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Ternium S.A.
Form 6-K
August 03, 2007

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 8/2/2007

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

Ternium S.A.
46a, Avenue John F. Kennedy
L-1855 Luxembourg
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the information to
the Commission pursuant to Rule 12G3-2(b) under the Securities Exchange Act of
1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in
connection with Rule 12g3-2(b):
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 June
30, 2007.

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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/ Roberto Philipps

Name: Roberto Philipps
Title: Chief Financial Officer

By: /s/ Daniel Novegil

Name: Daniel Novegil
Title: Chief Executive Officer

Dated: August 2, 2007

TERNIUM S.A.

CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS AS OF JUNE 30, 2007
AND FOR THE SIX-MONTH PERIODS
ENDED JUNE 30, 2007 AND 2006

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

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ternium S.A.:

We have reviewed the accompanying consolidated condensed balance sheet of Ternium S.A. and its subsidiaries as of June 30, 2007, and the related consolidated condensed statements of income and of changes in shareholders' equity for each of the six-month periods ended June 30, 2007 and 2006 and the consolidated condensed statements of cash flows for the six-month periods ended June 30, 2007 and 2006. These interim financial statements are the responsibility of the Company's management.

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We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated condensed interim financial statements for them to be in conformity with International Financial Reporting Standards.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2006, and the related consolidated statements of income, of changes in shareholders' equity and of cash flows for the year then ended (not presented herein), and in our report dated February 27, 2007 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2006, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived

Buenos Aires, Argentina

August 2, 2007

PRICE WATERHOUSE & CO. S.R.L.

by _____ (Partner)

Marcelo D. Pfaff

TERNIUM S.A.

Consolidated condensed interim financial statements as of June 30, 2007
and for the six-month periods ended June 30, 2007 and 2006
(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENTS

		Three-month period ended June 30,	
	Notes	2007	2006
		(Unaudited)	
Net sales	3	1,961,064	1,707,672
Cost of sales	3 & 4	(1,308,740)	(1,075,701)
Gross profit	3	652,324	631,971

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Selling, general and administrative expenses	3 & 5	(198,280)	(155,069)
Other operating (expenses) income, net	3	(3,418)	(222)
<hr/>			
Operating income	3	450,626	476,680
Interest expense		(12,909)	(29,705)
Interest income		14,031	12,991
Other financial expenses, net	6	(88,058)	(91,498)
Equity in (losses) earnings of associated companies		(388)	907
<hr/>			
Income before income tax expense		363,302	369,375
Income tax expense		(48,349)	(80,194)
<hr/>			
Net income for the period		314,953	289,181
<hr/>			
Attributable to:			
Equity holders of the Company		236,928	232,601
Minority interest		78,025	56,580
<hr/>			
		314,953	289,181
<hr/>			
Weighted average number of shares outstanding		2,004,743,442	2,004,743,442
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

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2006.

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TERNIUM S.A.
 Consolidated condensed interim financial statements as of June 30, 2007
 and for the six-month periods ended June 30, 2007 and 2006
 (All amounts in USD thousands)

CONSOLIDATED CONDENSED BALANCE SHEETS

Notes

June 30, 2007

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		(Unaudited)		
ASSETS				
Non-current assets				
Property, plant and equipment, net	7	5,361,882		5,4
Intangible assets, net	8	559,961		5
Investments in associated companies		49,758		
Other investments, net		13,576		
Deferred tax assets		34,508		
Receivables, net		66,542	6,086,227	
<hr/>				
Current assets				
Receivables		152,199		1
Derivative financial instruments		1,395		
Inventories, net		1,215,880		1,2
Trade receivables, net		729,261		5
Cash and cash equivalents		730,843	2,829,578	6
<hr/>				
Non-current assets classified as held for sale			7,198	
<hr/>				
Total assets			8,923,003	
<hr/>				
EQUITY				
Capital and reserves attributable to the company's equity holders			4,123,557	
Minority interest			1,815,312	
<hr/>				
Total equity			5,938,869	
<hr/>				
LIABILITIES				
Non-current liabilities				
Provisions		65,524		
Deferred income tax		952,245		9
Other liabilities		308,176		2
Trade payables		7,061		
Borrowings		199,523	1,532,529	5
<hr/>				
Current liabilities				
Current tax liabilities		122,702		1
Other liabilities		190,321		1
Trade payables		770,590		6
Derivative financial instruments		161		
Borrowings		367,831	1,451,605	5
<hr/>				
Total liabilities			2,984,134	
<hr/>				
Total equity and liabilities			8,923,003	
<hr/>				

Contingencies, commitments and restrictions on the distribution of profits are

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disclosed in Note 10.

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2006.

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TERNIUM S.A.
Consolidated condensed interim financial statements as of June 30, 2007
and for the six-month periods ended June 30, 2007 and 2006
(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
Balance at January 1, 2007	2,004,744	(23,295)	2,047,199	(2,324,866)	(121,608)	2,175,384
Currency translation adjustment					7,177	
Net income for the period						459,059
Total recognized income for the period					7,177	459,059
Dividends paid in cash and other distributions			(100,237)			
Dividends paid in cash and other distributions by subsidiary companies						
Acquisition of business						
Balance at June 30, 2007	2,004,744	(23,295)	1,946,962	(2,324,866)	(114,431)	2,634,443
Balance at January 1, 2006	1,396,552	(5,456)	1,462,137	(2,298,048)	(92,691)	1,379,960
Currency translation adjustment					(119,146)	
Net income for the period						397,644
Total recognized income for the period					(119,146)	397,644

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Dividends paid in cash and other distributions by subsidiary companies						
Acquisition of business			(25,076)			
Contributions from shareholders	33,801		43,100		(26,818)	
Conversion of Subordinated Convertible Loans	302,962		302,962			
Initial Public Offering	271,429	(17,839)	271,429			

Balance at June 30, 2006	2,004,744	(23,295)	2,054,552	(2,324,866)	(211,837)	1,777,604

- (1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 10 (ii).
- (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 law and regulations exist. Therefore, retained earnings included in these consolidated condensed interim financial statements may not be wholly distributable. See Note 10 (ii).

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2006.

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TERNIUM S.A.
 Consolidated condensed interim financial statements as of June 30, 2007
 and for the six-month periods ended June 30, 2007 and 2006
 (All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENTS

	Notes	Six-month period ended June 30
	-----	-----
		2007

		(Unaudited)
Cash flows from operating activities		
Net income for the period		566,580
Adjustments for:		

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Depreciation and amortization	7 & 8	245,469
Income tax accruals less payments		(33,610)
Equity in losses of associated companies		1,391
Interest accruals less payments		(1,830)
Changes in provisions		(6,170)
Changes in working capital		106,996
Others		18,317

Net cash provided by operating activities		897,143

Cash flows from investing activities		
Capital expenditures	7 & 8	(197,010)
Changes in trust funds		-
Acquisition of business		(130)
Proceeds from the sale of property, plant and equipment		6,409

Net cash used in investing activities		(190,731)

Cash flows from financing activities		
Dividends paid in cash and other distributions		(100,237)
Dividends paid in cash and other distributions by subsidiary companies		(19,871)
Net proceeds from Initial Public Offering		-
Contributions from shareholders		-
Proceeds from borrowings		192,264
Repayments of borrowings		(680,736)

Net cash used in financing activities		(608,580)

Increase in cash and cash equivalents		97,832

Movement in cash and cash equivalents		
At January 1, (1)		633,002
Effect of exchange rate changes		9
Increase in cash and cash equivalents		97,832

Cash and cash equivalents at June 30,		730,843

Non-cash transactions		
Conversion of debt instruments into shares		-

(1) In addition, the Company has restricted cash for USD 10,350 at December 31, 2006.

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2006.

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TERNIUM S.A.
Consolidated condensed interim financial statements as of June 30, 2007
and for the six-month periods ended June 30, 2007 and 2006
(All amounts in USD thousands)

INDEX TO THE NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

1 General information and 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.

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"). As from February 1, 2006, the Company's shares are listed in the New York Stock Exchange.

The name and percentage of ownership of subsidiaries that have been included in consolidation in these Consolidated Condensed Interim Financial Statement is disclosed in Note 2 to the audited Consolidated Financial Statements for the year ended December 31, 2006.

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 Consolidated Financial Statements for the year ended December 31, 2006, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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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 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 "Other financial expenses, net".

These Consolidated Condensed Interim Financial Statements were approved by the Board of Directors of Ternium on August 2, 2007.

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 Consolidated Financial Statements for the year ended December 31, 2006.

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

During 2007, Ternium launched an incentive retention program (the "Program") applicable to certain senior officers and employees of the Company, who will be granted a number of Units throughout the duration of the Program. The value of each of these Units is based on Ternium's shareholders' equity (excluding minority interest). Also, the beneficiaries of the Program are entitled to receive cash amounts based on (i) the amount of dividend payments made by Ternium to its shareholders, and (ii) the number of Units held by each beneficiary to the Program. Units vest ratably over a period of four years beginning January 1, 2007 and will be redeemed by the Company ten years after grant date. As of June 30, 2007, the outstanding liability corresponding to the Program amounts to USD 2.2 million.

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TERNIUM S.A.

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

3 Segment information

Primary reporting format - business segments

Business segments: for management purposes, the Company is organized on a worldwide basis into the following segments: flat steel products, long steel products and others.

The flat steel products segment comprises the manufacturing and marketing of hot rolled coils and sheets, cold rolled coils and sheets, tin plate, welded pipes, hot dipped galvanized and electrogalvanized sheets, pre-painted sheets and other

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tailor-made products to serve its customers' requirements.

The long steel products segment comprises the manufacturing and marketing of billets (steel in its basic, semifinished state), wire rod and bars.

The other products segment includes products other than flat and long steel, mainly pig iron and pellets.

	Flat steel products	Long steel products	Other
(Unaudited)			
Six-month period ended June 30, 2007			
Net sales	2,914,777	739,026	105,5
Cost of sales	(1,957,006)	(501,882)	(73,7
Gross profit	957,771	237,144	31,8
Selling, general and administrative expenses	(283,895)	(71,920)	(7,0
Other operating income, net	31	1,146	9
Operating income	673,907	166,370	25,7
Depreciation - PP&E	190,887	34,592	6,2
	Flat steel products	Long steel products	Other
(Unaudited)			
Six-month period ended June 30, 2006			
Net sales	2,501,790	625,560	111,3
Cost of sales	(1,587,004)	(416,534)	(61,8
Gross profit	914,786	209,026	49,5
Selling, general and administrative expenses	(241,733)	(58,308)	(6,0
Other operating (expenses) income, net	(1,916)	1,017	2,8
Operating income	671,137	151,735	46,3
Depreciation - PP&E	167,809	29,011	5,5

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Secondary reporting format - geographical segments

The secondary reporting format is based on a geographical location. Ternium sells its products to three main geographical areas: South and Central America, North America, and Europe and others. 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 other
(Unaudited)			
Six-month period ended June 30, 2007			
Net sales	2,203,239	1,421,842	1,000,000
Depreciation - PP&E	160,943	70,744	
Six-month period ended June 30, 2006			
Net sales	1,768,207	1,431,129	1,000,000
Depreciation - PP&E	195,820	6,509	

4 Cost of sales

	Six-month period ended June 30,	
	2007	2006
(Unaudited)		
Inventories at the beginning of the year	1,241,325	1,000,000
Acquisition of business	-	
Plus: Charges for the period		
Raw materials and consumables used and other movements	1,699,255	1,450,000
Services and fees	92,593	70,000
Labor cost	272,031	230,000
Depreciation of property, plant and equipment	225,350	190,000
Amortization of intangible assets	8,085	
Maintenance expenses	181,731	150,000
Office expenses	4,129	
Freight and transportation	13,790	10,000
Insurance	4,467	
Provision for obsolescence	(7,116)	20,000
Recovery from sales of scrap and by-products	(42,848)	(240,000)
Others	55,718	30,000
Less: Inventories at the end of the period	(1,215,880)	(1,113,000)

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Cost of sales 2,532,630 2,06

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

5 Selling, general and administrative expenses

	Six-month period ended June 30,	
	2007	2006
	(Unaudited)	
Services and fees	26,211	27,179
Labor cost	87,870	69,111
Depreciation of property plant and equipment	6,357	7,474
Amortization of intangible assets	5,677	2,494
Maintenance expenses	8,986	7,970
Taxes	34,426	26,731
Office expenses	12,492	15,535
Freight and transportation	170,402	138,254
Insurance	671	727
Provision for impairment of trade receivables	(3,414)	(898)
Others	13,151	11,508
Selling, general and administrative expenses	362,829	306,085

6 Other financial expenses, net

	Six-month period ended June 30,	
	2007	2006
	(Unaudited)	
Net foreign exchange transaction gains and change in fair value of derivative instruments	14,631	(15,309)
Debt issue costs	(5,493)	(9,505)
Loss from Participation Account	(160,353)	(157,546)
Others	(12,965)	(10,507)
Other financial expenses, net	(164,180)	(192,867)

7 Property, plant and equipment, net

	Six-month period ended June 30,	
	2007	2006
	(Unaudited)	
At the beginning of the year	5,420,683	5,463,871

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Currency translation differences	1,423	(143,412)
Transfers	(2,444)	(9,632)
Additions	178,732	178,116
Disposals	(4,805)	(2,400)
Increase due to business acquisition	-	47,825
Depreciation charge	(231,707)	(202,336)
	-----	-----
At the end of the period	5,361,882	5,332,032
	-----	-----

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TERNIUM S.A.

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

8 Intangible assets, net

	Six-month period ended June 30,	
	-----	-----
	2007	2006
	-----	-----
	(Unaudited)	
At the beginning of the year	551,587	552,882
Currency translation differences	3,858	(27,661)
Additions	18,278	8,848
Amortization charge	(13,762)	(9,437)
	-----	-----
At the end of the period	559,961	524,632
	-----	-----

(1) Includes USD 675 thousand corresponding to goodwill derived from the acquisition of additional shares of Hylsamex.

9 Distribution of dividends

During the annual general shareholders meeting held on June 6, 2007, the shareholders approved the consolidated financial statements and unconsolidated annual accounts for the year ended December 31, 2006 and a distribution of dividends of USD 0.05 per share (USD 0.50 per ADS), or USD 100.2 million. The dividends were paid on June 12, 2007.

10 Contingencies, commitments and restrictions on the distribution of profits

This note should be read in conjunction with Note 28 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2006. Significant changes or events since the date of the annual report are as follows:

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(i) Consorcio Siderurgia Amazonia Ltd .- PDVSA-Gas C.A. claim
In June 2004, the arbitration proceedings brought by Sidor against PDVSA Gas, C.A. (on the basis that PDVSA Gas had charged Sidor higher than agreed-upon prices in its supplies of gas against the application of the most favored client clause) were resolved in Sidor's favor. Accordingly, in its financial statements at December 31, 2004, Sidor reversed the USD41.4 million provision it had recorded at December 31, 2003. In July 2004, PDVSA Gas, C.A. filed an appeal with the Venezuelan courts seeking to void the arbitral award. Sidor believes that applicable Venezuelan law does not allow the courts to void an arbitral award under the circumstances and that the likelihood of loss thereunder is remote. Accordingly, Sidor did not record any liabilities in connection with the appeal. At June 30, 2007, Sidor's potential exposure under this litigation amounted to USD 143.4 million.

(ii) Restrictions on the distribution of profits
Under the credit agreements entered into to finance the acquisition of Hylsamex, the Company and its affiliates had some restrictions to the payment of dividends in excess of certain amounts, among other limitations (see Note 3e) to the audited Consolidated Financial Statements for the year ended December 31, 2006). As of June 30, 2007, Ternium S.A. has fully repaid this loan, and at the same time the guarantees and restrictions imposed by the financing contracts were released. However, Siderar S.A.I.C. is still subject to those restrictions as it has not prepaid the mentioned loan.

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 equals 10% of the share capital. At June 30, 2007, this reserve reached the above-mentioned threshold.

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 financial statements may not be wholly distributable.

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TERNIUM S.A.

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

10 Contingencies, commitments and restrictions on the distribution of profits (continued)

Shareholders' equity under Luxembourg law and regulations comprises the following captions:

	At June 30, 2007

	(Unaudited)
Share capital	2,004,744
Legal reserve	200,474
Distributable reserves	301,912
Non distributable reserves	1,414,122
Accumulated profit at January 1, 2007	499,842
Profit for the period	524,876

Total shareholders' equity under Luxembourg GAAP	4,945,970

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11 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, 30	
	2007	2006
	(Unaudited)	
(i) Transactions		
(a) Sales of goods and services		
Sales of goods to associated parties	45	7
Sales of goods to other related parties	48,164	42,8
Sales of services and others to associated parties	1,403	1,5
Sales of services and others to other related parties	3,000	1
	52,612	45,2
(b) Purchases of goods and services		
Purchases of goods from associated parties	35,306	31,5
Purchases of goods from other related parties	22,680	21,5
Purchases of services and others from associated parties	10,200	
Purchases of services and others from other related parties	97,624	73,4
	165,810	126,5
(c) Financial results		
Income with associated parties	2,156	1,8
Income with other related parties	5	
Expenses with other related parties	-	(1,81
	2,161	

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	At June 30, 2007	At December 31, 2006

	(Unaudited)	
(ii) Period-end balances		
(a) Arising from sales/purchases of goods/services		
Receivables from associated parties	34,568	67,558
Receivables from other related parties	32,847	48,533
Payables to associated parties	(5,779)	(5,588)
Payables to other related parties	(39,459)	(48,032)

	22,177	62,471

b) Other investments		
Time deposit	11,459	11,249

(c) Financial debt		
Borrowings with other related parties	-	(2,161)

12 Subsequent event: Grupo Imsa S.A.B. de C.V. ("Grupo Imsa")

On April 29, 2007, Ternium entered into an agreement with Grupo IMSA S.A.B. de C.V. ("Grupo Imsa") and Grupo Imsa's controlling shareholders under which Ternium would obtain control of Grupo Imsa for a total consideration (equity value) of approximately USD 1.7 billion.

Under the agreement, Ternium, through its wholly owned subsidiary Ternium Internacional Espana S.L.U., made a cash tender offer under applicable Mexican law for all of the issued and outstanding share capital of Grupo Imsa at a price of US\$ 6.40 per share. Pursuant to the tender offer, Ternium acquired 25,133,856 shares representing 9.3% of the issued and outstanding capital of the company.

Concurrently with the consummation of the tender offer, on July 26, 2007, all of shares of Grupo Imsa that were not tendered into the tender offer (including the shares owned by Grupo Imsa's majority shareholders), representing 90.7% of Grupo Imsa's issued and outstanding share capital were redeemed for cash pursuant to a capital reduction effected at the same price per share.

Accordingly, Ternium now owns all of Grupo Imsa's issued and outstanding share capital.

The foregoing transactions were financed primarily through the incurrence of debt as follows:

- o Ternium made several borrowings in an aggregate principal amount of USD 125 million under a loan facility (the "Ternium Facility") with a syndicate of banks led by Calyon New York Branch as administrative agent, the proceeds of which were primarily used to finance the above described tender offer. Ternium's loans under the Ternium Facility will be repaid in nine consecutive and equal semi-annual installments commencing on July 26, 2008.
- o Ternium's subsidiary Hylsa S.A. de C.V. ("Hylsa") made several borrowings in an aggregate principal amount of 3,167 million under a loan facility

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(the "Hylsa Facility") with a syndicate of banks led by Calyon New York Branch as administrative agent, the proceeds of which were primarily used to finance the above described capital reduction by Grupo Imsa, to refinance existing indebtedness of Grupo Imsa and Hylsa and to pay taxes, fees and expenses related to the transactions.

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

12 Subsequent event: Grupo Imsa S.A.B. de C.V. ("Grupo Imsa") (continued)

Grupo Imsa is expected to assume on or about August 3, 2007 certain of Hylsa's loans under the Hylsa Facility, as well as a portion of Hylsa's remaining unused commitments. Following the assumption date:

- o Hylsa's debt under the Hylsa Facility will amount to USD 1,752 million in principal amount, and Grupo Imsa's debt under that facility will amount to USD 1,415 million in principal amount; and
- o Hylsa's unused commitment under the Hylsa Facility will amount to USD 318 million and Grupo Imsa's unused commitment under the facility will amount to USD 140 million.

The loans of each of Hylsa and Grupo Imsa are divided in two tranches of equal principal amount. Tranche A loans will be repaid in seven equal semi-annual installments beginning on January 26, 2009, while tranche B loans will be repaid in one installment due on July 26, 2012.

Each of the Ternium Facility and the Hylsa Facility contains covenants customary for transactions of this type, including limitations on liens and encumbrances, restrictions on investments and capital expenditures, limitations on the sale of certain assets and compliance with financial ratios (e.g., leverage ratio and interest coverage ratio). There are no limitations to the payment of dividends under either facility.

13 Recent accounting pronouncements

(i) IFRIC Interpretation 13, Customer Loyalty Programmes

In June 2007, International Financial Reporting Interpretations Committee ("IFRIC") issued IFRIC Interpretation 13 "Customer Loyalty Programmes" ("IFRIC 13"). IFRIC 13 applies to customer loyalty award credits that:

- (a) an entity grants to its customers as part of a sales transaction (i.e. a sale of goods, rendering of services or use by a customer of entity assets); and
- (b) subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.

IFRIC 13 addresses accounting by the entity that grants award credits to its customers.

An entity shall apply IFRIC 13 for annual periods beginning on or after July 1, 2008, although earlier application is permitted. If an entity applies IFRIC 13 for a period beginning before July 1, 2008, it shall disclose that fact.

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The Company's management estimates that the application of IFRIC 13 will not have a material effect on the Company's financial condition or results of operations.

(ii) IFRIC Interpretation 14, IAS 19 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

In July 2007, IFRIC issued IFRIC Interpretation 14 "IAS 19 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" ("IFRIC 14"). IFRIC 14 applies to all post-employment defined benefits and other long-term employee defined benefits and addresses the following issues:

- (a) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19;
- (b) how a minimum funding requirement might affect the availability of reductions in future contributions; and
- (c) when a minimum funding requirement might give rise to a liability.

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

13 Recent accounting pronouncements (continued)

An entity shall apply this Interpretation for annual periods beginning on or after January 1, 2008. Earlier application is permitted.

The Company's management has not assessed the potential impact that the application of IFRIC 14 may have on the Company's financial condition or results of operations.

Roberto Philipps
Chief Financial Officer

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