

Edgar Filing: Ternium S.A. - Form 6-K

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

Edgar Filing: Ternium S.A. - Form 6-K

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 June 30,		Six-month peri June 30
	Notes	2006	2005	2006
		(Unaudited)		(Unaudite
Net sales	4	1,709,072	1,060,256	3,237,956

Edgar Filing: Ternium S.A. - Form 6-K

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.

- 2 -

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)

Edgar Filing: Ternium S.A. - Form 6-K

CONSOLIDATED CONDENSED BALANCE SHEETS

	Notes	June 30, 2006	December 31, 2005	
		(Unaudited)		
ASSETS				
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	765,630	2,543
Non-current assets classified as held for sale				
		9,444		
Total assets				
		8,794,124		8,659
EQUITY				
Capital and reserves attributable to the company's equity holders		3,276,902		1,842
Minority interest		1,693,324		1,733
Total equity				
		4,970,226		3,575
LIABILITIES				
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
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	516,399	1,393
Total liabilities				
		3,823,898		5,084

Edgar Filing: Ternium S.A. - Form 6-K

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.

- 3 -

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 stock	Initial public offering expenses	Revaluation and other reserves	Capital stock issue discount (2)	Currency translation adjustment	Retained 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							

Edgar Filing: Ternium S.A. - Form 6-K

from shareholders (see Note 3)	33,801		43,100	(26,818)			50,083
Conversion of Subordinated Convertible Loans (see Note 3)	302,962		302,962				605,924
Initial Public Offering (see Note 3)	271,429	(17,839)	271,429				525,019
Other reserves (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.

- 4 -

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

Edgar Filing: Ternium S.A. - Form 6-K

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.

Edgar Filing: Ternium S.A. - Form 6-K

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
- 3 Initial Public Offering
- 4 Segment information
- 5 Cost of sales
- 6 Selling, general and administrative expenses
- 7 Financial expenses, net
- 8 Investments in associated companies, net
- 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
- 13 Recent accounting pronouncements

-6-

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

Edgar Filing: Ternium S.A. - Form 6-K

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.

-7-

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., Caylon 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

Edgar Filing: Ternium S.A. - Form 6-K

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 products	Long steel 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 products	Long steel 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

-8-

TERNIUM S.A.

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

Edgar Filing: Ternium S.A. - Form 6-K

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 Central America	North America	Europe 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 ended June 30, 2006 (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)

Edgar Filing: Ternium S.A. - Form 6-K

Cost of sales

2,065,242

-9-

TERNIUM S.A.

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

6 Selling, general and administrative expenses

	Six-month period 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
Selling, general and administrative expenses	306,385

7 Financial expenses, net

	Six-month period 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)

Edgar Filing: Ternium S.A. - Form 6-K

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 ended
	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

-10-

TERNIUM S.A.

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

9 Property, plant and equipment and Intangible assets, net

	Net Property, Plant and 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

Edgar Filing: Ternium S.A. - Form 6-K

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, 2006

Share capital	2,004,744
Initial Public Offering expenses	(14,928)

Edgar Filing: Ternium S.A. - Form 6-K

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

-11-

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.

Edgar Filing: Ternium S.A. - Form 6-K

- 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.

-12-

TERNIUM S.A.

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,	
		2006	2005
		(Unaudited)	
(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	
		45,293	
(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	
		126,519	
(c)	Financial results		
	Income with associated parties	1,824	
	Income with other related parties	27	
	Expenses with other related parties	(1,815)	
		36	

Edgar Filing: Ternium S.A. - Form 6-K

	At June 30, 2006	At December 31, 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)	(6,161)

-13-

TERNIUM S.A. 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

Edgar Filing: Ternium S.A. - Form 6-K

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.

Roberto Philipps

Chief Financial Officer
