Ternium S.A.
Form 6-K
November 07, 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 11/6/2007

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 X   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 X

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, 2007.

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	By: /s/ Daniel Novegil
Name: Roberto Philipps	Name: Daniel Novegil
Title: Chief Financial Officer	Title: Chief Executive Officer

Dated: November 6, 2007

TERNIUM S.A.

CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2007
AND FOR THE NINE-MONTH PERIODS
ENDED SEPTEMBER 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 September 30, 2007, and the related consolidated condensed statements of income and of changes in shareholders' equity for the nine-month periods ended September 30, 2007 and 2006 and the consolidated condensed statements of cash flows for the nine-month periods ended September 30, 2007 and 2006. These interim financial statements are the responsibility of the Company's management.

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

November 6, 2007

PRICE WATERHOUSE & CO. S.R.L.

by (Partner)

Marcelo D. Pfaff

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

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENTS

	Notes	Three-month period ended September 30,		N e
		2007	2006	20
		(Unaudited)		
Net sales	3	2,343,350	1,740,373	6,
Cost of sales	3 & 4	(1,700,955)	(1,078,486)	(4,
Gross profit	3	642,395	661,887	1,
Selling, general and administrative expenses	3 & 5	(225,345)	(152,479)	(
Other operating income (expenses), net	3	15,511	(1,203)	
Operating income	3	432,561	508,205	1,
Interest expense		(46,825)	(27,652)	
Interest income		14,891	15,415	
Other financial expenses, net	6	(131,072)	(74,954)	(

Equity in (losses) earnings of associated companies	(2,021)	4,767	
Income before income tax expense	267,534	425,781	
Income tax expense	(53,535)	(71,747)	(
Net income for the period	213,999	354,034	
Attributable to:			
Equity holders of the Company	159,819	257,378	
Minority interest	54,180	96,656	
	213,999	354,034	
Weighted average number of shares outstanding	2,004,743,442	2,004,743,442	2,004,
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in USD per share)	0.08	0.13	

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.

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

CONSOLIDATED CONDENSED BALANCE SHEETS

	Notes	September 30, 2007		December 31, 2	
		(Unaudited)			
ASSETS					
Non-current assets					
Property, plant and equipment, net	7	7,180,247		5,420,683	
Intangible assets, net	8	1,571,279		551,587	
Investments in associated companies		47,718		16,285	
Other investments, net		14,706		13,387	
Deferred tax assets		298,225		36,439	
Receivables, net		93,435	9,205,610	78,903	6,1
Current assets					
Receivables		277,864		175,818	
Derivative financial instruments		1,065		7,852	
Inventories, net		1,982,507		1,241,325	
Trade receivables, net		1,046,971		577,866	
Other investments, net		115,227		-	
Cash and cash equivalents		1,078,750	4,502,384	643,352	2,6

Non-current assets classified as held for sale		17,000		
Total assets		13,724,994		8,7
EQUITY				
Capital and reserves attributable to the company's equity holders		4,281,862		3,7
Minority interest		1,857,346		1,7
Total equity		6,139,208		5,4
LIABILITIES				
Non-current liabilities				
Provisions	57,381		60,543	
Deferred income tax	1,508,543		985,155	
Other liabilities	351,261		274,566	
Trade payables	6,837		7,229	
Borrowings	3,763,569	5,687,591	548,401	1,8
Current liabilities				
Current tax liabilities	221,351		103,195	
Other liabilities	248,087		158,374	
Trade payables	1,052,147		621,754	
Derivative financial instruments	6,399		15,487	
Borrowings	370,211	1,898,195	508,694	1,4
Total liabilities		7,585,786		3,2
Total equity and liabilities		13,724,994		8,7

Contingencies, commitments and restrictions on the distribution of profits are 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 September 30, 2007
and for the nine-month periods ended September 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	Total
Balance at January 1, 2007	2,004,744	(23,295)	2,047,199	(2,324,866)	(121,608)	2,175,384	3,757,558
Currency translation adjustment					5,663		5,663
Net income for the period						618,878	618,878
Total recognized income for the period					5,663	618,878	624,541
Dividends paid in cash and other distributions			(100,237)				(100,237
Dividends paid in cash and other distributions by subsidiary companies							
Contributions from minority shareholders in consolidated subsidiaries							
Acquisition of business							
Balance at September 30, 2007	2,004,744	(23,295)	1,946,962	(2,324,866)	(115,945)	2,794,262	4,281,862
Balance at January 1, 2006	1,396,552	(5,456)	1,462,137	(2,298,048)	(92,691)	1,379,960	1,842,454
Currency translation adjustment					(61,524)		(61,524
Net income for the period						655,022	655,022
Total recognized income for the period					(61,524)	655,022	593,498
Dividends paid in cash and other distributions by subsidiary companies							
Acquisition of business			(24,338)				(24,338
Contributions from							

shareholders	33,801		43,100	(26,818)			50,083
Conversion of Subordinated Convertible Loans	302,962		302,962				605,924
Initial Public Offering	271,429	(17,839)	271,429				525,019
Balance at September 30, 2006	2,004,744	(23,295)	2,055,290	(2,324,866)	(154,215)	2,034,982	3,592,640

(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 law and regulations 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. 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.

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

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENTS

	Notes
Cash flows from operating activities	
Net income for the period	
Adjustments for:	
Depreciation and amortization	7 & 8
Income tax accruals less payments	
Equity in losses (earnings) of associated companies	
Interest accruals less payments	
Changes in provisions	
Changes in working capital	
Others	
Net cash provided by operating activities	

Cash flows from investing activities
Capital expenditures 7 & 8
Changes in trust funds
Acquisition of business
Increase in other investments
Proceeds from the sale of property, plant and equipment

Net cash used in investing activities

Cash flows from financing activities
Dividends paid in cash and other distributions
Dividends paid in cash and other distributions by subsidiary companies
Contributions from shareholders
Contributions from minority shareholders in consolidated subsidiaries
Net proceeds from Initial Public Offering
Proceeds from borrowings
Repayments of borrowings

Net cash provided by (used in) financing activities

Increase in cash and cash equivalents

Movement in cash and cash equivalents
At January 1, (1)
Acquisition of business
Effect of exchange rate changes
Increase in cash and cash equivalents

Cash and cash equivalents at September 30,

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 September 30, 2007
and for the nine-month periods ended September 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 Statements 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").

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 November 6, 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 September 30, 2007, the outstanding liability corresponding to the Program amounts to USD 2.3 million.

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 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 metal building systems and components, insulated panels, iron ore and pig iron.

	Flat steel products	Long stee products
		(Unau
Nine-month period ended September 30, 2007		
Net sales	4,746,826	1,095,334
Cost of sales	(3,289,787)	(746,651
Gross profit	1,457,039	348,683
Selling, general and administrative expenses	(460,491)	(107,055
Other operating income, net	11,247	5,000

Operating income	1,007,795	246,628
Depreciation - PP&E	306,704	54,218

	Flat steel products	Long stee products
		(Unau
Nine-month period ended September 30, 2006		
Net sales	3,819,686	964,737
Cost of sales	(2,399,672)	(634,250
Gross profit	1,420,014	330,487
Selling, general and administrative expenses	(360,973)	(87,668
Other operating (expenses) income, net	(2,900)	681
Operating income	1,056,141	243,500
Depreciation - PP&E	250,626	44,128

3 Segment information (continued)

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	Nor Ame
		(U
Nine-month period ended September 30, 2007		
Net sales	3,421,719	2,53
Depreciation - PP&E	242,709	12
Nine-month period ended September 30, 2006		
Net sales	2,794,155	2,12
Depreciation - PP&E	204,665	9

4 Cost of sales

Inventories at the beginning of the year
Acquisition of business (see Note 11)
Plus: Charges for the period
Raw materials and consumables used and other movements
Services and fees
Labor cost
Depreciation of property, plant and equipment
Amortization of intangible assets
Maintenance expenses
Office expenses
Freight and transportation
Insurance
(Recovery) provision for obsolescence
Recovery from sales of scrap and by-products
Others
Less: Inventories at the end of the period

Cost of sales

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

5 Selling, general and administrative expenses

	Nin end
	2007
Services and fees	47,6
Labor cost	153,9
Depreciation of property plant and equipment	11,2
Amortization of intangible assets	17,3
Maintenance expenses	13,8
Taxes	51,0
Office expenses	21,0
Freight and transportation	252,5
Insurance	1,2
Recovery for impairment of trade receivables	(3,9
Others	22,1
Selling, general and administrative expenses	588,1

6 Other financial expenses, net

Net foreign exchange transaction losses and change in fair value of derivative instruments	
Debt issue costs	
Loss from Participation Account	(
Others	
Other financial expenses, net	(

7 Property, plant and equipment, net

	e
	2
At the beginning of the year	5,
Currency translation differences	
Transfers	
Additions	
Disposals	
Increase due to business acquisition (see Note 11)	1,
Depreciation charge	(
At the end of the period	7,

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

8 Intangible assets, net

	Nine- ended
	2007

	(U
At the beginning of the year	551,
Currency translation differences	(8,
Additions	28,
Increase due to business acquisition (see Note 11)	508,
Goodwill generated in the acquisition of Grupo Imsa (see Note 11)	521,
Amortization charge	(30,
At the end of the period	1,571,

(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:

(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 September 30, 2007, Sidor's potential exposure under this litigation amounted to USD 151.8 million.

(ii)Grupo Imsa - Commitments:
(a) On December 16, 2004, Grupo Imsa entered into a ten-year steel slab supply agreement (the "Agreement") with Corus UK Limited ("Corus") together with Grupo Marcegaglia (Italy), Duferco International (Switzerland), Donkuk Steel (South Korea) (collectively referred to as the "Off-takers"). During the term of the contract, Grupo Imsa through one of its subsidiaries, will be entitled to purchase 15.4% of the production of Corus' Teeside plant, estimated between 3.2 and 3.6 million tons of steel slab per year. This represents approximately 20% of Grupo Imsa's actual steel slab needs. The Agreement also establishes a supply schedule for each of the Off-takers.

As per the Agreement, Grupo Imsa is committed to make predetermined cash payments during the term of the contract in addition to the purchase price paid for the steel slab, as follows: (i) an initial payment of USD14.3 million, (ii) twenty semi-annual payments distributed proportionately in different percentages until 2014 for a total of USD16.5 million, and (iii) additional payments for future capital investments in Corus' Teeside plant amounting to approximately

USD15.1 million. All the payments described in (i) and (ii) above have been made prior to the acquisition of Grupo Imsa by Ternium.

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

(b) On April 5, 2000, several subsidiaries of Grupo Imsa which have facilities throughout the Mexican territory, entered into a 15-year energy purchase agreement for approximately 90 MW of electricity with Tractebel Energia de Monterrey, S. de R.L. de C.V.

(c) On September 1, 1995, Grupo Imsa (through Steelscape, Inc., one of its subsidiaries located in the United States of America) entered into a fifty-year operating lease agreement with the Port of Kalama for the lease of land for a facility located in Kalama. Grupo Imsa's subsidiary has the option to extend the term of this lease for three consecutive ten-year periods. Under this lease with the Port of Kalama, the Company is responsible for removing its personal property and an environmental evaluation must be conducted at the expense of the Company. The land lease with the Port of Kalama included a free rent period and increasing rent payments and the Company is responsible for removing machinery, equipment and office furniture and restoring the premises to a suitable condition at the end of the lease term.

(d) On January 19, 2006, Grupo Imsa (through Industrias Monterrey S.A. de C.V) entered into an agreement with Gas Industrial de Monterrey, S.A. de C.V (GIMSA), under which GIMSA agrees to supply natural gas to two of Grupo Imsa's plants, based on an Annual Firm Base which is established 45 days before the commencement of the following service year and is determined based on Grupo Imsa's daily needs for the relevant period. Grupo Imsa has the obligation to purchase the agreed volume, which is subject to changes according to written communications, as established in the agreement. The price is determined on a monthly basis pursuant to the methodology approved by the Energy Regulatory Commission for prices applicable to the area.

(e) On April 1, 2003, Grupo Imsa (through Industrias Monterrey S.A. de C.V.) entered into a contract with PEMEX GAS and Petroquimica Basica for the supply of natural gas to one of Grupo Imsa's plants located in Monclova, based on an annual program established 30 days before the commencement of the following service year. This annual program is agreed based on Grupo Imsa's needs during the relevant period and Grupo Imsa has the obligation to purchase this agreed volume, which is subject to renegotiation according to the agreement. The reference price is determined based on the average of the quoted prices of several indexes plus transportation and service costs depending on the areas or cities.

(iii) 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 September 30, 2007, Ternium S.A. and Siderar S.A.I.C. have fully repaid these loans, and at the same time the guarantees and restrictions imposed by the financing contracts were released.

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 September 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 September 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	631,084
Total shareholders' equity under Luxembourg GAAP	5,052,178

11 Acquisition of business: 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 obtained 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 the 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.

Grupo Imsa is a steel manufacturer with operations in Mexico, the United States and Guatemala. It has an annual production capacity of 2.2 million tons of hot rolled coils, 1.8 million tons of cold rolled products and 1.7 million tons of coated products. In addition, Grupo Imsa produces panels and other steel products.

The initial accounting for the acquisition of Grupo Imsa has been determined provisionally as the Company still needs to perform additional procedures to estimate the fair value of certain identifiable assets and liabilities.

11 Acquisition of business: Grupo Imsa S.A.B. de C.V. ("Grupo Imsa") (continued)

The acquired business contributed revenues of USD 581.9 million to the Company in the period ended September 30, 2007. The book value of net assets acquired totals USD 543.9 million. The fair value of assets and liabilities arising from acquisition are as follows:

Property, plant and equipment	
Intangible assets	
Inventories	
Cash and cash equivalents	
Deferred Tax Liabilities	
Pension Benefits	
Provisions	
Borrowings	
Other assets and liabilities, net	
Net	

Goodwill, representing the excess of the purchase price paid over the fair value of identifiable assets, liabilities and contingent liabilities acquired, totaled USD 521.3 million.

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

- 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.

- Ternium's subsidiary Hylsa S.A. de C.V. ("Hylsa") made several borrowings in an aggregate principal amount of 3,485 million under a loan facility (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.

Grupo Imsa assumed on 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:

- Hylsa's debt under the Hylsa Facility amounted to USD 2,070 million in principal amount, and Grupo Imsa's debt under that facility amounted to USD 1,415 million in principal amount; and

- Grupo Imsa's unused commitment under the facility amounted 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, except in case of non compliance of the above mentioned covenants.

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:

(i) Transactions

(a) Sales of goods and services
Sales of goods to associated parties
Sales of goods to other related parties
Sales of services and others to associated parties
Sales of services and others to other related parties

(b) Purchases of goods and services
Purchases of goods from associated parties

Purchases of goods from other related parties	
Purchases of services and others from associated parties	
Purchases of services and others from other related parties	

(c) Financial results	
Income with associated parties	
Income with other related parties	
Expenses with other related parties	

	At Septembe 30, 2007 (Unaudited
(ii) Period-end balances	
(a) Arising from sales/purchases of goods/services	
Receivables from associated parties	39,4
Receivables from other related parties	41,1
Payables to associated parties	(6,1
Payables to other related parties	(34,3
	40,1
b) Other investments	
Time deposit	12,6
(c) Financial debt	
Borrowings with other related parties	

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

13 Recent accounting pronouncements

(i) International Accounting Standard 23 (revised 2007), "Borrowing Costs"

In March 2007, the International Accounting Standards Board issued International Accounting Standard 23 (revised 2007), "Borrowing Costs" (the "Standard"). The Standard provides that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, while all other borrowing costs shall be recognized as an expense.

The Standard supersedes IAS 23 (revised 1993) and is applicable for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the Standard from a date before 1 January 2009, it shall disclose that fact.

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

(ii) 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.

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.

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

13 Recent accounting pronouncements (continued)

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.

(iv) International Accounting Standard 1 (revised 2007), "Presentation of Financial Statements"

In September 2007, the International Accounting Standards Board issued International Accounting Standard 1 Revised, "Presentation of Financial Statements" ("IAS 1 Revised"). IAS 1 Revised sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The main changes introduced by IAS 1 Revised in respect of the previous version of IAS 1 include the following:

(a) a complete set of financial statements shall include a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement;
(b) changes in equity arising from transactions with owners in their capacity as owners shall be reported separately from non-owners changes in equity;
(c) an entity shall disclose income tax relating relating to each component of other comprehensive income; and
(d) the option to present distributions to equity holders (dividends) in the income statement is no longer available

IAS 1 Revised is applicable for annual periods beginning on or after January 1, 2009, although earlier application is permitted.

The Company's management has not assessed the potential impact that the application of IAS 1 Revised may have on the Company's financial condition or results of operations.

Roberto Philipps
Chief Financial Officer