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Ternium S.A.
Form 6-K
November 07, 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 11/06/2006

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
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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 September 30, 2006.

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TERNIUM S.A.

CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2006
AND FOR THE NINE-MONTH PERIODS
ENDED SEPTEMBER 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 September 30, 2006
and for the nine-month periods ended September 30, 2006 and 2005
(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENTS

	Notes	Three-month period ended September 30,	
		2006	2005
		(Unaudited)	
Net sales	4	1,743,491	1,151,995
Cost of sales	4 & 5	(1,082,402)	(670,275)
Gross profit	4	661,089	481,720
Selling, general and administrative expenses	6	(152,680)	(148,610)
Other operating income (expenses), net		(204)	(36,867)
Operating income		508,205	296,243
Financial expenses, net	7	(87,191)	(77,307)
Excess of fair value of net assets acquired over cost		-	-
Equity in earnings of associated companies	8	4,767	2,192

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Income before income tax expense.....	425,781	221,128	
Income tax expense	(71,747)	(44,948)	
	-----	-----	
Net income for the period	354,034	176,180	
	-----	-----	
Attributable to:			
Equity holders of the Company	257,378	89,251	
Minority interest	96,656	86,929	
	-----	-----	
	354,034	176,180	
	-----	-----	
Weighted average number of shares outstanding.....	2,004,743,442	1,168,943,632	1,
Basic earnings per share for profit attributable to the equity holders of the Company (expressed in USD per share)	0.13	0.08	
Diluted earnings per share for profit attributable to the equity holders of the Company (expressed in USD per share)	0.13	0.07	

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.

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

CONSOLIDATED CONDENSED BALANCE SHEETS

	Notes	September 30, 2006	
		(Unaudited)	
ASSETS			
Non-current assets			
Property, plant and equipment, net.....	9	5,374,866	5
Intangible assets, net.....	9	541,750	
Investments in associated companies.....	8	13,336	
Other investments, net		13,291	
Deferred tax assets		37,582	
Other assets		-	
Receivables, net.....		61,042	6,041,867
		-----	-----

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Current assets		
Receivables.....	220,217	
Other assets	-	
Derivative financial instruments.....	6,788	
Inventories, net	1,267,069	1
Trade receivables, net	609,372	
Other investments.....	-	
Cash and cash equivalents.....	825,678	2,929,124
	-----	-----
Non-current assets classified as held for sale.....		9,504

Total assets		8,980,495

EQUITY		
Capital and reserves attributable to the company's equity holders.....		3,592,640
Minority interest.....		1,800,017

Total equity.....		5,392,657
LIABILITIES		
Non-current liabilities		
Provisions	59,385	
Deferred tax liabilities.....	952,694	1
Other liabilities	217,666	
Trade payables	-	
Borrowings	799,412	2,029,157
	-----	-----
Current liabilities		
Provisions.....	-	
Current tax liabilities.....	216,348	
Other liabilities	172,440	
Trade payables	653,238	
Derivative financial instruments.....	17,455	
Borrowings	499,200	1,558,681
	-----	-----
Total liabilities		3,587,838

Total equity and liabilities.....		8,980,495

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

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

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 (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	Minority interest	
Balance at January 1	1,396,552	(5,456)	1,462,137	(2,298,048)	(92,691)	1,379,960	1,842,454	1,733,4	
Currency translation adjustment					(61,524)		(61,524)	(19,1	
Net income for the period						655,022	655,022	182,7	
Total recognized income for the period					(61,524)	655,022	593,498	163,5	
Dividends paid in cash and other distributions									
Dividends paid in cash and other distributions by subsidiary companies								(27,1	
Acquisition of business								(19,1	
Contributions from shareholders (see Note 3)									
Exchange	33,801		43,100	(26,818)			50,083	(46,9	
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)			(24,338)				(24,338)	(3,7	
Balance at September 30	2,004,744	(23,295)	2,055,290	(2,324,866)	(154,215)	2,034,982	3,592,640	1,800,0	

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

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TERNIUM S.A.
Consolidated condensed interim financial statements as of September
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(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENTS

	Notes	Nine-month period ended S
		2006
		(Unaudited)
Cash flows from operating activities		
Net income for the period		837,728
Adjustments for:		
Depreciation and amortization	9	318,460
Income tax accruals less payments		4,307
Derecognition of property, plant and equipment.....	9	1,716
Excess of fair value of net assets acquired over cost		-
Equity in earnings of associated companies	8	(3,845)
Interest accruals less payments		(10,736)
Changes in provisions		31,680
Changes in working capital		(274,111)
Currency translation adjustment and others		33,378
Net cash provided by operating activities		938,577
Cash flows from investing activities		

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Capital expenditures	9	(280,091)
Changes in trust funds.....		5,185
Acquisition of business	11	(103,055)
Proceeds from the sale of property, plant and equipment...		988

Net cash used in investing activities		(376,973)

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		123,207
Repayments of borrowings		(1,124,792)

Net cash (used in) provided by financing activities		(500,656)

Increase (decrease) in cash and cash equivalents		60,948

Movement in cash and cash equivalents		
At January 1, (1).....		754,980
Acquisition of business		-
Effect of exchange rate changes.....		(591)
Increase (decrease) in cash and cash equivalents.....		60,948

Cash and cash equivalents at September 30, (1)		815,337

Non-cash transactions		
Conversion of debt instruments into shares		605,924

(1) In addition, the Company has restricted cash for USD 10,341 and USD 10,650 at September 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.

TERNIUM S.A.

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

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TERNIUM S.A.

Notes to the Consolidated Condensed Interim Financial Statements

1 Basis of presentation

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

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

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

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

The preparation of consolidated condensed interim financial statements requires management to make estimates and assumptions that might affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet dates, and also the reported amounts of revenues and expenses for the reported periods. Actual results may differ from 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 November 6, 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.

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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 9.5 million and include principally land and other real estate items. Sale is expected to be completed within a one-year period.

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TERNIUM S.A.

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

3 Initial Public Offering

In January 2006, the Company successfully completed its registration process with the United States Securities and Exchange Commission ("SEC") and announced the commencement of its offer to sell 24,844,720 American Depositary Shares ("ADS") representing 248,447,200 shares of common stock through Citigroup Global Markets Inc., Deutsche Bank Securities Inc., JP Morgan Securities Inc., Morgan Stanley & Co. Incorporated, BNP Paribas Securities Corp., 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 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.

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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)				
Nine-month period ended September 30, 2006				
Net sales	3,809,556	964,737	207,154	4,981,447
Cost of sales	(2,394,215)	(632,051)	(121,378)	(3,147,644)
	-----	-----	-----	-----
Gross profit	1,415,341	332,686	85,776	1,833,803
Depreciation - PP&E	266,846	36,203	922	303,971

	Flat steel products	Long steel products	Other	Total

(Unaudited)				
Nine-month period ended September 30, 2005				
Net sales	2,515,185	365,496	99,159	2,979,840
Cost of sales	(1,295,674)	(211,290)	(74,854)	(1,581,818)
	-----	-----	-----	-----
Gross profit	1,219,511	154,206	24,305	1,398,022
Depreciation - PP&E	177,551	22,008	425	199,984

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TERNIUM S.A.

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

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.

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	South and Central America -----	North America -----	Europe and others -----
		(Unaudited)	
Nine-month period ended September 30, 2006			
Net sales	2,839,179	2,108,910	33,358
Depreciation - PP&E	204,665	99,298	8
Nine-month period ended September 30, 2005			
Net sales	2,122,251	579,486	278,103
Depreciation - PP&E	181,691	18,286	7

5 Cost of sales

	Nine-month period September 3 ----- 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	2,326,769
Services and fees	112,694
Labor cost	354,924
Depreciation of property, plant and equipment	284,652
Amortization of intangible assets	10,187
Maintenance expenses	242,915
Office expenses	5,988
Freight and transportation	18,816
Insurance	7,597
Provision for obsolescence	26,274
Recovery from sales of scrap and by-products	(37,559)
Others	53,157
Less: Inventories at the end of the period	(1,267,069)
Cost of sales	3,147,644

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6 Selling, general and administrative expenses

	Nine-month period September 30
	----- 2006 -----
	(Unaudited)
Services and fees	37,872
Labor cost	108,665
Depreciation of property plant and equipment	19,319
Amortization of intangible assets	4,302
Maintenance and expenses	12,409
Taxes	32,513
Office expenses	23,252
Freight and transportation	203,744
Insurance	1,011
Others	15,978

Selling, general and administrative expenses	459,065

7 Financial expenses, net

	Nine-month period September 30
	----- 2006 -----
	(Unaudited)
Interest expense	(91,671)
Interest income	40,559
Net foreign exchange transaction gains and change in fair value of derivative instruments	(22,176)
Debt issue costs	(12,770)
Income from Participation Account (i)	-
Loss from Participation Account (i)	(215,707)
Others	(17,168)

Financial expenses, net	(318,933)

(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.

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8 Investments in associated companies

	Nine-month period September 30, 2006
	(Unaudited)
At the beginning of the year	9,122
Translation adjustment	25
Acquisition	344
Equity in earnings of associated companies	3,845
Consolidation of Amazonia	-
At the end of the period	13,336

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

9 Property, plant and equipment and Intangible assets, net

	Net Property, Plant and Equipment
	(Unaudited)
Nine-month period ended September 30, 2006	
At the beginning of the year	5,463,871
Currency translation differences	(85,708)
Transfers	(9,632)
Additions	266,804
Disposals	(2,607)
Derecognition	(1,716)
Increase due to business acquisition	47,825
Depreciation/ Amortization charge	(303,971)
At the end of the period	5,374,866

(1) Includes USD 675 thousand 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

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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, 2006, Sidor's potential exposure under this litigation amounted to USD 118.6 million.

(ii) 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 September 30, 2006
Share capital	2,004,744
Initial Public Offering expenses	(14,928)
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	326,107
Total shareholders' equity under Luxembourg GAAP	4,440,280

11 Acquisition of business

- a) On November 18 2005, Ternium's Argentine subsidiary, Siderar, agreed to acquire assets and facilities of Acindar Industria

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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 50.4 million in the nine month period ended September 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 24.3 million) being recorded directly in equity.

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

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

12 Related party transactions

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

The following transactions were carried out with related parties:

	Nine-month period ended September	
	2006	2005
	(Unaudited)	
(i) Transactions		
(a) Sales of goods and services		
Sales of goods to associated parties	1,905	
Sales of goods to other related parties	66,146	
Sales of services to associated parties	2,169	
Sales of services to other related parties	858	
	71,078	
(b) Purchases of goods and services		
Purchases of goods from associated parties	62,570	
Purchases of goods from other related parties	30,717	
Purchases of services from associated parties	2,316	
Purchases of services from other related parties	120,837	
	216,440	
(c) Financial results		
Income with associated parties	2,832	
Income with other related parties	31	
Expenses with other related parties	(1,815)	
	1,048	
	At September 30,	At December
	2006	2005
	(Unaudited)	
(ii) Period-end balances		
(a) Arising from sales/purchases of goods/services		
Receivables from associated parties	71,120	
Receivables from other related parties	50,736	
Payables to associated parties	(9,181)	
Payables to other related parties	(40,716)	
	71,959	

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b) Other investments		
Time deposit with other related parties	11,185	
(c) Other balances		
Trust fund with other related parties	-	
(d) Financial debt		
Borrowings with other related parties	(2,161)	(6)

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TERNIUM S.A.

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

13 Recent accounting pronouncements

a) 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 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.

The Company's management estimates that the application of IFRIC 9 will not have a material effect on the Company's financial condition or results of operations.

b) IFRIC Interpretation 10, Interim Financial Reporting and Impairment

In July 2006, IFRIC issued IFRIC Interpretation 10 "Interim Financial Reporting and Impairment" ("IFRIC 10"). IFRIC 10 provides guidance on whether impairment losses related to goodwill (IAS 36), investments in equity instruments or financial assets carried at cost (IAS 39), which were recognised in previous periods, should ever be reversed in an interim period (IAS 34) and the effect of

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that interaction on subsequent interim and annual financial statements.

IFRIC reached a consensus that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. In addition, paragraph 9 of IFRIC 10 states that "an entity shall not extend this consensus by analogy to other areas of potential conflict between IAS 34 and other standards".

An entity shall apply this Interpretation for annual periods beginning on or after 1 November 2006, although earlier application is encouraged.

The Company's management estimates that the application of IFRIC 10 will not have a material effect on the Company's financial condition or results of operations.

Roberto Philipps

Chief Financial Officer

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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: November 6, 2006