,759	30,562	101,630	43,136

Total comprehensive income for the period	**189,003**	**247,097**	**794,642**	**497,215**

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 year ended December 31, 2016.

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(All amounts in USD thousands)

Consolidated Condensed Interim Statements of Financial Position

	Notes	September 30, 2017 (Unaudited)		December 31, 2016	
		Balances as of			
ASSETS					
Non-current assets					
Property, plant and equipment, net	**7**	5,023,749		4,135,977	
Intangible assets, net	**8**	1,132,463		842,557	
Investments in non-consolidated companies	**9**	488,064		418,379	
Other investments		3,444		5,998	
Deferred tax assets		117,760		85,795	
Receivables, net		360,639		132,580	
Trade receivables, net		1,543	**7,127,662**	1,270	**5,622,556**
Current assets					
Receivables, net		316,331		79,820	
Derivative financial instruments		6,308		316	
Inventories, net		2,357,217		1,647,869	
Trade receivables, net		1,068,008		633,745	
Other investments		157,151		144,853	
Cash and cash equivalents		383,814	**4,288,829**	183,463	**2,690,066**
Non-current assets classified as held for sale			9,661		10,248
			4,298,490		**2,700,314**
Total Assets			**11,426,152**		**8,322,870**
EQUITY					
Capital and reserves attributable to the owners of the parent			4,888,002		4,391,298
Non-controlling interest			846,352		775,295
Total Equity			**5,734,354**		**5,166,593**
LIABILITIES					
Non-current liabilities					
Provisions		121,827		6,950	
Deferred tax liabilities		484,402		609,004	
Other liabilities		394,347		302,784	
Trade payables		3,249		9,305	
Finance lease liabilities	**10**	65,770		-	

Borrowings		1,795,421	**2,865,016**	396,742	**1,324,785**
Current liabilities					
Current income tax liabilities		36,562		178,112	
Other liabilities		371,584		228,081	
Trade payables		991,970		603,119	
Derivative financial instruments		112		287	
Finance lease liabilities	**10**	11,666		-	
Borrowings		1,414,888	**2,826,782**	821,893	**1,831,492**
Total Liabilities			**5,691,798**		**3,156,277**
Total Equity and Liabilities			**11,426,152**		**8,322,870**

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 year ended December 31, 2016.

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(All amounts in USD thousands)

Consolidated Condensed Interim Statements of Changes in Equity

	Attributable to the owners of the parent (1)									
	Capital stock (2)	**Treasury shares (2)**	**Initial public offering expenses**	**Reserves (3)**	**Capital stock issue discount (4)**	**Currency translation adjustment**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance as of January 1, 2017	**2,004,743**	**(150,000)**	**(23,295)**	**1,420,171**	**(2,324,866)**	**(2,336,929)**	**5,801,474**	**4,391,298**	**775,295**	**5,166,593**
Profit for the period							705,978	705,978	118,931	824,909
Other comprehensive income (loss) for the period										
Currency translation adjustment						(17,905)		(17,905)	(17,626)	(35,531)
Remeasurement of post employment benefit obligations				4,463				4,463	333	4,796
Cash flow hedges and others, net of tax				868				868	(10)	858
Others				(392)				(392)	2	(390)
Total comprehensive income for the period	**-**	**-**	**-**	**4,939**	**-**	**(17,905)**	**705,978**	**693,012**	**101,630**	**794,642**
Dividends paid in cash (5)							(196,308)	(196,308)	-	(196,308)
Dividends paid in cash to								-	(30,573)	(30,573)

non-controlling interest										
Balance as of September 30, 2017 (unaudited)	**2,004,743**	**(150,000)**	**(23,295)**	**1,425,110**	**(2,324,866)**	**(2,354,834)**	**6,311,144**	**4,888,002**	**846,352**	**5,734,354**

(1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 12 (iii).

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of September 30, 2017, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of September 30, 2017, the Company held 41,666,666 shares as treasury shares.

(3) Include legal reserve under Luxembourg law for USD 200.5 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD 0.1 million and reserves related to the acquisition of non-controlling interest in subsidiaries for USD (88.5) million.

(4) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.

(5) See note 11.

Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated condensed interim financial statements may not be wholly distributable. See Note 12 (iii).

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 year ended December 31, 2016.

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(All amounts in USD thousands)

Consolidated Condensed Interim Statements of Changes in Equity

	Attributable to the owners of the parent (1)									
	Capital stock (2)	**Treasury shares (2)**	**Initial public offering expenses**	**Reserves (3)**	**Capital stock issue discount (4)**	**Currency translation adjustment**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance as of January 1, 2016	**2,004,743**	**(150,000)**	**(23,295)**	**1,444,394**	**(2,324,866)**	**(2,300,335)**	**5,382,507**	**4,033,148**	**769,849**	**4,802,997**
Profit for the period							477,225	477,225	84,943	562,168
Other comprehensive (loss) income for the period										
Currency translation adjustment						(19,459)		(19,459)	(41,283)	(60,742)
Remeasurement of post employment benefit obligations				(4,259)				(4,259)	(325)	(4,584)
Cash flow hedges, net of tax				(274)				(274)	(263)	(537)
Others				846				846	64	910
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**(3,687)**	**-**	**(19,459)**	**477,225**	**454,079**	**43,136**	**497,215**
Dividends paid in cash							(176,677)	(176,677)	-	(176,677)
								-	(50,829)	(50,829)

Dividends paid in cash to non-controlling interest										
Balance as of September 30, 2016 (unaudited)	**2,004,743**	**(150,000)**	**(23,295)**	**1,440,707**	**(2,324,866)**	**(2,319,794)**	**5,683,055**	**4,310,550**	**762,156**	**5,072,706**

(1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 12 (iii).

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of September 30, 2016, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of September 30, 2016, the Company held 41,666,666 shares as treasury shares.

(3) Include legal reserve under Luxembourg law for USD 200.5 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD (0.9) million and reserves related to the acquisition of non-controlling interest in subsidiaries for USD (88.5) million.

(4) 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 law and regulations exist. Therefore, retained earnings included in these consolidated condensed interim financial statements may not be wholly distributable. See Note 12 (iii).

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 year ended December 31, 2016.

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(All amounts in USD thousands)

Consolidated Condensed Interim Statements of Cash Flows

	Notes	Nine-month period ended September 30, 2017	2016
		(Unaudited)	
Cash flows from operating activities			
Profit for the period		**824,909**	**562,168**
Adjustments for:			
Depreciation and amortization	**7 & 8**	321,932	303,027
Income tax accruals less payments		(316,997)	128,188
Equity in earnings of non-consolidated companies		(52,108)	(8,109)
Interest accruals less payments		7,880	8,573
Changes in provisions		1,896	902
Changes in working capital (1)		(555,257)	(163,014)
Net foreign exchange results and others		119,495	(10,215)
Net cash provided by operating activities		**351,750**	**821,520**
Cash flows from investing activities			
Capital expenditures	**7 & 8**	(282,873)	(335,044)
Loans to non-consolidated companies		(23,904)	(77,232)
(Increase) Decrease in other investments		(9,492)	40,462
Proceeds from the sale of property, plant and equipment		747	815
Dividends received from non-consolidated companies		65	121
Acquisiton of business			
Purchase consideration	**13**	(1,890,989)	-
Cash acquired	**13**	278,162	-
Investment in non-consolidated companies - Usiminas	**9**	-	(114,449)
Net cash used in investing activities		**(1,928,284)**	**(485,327)**
Cash flows from financing activities			
Dividends paid in cash to company's shareholders	**11**	(196,308)	(176,677)
Dividends paid in cash to non-controlling interest		(30,573)	(50,829)
Finance lease payments	**10**	(1,083)	-
Proceeds from borrowings		2,812,231	793,483
Repayments of borrowings		(806,274)	(900,924)
Net cash provided by (used in) financing activities		**1,777,993**	**(334,947)**

(Decrease) Increase in cash and cash equivalents		**201,459**	**1,246**
Movement in cash and cash equivalents			
At January 1,		183,463	151,491
Effect of exchange rate changes		(1,108)	(3,300)
(Decrease) Increase in cash and cash equivalents		201,459	1,246
Cash and cash equivalents as of September 30, (2)		**383,814**	**149,437**
Non-cash transactions:			
Acquisition of PP&E under lease contract agreeements	**10**	77,436	-

(1) The working capital is impacted by non-cash movement of USD (36.7) million as of September 30, 2017 (USD (55.6) million as of September 30, 2016) due to the variations in the exchange rates used by subsidiaries with functional currencies different from the US dollar.

(2) It includes restricted cash of USD 80 and USD 84 as of September 30, 2017 and 2016, respectively. In addition , the Company had other investments with a maturity of more than three months for USD 157,151 and USD 196,729 as of September 30, 2017 and 2016, respectively.

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 year ended December 31, 2016.

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Notes to the Consolidated Condensed Interim Financial Statements

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

a) General information and basis of presentation

Ternium S.A. (the "Company" or "Ternium"), was incorporated on December 22, 2003 to hold investments in flat and long steel manufacturing and distributing companies. The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of September 30, 2017, there were 2,004,743,442 shares issued. All issued shares are fully paid.

Following a corporate reorganization carried out during fiscal year 2005, in January 2006 the Company successfully completed its registration process with the United States Securities and Exchange Commission ("SEC"). Ternium's ADSs began trading on the New York Stock Exchange under the symbol "TX" on February 1, 2006. The Company's initial public offering was settled on February 6, 2006.

The Company was initially established as a public limited liability company (société anonyme) under Luxembourg's 1929 holding company regime. Until termination of such regime on December 31, 2010, holding companies incorporated under the 1929 regime (including the Company) were exempt from Luxembourg corporate and withholding tax over dividends distributed to shareholders.

On January 1, 2011, the Company became an ordinary public limited liability company (société anonyme) and, effective as from that date, the Company is subject to all applicable Luxembourg taxes (including, among others, corporate income tax on its worldwide income) and its dividend distributions will generally be subject to Luxembourg withholding tax. However, dividends received by the Company from subsidiaries in high income tax jurisdictions, as defined under Luxembourg law, will continue to be exempt from corporate income tax in Luxembourg under Luxembourg's participation exemption.

As part of the Company's corporate reorganization in connection with the termination of Luxembourg's 1929 holding company regime, on December 6, 2010, the Company contributed its equity holdings in all its subsidiaries and all its financial assets to its Luxembourg wholly-owned subsidiary Ternium Investments S.à r.l., or Ternium Investments, in exchange for newly issued corporate units of Ternium Investments. As the assets contributed were recorded at their historical carrying amount in accordance with Luxembourg GAAP, the Company's December 2010 contribution of such assets to Ternium Investments resulted in a non-taxable revaluation of the accounting value of the Company's assets under Luxembourg GAAP. The amount of the December 2010 revaluation was equal to the difference between the historical carrying amounts of the assets contributed and the value at which such assets were contributed and amounted to USD 4.0 billion. However, for the purpose of these consolidated condensed interim financial statements, the assets contributed by Ternium to its wholly-owned subsidiary Ternium Investments were recorded based on their historical carrying amounts in accordance with IFRS, with no impact on the financial statements.

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1. GENERAL INFORMATION AND BASIS OF PRESENTATION (continued)

Following the completion of the corporate reorganization, and upon its conversion into an ordinary Luxembourg holding company, the Company voluntarily recorded a special reserve exclusively for tax-basis purposes. As of December 31, 2016 and 2015, this special reserve amounted to USD 6.9 billion and USD 7.1 billion, respectively. The Company expects that, as a result of its corporate reorganization, its current overall tax burden will not increase, as all or substantially all of its dividend income will come from high income tax jurisdictions. In addition, the Company expects that dividend distributions for the foreseeable future will be imputed to the special reserve and therefore should be exempt from Luxembourg withholding tax under current Luxembourg law.

The name and percentage of ownership of subsidiaries that have been included in consolidation in these Consolidated Condensed Interim Financial Statements is disclosed in Note 2 to the audited Consolidated Financial Statements for the year ended December 31, 2016.

Certain comparative amounts have been reclassified to conform to changes in presentation in the current period. These reclassifications do not have a material effect on the Company’s condensed interim consolidated financial statements.

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 date of the statement of financial position, and also the reported amounts of revenues and expenses for the reported periods. Actual results may differ from these estimates. The main assumptions and estimates were disclosed in the Consolidated Financial Statements for the year ended December 31, 2016, without significant changes since its publication, except for the assumptions and estimates in connection with the acquisition of business (see note 13).

Material intercompany transactions and balances have been eliminated in consolidation. However, the fact that the functional currency of the Company’s subsidiaries differs, results in the generation of foreign exchange gains and losses that are included in the Consolidated Condensed Interim Income Statement under “Other financial income (expenses), net”.

These Consolidated Condensed Interim Financial Statements have been approved for issue by the Board of Directors of Ternium on October 31, 2017.

2. ACCOUNTING POLICIES

These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" and are unaudited. These Consolidated Condensed Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in conformity with International Financial Reporting Standards as adopted by the European Union ("EU"). Recently issued accounting pronouncements were applied by the Company as from their respective dates.

2. ACCOUNTING POLICIES (continued)

These Consolidated Condensed Interim Financial Statements have been prepared following the same accounting policies used in the preparation of the audited Consolidated Financial Statements for the year ended December 31, 2016. Given that the Company has entered into a new leasing agreement that qualifies as finance leasing (see note 10), and the related accounting policy was not disclosed in the Consolidated Financial Statements as of December 31, 2016, as the Company did not have any financial leasing at such date, the accounting policy is detailed below:

Finance leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

None of the accounting pronouncements issued after December 31, 2016, and as of the date of these Consolidated Condensed Interim Financial Statements have a material effect on the Company's financial condition or result or operations.

International Financial Reporting Standard 9, "Financial instruments"

In July 2014, the IASB issued IFRS 9, "Financial instruments", which replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities, as well as an expected credit losses model that replaces the current incurred loss impairment model. IFRS 9 must be applied on annual periods beginning on or after January 1, 2018. The Company's management does not anticipate that this standard will have a significant impact on the classification and measurement of its financial assets, liabilities and hedge accounting.

International Financial Reporting Standard 15, “Revenue from contracts with customers”

In May 2014, the IASB issued IFRS 15, "Revenue from contracts with customers", which sets out the requirements in accounting for revenue arising from contracts with customers and which is based on the principle that revenue is recognized when control of a good or service is transferred to the customer. IFRS 15 must be applied on annual periods beginning on or after January 1, 2018. The Company's management is currently finalizing the potential impact that the application of this standard may have on the Company's financial condition or results of operations.

3. SEGMENT INFORMATION

REPORTABLE OPERATING SEGMENTS

The Company is organized in two reportable segments: Steel and Mining.

The Steel segment includes the sales of steel products, which comprises slabs, hot rolled coils and sheets, cold rolled coils and sheets, tin plate, welded pipes, hot dipped galvanized and electro-galvanized sheets, pre-painted sheets, billets (steel in its basic, semi-finished state), wire rod and bars and other tailor-made products to serve its customers' requirements.

The Steel segment comprises three operating segments: Mexico, Southern Region and Other markets. These three segments have been aggregated considering the economic characteristics and financial effects of each business activity in which the entity engages; the related economic environment in which it operates; the type or class of customer for the products; the nature of the products; and the production processes. The Mexico operating segment comprises the Company's businesses in Mexico. The Southern region operating segment manages the businesses in Argentina, Paraguay, Chile, Bolivia and Uruguay. The Other markets operating segment includes businesses mainly in Brazil, United States, Colombia, Guatemala, Costa Rica, El Salvador, Nicaragua and Honduras.

The Mining segment includes the sales of mining products, mainly iron ore and pellets, and comprises the mining activities of Las Encinas, an iron ore mining company in which Ternium holds a 100% equity interest and the 50% of the operations and results performed by Peña Colorada, another iron ore mining company in which Ternium maintains that same percentage over its equity interest. Both mining operations are located in Mexico.

Ternium's Chief Operating Decision Maker (CEO) holds monthly meetings with senior management, in which operating and financial performance information is reviewed, including financial information that differs from IFRS principally as follows:

- The use of direct cost methodology to calculate the inventories, while under IFRS is at full cost, including absorption of production overheads and depreciation.

- The use of costs based on previously internally defined cost estimates, while, under IFRS, costs are calculated at historical cost (with the FIFO method).

- Other timing and non-significant differences.

Most information on segment assets is not disclosed as it is not reviewed by the CODM (CEO).

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3. SEGMENT INFORMATION (continued)

	Nine-month period ended September 30, 2017 (Unaudited)				
	Steel		**Mining**	**Inter-segment eliminations**	**Total**
IFRS					
Net sales	6,782,237		202,433	(202,409)	6,782,261
Cost of sales	(5,131,412)	(*)	(156,926)	206,772	(5,081,566)
Gross profit	**1,650,825**		**45,507**	**4,363**	**1,700,695**
Selling, general and administrative expenses	(563,473)		(9,099)	-	(572,572)
Other operating income, net	(22,076)		772	-	(21,305)
Operating income - IFRS	**1,065,276**		**37,180**	**4,363**	**1,106,818**
Management view					
Net sales	6,782,237		215,663	(215,639)	6,782,261
Operating income	792,893		53,339	868	847,100
Reconciliation items:					
Differences in Cost of sales					259,718
Operating income - IFRS					**1,106,818**
Financial income (expense), net					(135,837)
Equity in earnings of non-consolidated companies					52,108
Income before income tax expense - IFRS					**1,023,089**
Depreciation and amortization - IFRS	(285,530)		(36,402)	-	(321,932)

(*) Includes a USD 30.8 million gain in connection with the sale of unused contracted energy.

	Nine-month period ended September 30, 2016 (Unaudited)			
	Steel	**Mining**	**Inter-segment eliminations**	**Total**
IFRS				
Net sales	5,372,772	150,301	(148,679)	5,374,394
Cost of sales	(3,972,386)	(140,488)	145,060	(3,967,814)
Gross profit	**1,400,386**	**9,813**	**(3,619)**	**1,406,580**
Selling, general and administrative expenses	(504,097)	(8,381)	-	(512,478)
Other operating income, net	1,757	(841)	-	916
Operating income - IFRS	**898,046**	**591**	**(3,619)**	**895,018**
Management view				
Net sales	5,372,772	147,286	(145,664)	5,374,394
Operating income	742,829	(114)	1,867	744,582
Reconciliation items:				
Differences in Cost of sales				150,436
Operating income - IFRS				**895,018**
Financial income (expense), net				(34,226)
Equity in losses of non-consolidated companies				8,109
Income before income tax expense - IFRS				**868,901**
Depreciation and amortization - IFRS	(270,046)	(32,981)	-	(303,027)

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3. SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

For purposes of reporting geographical information, net sales are allocated based on the customer's location. Allocation of non-current assets is based on the geographical location of the underlying assets.

	Nine-month period ended September 30, 2017 (Unaudited)			
	Mexico	**Southern region**	**Other markets (2)**	**Total**
Net sales	4,083,333	1,694,916	1,004,012	6,782,261
Non-current assets (1)	4,038,473	685,723	1,432,016	6,156,212

	Nine-month period ended September 30, 2016 (Unaudited)			
	Mexico	**Southern region**	**Other markets**	**Total**
Net sales	3,359,335	1,368,853	646,206	5,374,394
Non-current assets (1)	4,132,152	635,576	238,331	5,006,059

(1) Includes Property, plant and equipment and Intangible assets.
(2) Includes the assets related to the business acquisition disclosed in note 13.

4. COST OF SALES

Nine-month period ended