Ternium S.A.
Form 6-K
November 04, 2010

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 11/3/2010
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 þ Form 40-F o

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 o No þ

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, 2010.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TERNIUM S.A.

By: /s/ Pablo Brizzio	By: /s/ Daniel Novegil
Name: Pablo Brizzio	Name: Daniel Novegil
Title: Chief Financial Officer	Title: Chief Executive Officer

Dated: November 3, 2010

TERNIUM S.A.
CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2010
AND FOR THE NINE-MONTH PERIODS
ENDED SEPTEMBER 30, 2010 AND 2009

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, 2010
and for the nine-month periods ended September 30, 2010 and 2009
(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENTS

	Notes	Three-month period ended September 30, 2010	2009	Nine-month period ended September 30, 2010	2009
		(Unaudited)		(Unaudited)	
Continuing operations					
Net sales	**3**	1,877,234	1,278,835	5,454,473	3,593,783
Cost of sales	**3 & 4**	(1,448,149)	(1,005,363)	(4,060,783)	(3,098,633)
Gross profit	**3**	429,085	273,472	1,393,690	495,150
Selling, general and administrative expenses	**3 & 5**	(170,105)	(114,570)	(482,623)	(393,727)
Other operating income (expenses), net	**3**	8,587	(24)	9,186	(21,119)
Operating income	**3**	267,567	158,878	920,253	80,304
Interest expense		(17,868)	(25,589)	(55,249)	(85,425)
Interest income		10,244	5,752	18,177	16,121
Interest income Sidor financial asset	**11**	11,604	38,259	56,685	95,385
Other financial income (expenses), net	**6**	29,539	(44,911)	91,617	13,836
Equity in earnings (losses) of associated companies		71	270	(813)	928
Income before income tax expense		301,157	132,659	1,030,670	121,149
Income tax (expense) benefit		(100,321)	(28,002)	(354,049)	23,153
Income from continuing operations		200,836	104,657	676,621	144,302
Discontinued operations					
	11				428,023

Gain from the disposal of Sidor				
Profit for the period	200,836	104,657	676,621	572,325
Attributable to:				
Equity holders of the Company	151,684	88,480	544,569	558,116
Non-controlling interests	49,152	16,177	132,052	14,209
	200,836	104,657	676,621	572,325
Weighted average number of shares outstanding	2,004,743,442	2,004,743,442	2,004,743,442	2,004,743,442
Basic and diluted earnings per share (expressed in USD per share) for profit:				
- From continuing operations attributable to the equity holders	0.08	0.04	0.27	0.07
- From discontinued operations attributable to the equity holders				0.21
- For the period attributable to the equity holders	0.08	0.04	0.27	0.28

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, 2009.

TERNIUM S.A.
Consolidated condensed interim financial statements as of September 30, 2010
and for the nine-month periods ended September 30, 2010 and 2009
(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2010	2009	2010	2009
	(Unaudited)		(Unaudited)	
Profit for the period	**200,836**	**104,657**	**676,621**	**572,325**
Other comprehensive income:				
Currency translation adjustment	18,398	(54,819)	25,152	(164,507)
Changes in the fair value of derivatives classified as cash flow hedges	3,973	4,862	7,215	29,648
Income tax relating to cash flow hedges	(1,192)	(1,362)	(2,164)	(8,302)
Other comprehensive income (loss) for the period, net of tax	**21,179**	**(51,319)**	**30,203**	**(143,161)**
Total comprehensive income for the period	**222,015**	**53,338**	**706,824**	**429,164**
Attributable to:				
Equity holders of the Company	173,100	47,863	588,194	476,082
Non-controlling interests	48,915	5,475	118,630	(46,918)
	222,015	**53,338**	**706,824**	**429,164**

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, 2009.

TERNIUM S.A.
Consolidated condensed interim financial statements as of September 30, 2010
and for the nine-month periods ended September 30, 2010 and 2009
(All amounts in USD thousands)

CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL POSITION

	Notes	September 30, 2010 (Unaudited)		December 31, 2009	
ASSETS					
Non-current assets					
Property, plant and equipment, net	**7**	4,214,239		4,040,415	
Intangible assets, net	**8**	1,126,961		1,085,412	
Investments in associated companies		5,712		6,577	
Other investments, net		35,379		16,414	
Deferred tax assets		8,897			
Receivables, net		70,097	5,461,285	101,317	5,250,135
Current assets					
Receivables		113,393		136,300	
Derivative financial instruments		42		1,588	
Inventories, net		2,026,181		1,350,568	
Trade receivables, net		715,175		437,835	
Sidor financial asset	**11**	253,662		964,359	
Other investments		284,908		46,844	
Cash and cash equivalents		2,227,001	5,620,362	2,095,798	5,033,292
Non-current assets classified as held for sale			10,146		9,246
			5,630,508		5,042,538
Total assets			**11,091,793**		**10,292,673**
EQUITY					
Capital and reserves attributable to the company s equity holders			5,784,299		5,296,342
Non-controlling interests			1,108,031		964,897
Total equity			6,892,330		6,261,239

LIABILITIES

Non-current liabilities				
Provisions	15,790		18,913	
Deferred income tax	844,244		857,297	
Other liabilities	208,431		176,626	
Derivative financial instruments	21,533		32,627	
Trade payables	1,132			
Borrowings	1,420,618	2,511,748	1,787,204	2,872,667
Current liabilities				
Current tax liabilities	375,114		103,171	
Other liabilities	132,824		57,021	
Trade payables	634,263		412,967	
Derivative financial instruments	35,840		46,083	
Borrowings	509,674	1,687,715	539,525	1,158,767
Total liabilities		4,199,463		4,031,434
Total equity and liabilities		**11,091,793**		**10,292,673**

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. 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, 2009.

TERNIUM S.A.
Consolidated condensed interim financial statements as of September 30, 2010
and for the nine-month periods ended September 30, 2010 and 2009
(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

	Attributable to the Company s equity holders (1)								
	Capital stock (2)	**Initial public offering expenses**	**Revaluation and other reserves**	**Capital stock issue discount (3)**	**Currency translation adjustment**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
Balance at January 1, 2010	**2,004,743**	**(23,295)**	**1,726,216**	**(2,324,866)**	**(570,844)**	**4,484,388**	**5,296,342**	**964,897**	**6,261,239**
Profit for the period						544,569	544,569	132,052	676,621
Other comprehensive income for the period									
Currency translation adjustment					39,144		39,144	(13,992)	25,152
Cash flow hedges, net of tax			4,481				4,481	570	5,051
Total comprehensive income for the period			4,481		39,144	544,569	588,194	118,630	706,824
Dividends paid in cash and other distributions (See Note 9)			(100,237)				(100,237)		(100,237)
Dividends paid in cash and other distributions by subsidiary companies								(38,304)	(38,304)
Acquisition of business (See Note 12)								62,808	62,808

Balance at September 30, 2010 (unaudited)	**2,004,743**	**(23,295)**	**1,630,460**	**(2,324,866)**	**(531,700)**	**5,028,957**	**5,784,299**	**1,108,031**	**6,892,330**

(1) Shareholders equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 10 (iii).

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of September 30, 2010, there were 2,004,743,442 shares issued. All issued shares are fully paid.

(3) 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, 2009.

TERNIUM S.A.
Consolidated condensed interim financial statements as of September 30, 2010
and for the nine-month periods ended September 30, 2010 and 2009
(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (continued)

	Attributable to the Company s equity holders (1)								
	Capital stock (2)	**Initial public offering expenses**	**Revaluation and other reserves**	**Capital stock issue discount (3)**	**Currency translation adjustment**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
Balance at January 1, 2009	**2,004,743**	**(23,295)**	**1,702,285**	**(2,324,866)**	**(528,485)**	**3,766,988**	**4,597,370**	**964,094**	**5,561,464**
Profit for the period						558,116	558,116	14,209	572,325
Other comprehensive income (loss) for the period									
Currency translation adjustment					(100,971)		(100,971)	(63,536)	(164,507)
Cash flow hedges, net of tax			18,937				18,937	2,409	21,346
Total comprehensive income (loss) for the period			18,937		(100,971)	558,116	476,082	(46,918)	429,164
Acquisition of non-controlling interest (4)			182				182	(378)	(196)
Balance at September 30, 2009 (unaudited)	**2,004,743**	**(23,295)**	**1,721,404**	**(2,324,866)**	**(629,456)**	**4,325,104**	**5,073,634**	**916,798**	**5,990,432**

(1) Shareholders equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 10 (iii).

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of September 30, 2009, there were 2,004,743,442 shares issued. All issued shares are fully paid.

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

(4) On February 5, 2009, Ternium Internacional España S.L.U. acquired from its related company Siderca S.A.I.C., 53,452 shares of Siderar S.A.I.C., representing 0.015% of that company s share capital, for an aggregate purchase price of USD 196 thousand. After this acquisition, Ternium increased its ownership in Siderar to 60.94%.

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, 2009.

TERNIUM S.A.
Consolidated condensed interim financial statements as of September 30, 2010
and for the nine-month periods ended September 30, 2010 and 2009
(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS

		Nine-month period ended September, 30	
	Notes	**2010**	**2009**
		(Unaudited)	
Cash flows from operating activities			
Income from continuing operations		**676,621**	**144,302**
Adjustments for:			
Depreciation and amortization	**7 & 8**	280,020	285,291
Income tax accruals less payments		231,157	(120,499)
Equity in losses (earnings) of associated companies		813	(928)
Interest accruals less payments		(8,386)	2,593
Impairment charge	**10 (ii)**		27,022
Changes in provisions		4,221	2,631
Changes in working capital		(484,961)	847,430
Interest income Sidor financial asset	**11**	(56,685)	(95,385)
Net foreign exchange results and others		(61,405)	(3,254)
Net cash provided by operating activities		**581,395**	**1,089,203**
Cash flows from investing activities			
Capital expenditures	**7 & 8**	(219,983)	(145,764)
Proceeds from the sale of property, plant and equipment		1,213	2,284
(Increase) decrease in other investments		(255,280)	20,487
Acquisition of business			
Purchase consideration		(75,000)	(196)
Cash acquired		6,593	
Proceeds from Sidor financial asset	**11**	767,382	666,543
Net cash provided by investing activities		**224,925**	**543,354**
Cash flows from financing activities			
Dividends paid in cash and other distributions		(100,237)	
Dividends paid in cash and other distributions by subsidiary companies		(38,304)	
Proceeds from borrowings		18,486	205,887
Repayments of borrowings		(555,496)	(1,017,427)
Net cash used in financing activities		**(675,551)**	**(811,540)**
Increase in cash and cash equivalents		**130,769**	**821,017**

Movement in cash and cash equivalents		
At January 1,	2,095,798	1,065,552
Effect of exchange rate changes	434	(2,202)
Increase in cash and cash equivalents	130,769	821,017
Cash and cash equivalents at September 30,	**2,227,001**	**1,884,367**

The Company did not have restricted cash in any of the periods presented in these financial statements.

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, 2009.

TERNIUM S.A.

Notes to the Consolidated Condensed Interim Financial Statements

INDEX TO THE NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

TERNIUM S.A.

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

1 General information and basis of presentation

Ternium S.A. (the Company or Ternium), a Luxembourg Corporation (Societé 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, 2009.

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 date of the statement of financial position, and also the reported amounts of revenues and expenses for the reported periods. Actual results may differ from these estimates.

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 that are included in the consolidated condensed interim income statement under Other financial income (expenses), net .

These Consolidated Condensed Interim Financial Statements were approved by the Board of Directors of Ternium on November 3, 2010.

2 Accounting policies

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, 2009, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and adopted by the European Union.

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

These Consolidated Condensed Interim Financial Statements have been prepared following the same accounting policies used in the preparation of the audited Consolidated Financial Statements for the year ended December 31, 2009, except for the application of the following accounting pronouncements, which became effective on January 1, 2010:

IFRS 3 (revised January 2008), Business Combinations

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. Those changes refer principally to the following:

Partial acquisitions: Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original IFRS 3 requirement) or at fair value (which is the new requirement).

Step acquisitions: The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

Acquisition-related costs: Acquisition-related costs are generally recognised as expenses (rather than included in goodwill).

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

2 Accounting policies (continued)

Contingent consideration: Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRSs, usually in profit or loss (rather than by adjusting goodwill).

3 Segment information

Reportable operating 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 electro-galvanized 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, semi-finished state), wire rod and bars.

The other products segment includes products other than flat and long steel, mainly pig iron, pellets and pre-engineered metal buildings.

	Flat steel products	**Long steel products**	**Other**	**Total**
		(Unaudited)		
Nine-month period ended September 30, 2010				
Net sales	4,708,323	604,524	141,626	5,454,473
Cost of sales	(3,534,276)	(450,649)	(75,858)	(4,060,783)
Gross profit	1,174,047	153,875	65,768	1,393,690
Selling, general and administrative expenses	(424,257)	(44,890)	(13,476)	(482,623)
Other operating income, net	8,108	869	209	9,186
Operating income	757,898	109,854	52,501	920,253
Depreciation PP&E	209,649	14,521	4,668	228,838
Nine-month period ended September 30, 2009				
Net sales	3,080,203	426,812	86,768	3,593,783
Cost of sales	(2,757,134)	(285,200)	(56,299)	(3,098,633)
Gross profit	323,069	141,612	30,469	495,150
Selling, general and administrative expenses	(353,392)	(31,334)	(9,001)	(393,727)
Other operating (expenses) income, net (*)	(21,156)	55	(18)	(21,119)
Operating (loss) income	(51,479)	110,333	21,450	80,304

Depreciation	PP&E	211,817	13,811	4,938	230,566

(*) Flat steel products segment includes an impairment charge of intangible assets of USD 27.0 million (see Note 10 (ii)).

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

3 Segment information (continued)

Geographical information

Ternium sells its products to three main geographical areas: South and Central America, North America, and Europe and others. The North American area comprises principally United States, Canada and Mexico. The South and Central American area comprises principally Argentina, Colombia, Chile, Paraguay, Ecuador, Guatemala, Costa Rica and Brazil.

	South and Central America	North America	Europe and others	Total
		(Unaudited)		
Nine-month period ended September 30, 2010				
Net sales	2,209,330	3,149,242	95,901	5,454,473
Depreciation PP&E	83,656	145,169	13	228,838
Nine-month period ended September 30, 2009				
Net sales	1,213,939	2,208,154	171,690	3,593,783
Depreciation PP&E	84,546	146,004	16	230,566

4 Cost of sales

	Nine-month period ended September 30, 2010	2009
	(Unaudited)	
Inventories at the beginning of the year	1,350,568	1,826,547
Acquisition of business	76,771	
Translation differences	22,125	(73,210)
Plus: Charges for the period		
Raw materials and consumables used and other movements	3,623,516	1,566,923
Services and fees	130,054	90,271
Labor cost	370,975	271,322
Depreciation of property, plant and equipment	215,836	227,075
Amortization of intangible assets	13,619	11,349
Maintenance expenses	252,410	160,883
Office expenses	4,748	3,731
Freight and transportation	27,279	25,992
Insurance	5,750	7,003
Charges (recovery) of provision for obsolescence	5,032	(48,793)
Valuation allowance		127,553
Recovery from sales of scrap and by-products	(32,437)	(19,942)
Others	20,718	14,948
Less: Inventories at the end of the period	(2,026,181)	(1,093,019)
Cost of sales	**4,060,783**	**3,098,633**

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

5 Selling, general and administrative expenses

	Nine-month period ended September 30,	
	2010	2009
	(Unaudited)	
Services and fees	42,897	35,030
Labor cost	115,057	107,602
Depreciation of property plant and equipment	13,002	3,491
Amortization of intangible assets	37,563	43,376
Maintenance expenses	6,494	4,792
Taxes	65,351	48,067
Office expenses	22,641	17,595
Freight and transportation	166,340	121,048
Decrease of allowances for doubtful accounts	(841)	(1,416)
Others	14,119	14,142
Selling, general and administrative expenses	**482,623**	**393,727**

6 Other financial income (expenses), net

	Nine-month period Ended September 30,	
	2010	2009
	(Unaudited)	
Net foreign exchange gains	100,220	10,889
Change in fair value of derivative instruments	(729)	11,593
Debt issue costs	(3,407)	(3,988)
Others	(4,467)	(4,658)
Other financial income, net	**91,617**	**13,836**

7 Property, plant and equipment, net

	Nine-month period ended September 30,	
	2010	2009
	(Unaudited)	
At the beginning of the year	4,040,415	4,212,313
Acquisition of business	140,118	
Currency translation differences	67,514	(137,067)
Additions	202,744	132,251
Disposals	(3,800)	(3,072)

Depreciation charge	(228,838)	(230,566)
Transfers and other movements	(3,914)	(6,855)
At the end of the period	**4,214,239**	**3,967,004**

TERNIUM S.A.

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

8 Intangible assets, net

	Nine-month period ended September 30,	
	2010	**2009**
	(Unaudited)	
At the beginning of the year	1,085,412	1,136,367
Acquisition of business	25,473	
Currency translation differences	46,105	148
Additions	17,239	13,513
Amortization charge	(51,182)	(54,725)
Transfers and other movements	3,914	(4,677)
Impairment charge (*)		(27,022)
At the end of the period	**1,126,961**	**1,063,604**

(*) This charge represents the full impairment over the steel supply contract mentioned in Note 10 (ii).

9 Distribution of dividends

During the annual general shareholders meeting held on June 2, 2010, the shareholders approved the consolidated financial statements and unconsolidated annual accounts for the year ended December 31, 2009 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 10, 2010.

10 Contingencies, commitments and restrictions on the distribution of profits

This note should be read in conjunction with Note 27 to the Company s audited Consolidated Financial Statements for the year ended December 31, 2009. Significant changes or events since the date of issue of such financial statements are as follows:

(i) Siderar

(a) Expansion project

Within the investment plan to increase its production capacity, Siderar has entered into several commitments to acquire new production equipment for a total consideration of USD 130.3 million.

Furthermore, related to operating activities and to the investment plan, Siderar entered into an agreement with Air Liquide Argentina S.A. (Alasa) for the supply of oxygen, nitrogen and argon for a contracted amount of USD 173.7 million which is due to terminate in 2025.

Given the severe international financial crisis initiated in 2008, its impact on the steel global market and the uncertainty about the evolution of steel demand, Siderar rescheduled the execution of its investment plan. Consequently, Siderar agreed with some suppliers to cancel or postpone some purchase orders.

Regarding the agreement entered with Alasa and after several negotiations, a provisory suspension of services and supplies from both parties related to the construction of the new gas facility was agreed until December 31, 2010. If a new postponement is not agreed, or a definitive agreement is not reached, Alasa would be entitled to claim Siderar fulfillment of the commitments starting January 1, 2011.

(b) Raw material contracts

Siderar has assumed fixed commitments for the purchase of raw materials for the next three years for a total consideration USD 649.8 million, which include purchases of certain raw materials at prices that are USD 32.4 million higher than market prices at the end of the period. The Company records the actual cost incurred for the purchase of such raw materials and does not recognize any anticipated losses, as sales prices of finished goods are expected to exceed production cost.

TERNIUM S.A.

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

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

(ii) Steel supply contracts

Grupo Imsa (now Ternium Mexico), together with Grupo Marcegaglia, Duferco International and Dongkuk Steel were parties to a ten-year steel slab off-take framework agreement with Corus UK Limited dated as of December 16, 2004, which was supplemented by bilateral off-take agreements. Under the agreements, the offtakers could be required, in the aggregate, to purchase approximately 78% of the steel slab production of Corus Teeside facility in the North East of England, of which Grupo Imsa s share was 15.38%, or approximately 0.5 million tons per year.

In addition, the offtakers were required to make, in the aggregate and according to their respective pro rata shares, significant payments to Corus to finance capital expenditures. In December 2007, all of Grupo Imsa s rights and obligations under this contract were assigned to Ternium Procurement S.A. (formerly known as Alvory S.A.).

On April 7, 2009, Ternium Procurement S.A., together with the other offtakers, declared the early termination of the off-take framework agreement and their respective off-take agreements with Corus pursuant to a provision allowing the offtakers to terminate the agreements upon the occurrence of certain events specified in the off-take framework agreement. Corus initially denied the occurrence of the alleged termination event, stated that it would pursue specific performance and initiated an arbitration proceeding against the offtakers and Ternium Mexico (as guarantor of Ternium Procurement s obligations) seeking damages arising out of the alleged wrongful termination of the off-take agreements, which damages Corus did not quantify but stated would exceed the USD150 million (approximately USD 29.7 million in the case of Ternium Procurement), the maximum aggregate cap on liability that the offtakers understand would have under the off-take framework agreement (a limitation that Corus disputes). In addition, Corus threatened to submit to arbitration further claims in tort against the offtakers, and also threatened to submit such claims against certain third parties to such agreements, including the Company. The offtakers and Ternium Mexico, in turn, denied Corus claims and brought counterclaims against Corus which, in the aggregate, would also be greater than USD150 million. On May 12, 2009, Corus, by a letter from its lawyers, alleged that the offtakers s termination notice amounted to a repudiatory breach of the agreements and stated that it accepted that the agreements had come to an end and that it would no longer pursue a claim for specific performance in the arbitration; the claim for damages, for all losses caused by the alleged offtakers wrongful repudiation of the agreements, however, would be maintained. On July 9, 2009, Corus submitted an amended request for arbitration adding tortious claims against the offtakers and adding to its claims the payment of punitive or exemplary damages. The arbitration proceeding has not yet concluded. At the date of issue of these financial statements it is impossible to foresee the final outcome of this arbitration proceeding.

(iii) Restrictions on the distribution of profits

Under Luxembourg law, at least 5% of net income per year calculated in accordance with Luxembourg law and regulations must be allocated to a reserve until such reserve equals 10% of the share capital. At December 31, 2009, 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 these consolidated condensed interim financial statements may not be wholly distributable.

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

	At December 31, 2009
Share capital	2,004,743
Legal reserve	200,474
Distributable reserves	201,674
Non distributable reserves	1,414,123
Accumulated profit at December 31, 2009	1,535,379

Total shareholders equity under Luxembourg GAAP	**5,356,393**

TERNIUM S.A.

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

11 Nationalization of Sidor

On March 31, 2008, Ternium S.A. (the Company) controlled approximately 59.7% of Sidor, while Corporación Venezolana de Guayana, or CVG (a Venezuelan governmental entity), and Banco de Desarrollo Económico y Social de Venezuela, or BANDES (a bank owned by the Venezuelan government), held approximately 20.4% of Sidor and certain Sidor employees and former employees held the remaining 19.9% interest.

Further to several threats of nationalization and various adverse interferences with management in preceding years, on April 8, 2008, the Venezuelan government announced its intention to take control over Sidor. On April 29, 2008, the National Assembly of Venezuela passed a resolution declaring that the shares of Sidor, together with all of its assets, were of public and social interest, and authorizing the Venezuelan government to take any action it deemed appropriate in connection with any such assets, including expropriation.

On May 11, 2008, Decree Law 6058 of the President of Venezuela regulating the steel production activity in the Guayana, Venezuela region (the Decree), dated April 30, 2008, was published. The Decree ordered that Sidor and its subsidiaries and associated companies be transformed into state-owned enterprises (empresas del Estado), with the government owning not less than 60% of their share capital. The Decree required the Venezuelan government to create two committees: a transition committee to be incorporated into Sidor s management and to ensure that control over the current operations of Sidor and its subsidiaries and associated companies was transferred to the government on or prior to July 12, 2008, and a separate technical committee, composed of representatives of the government and the private shareholders of Sidor and its subsidiaries and associated companies, to negotiate over a 60-day period (extendable by mutual agreement) a fair price for the shares to be transferred to Venezuela. The Decree also stated that, in the event the parties failed to reach agreement by the expiration of the 60-day period, the Venezuelan Ministry of Basic Industries and Mining (the MIBAM) would assume control and exclusive operation of, and the Executive Branch would order the expropriation of, the shares of the relevant companies in accordance with the Venezuelan Expropriation Law.

Upon expiration of the term contemplated under the Decree, on July 12, 2008, Venezuela, acting through CVG, assumed operational control and complete responsibility for Sidor s operations, and Sidor s board of directors ceased to function. However, negotiations between the Venezuelan government and the Company regarding the terms of the compensation continued over several months, and the Company retained formal title over the Sidor shares during that period.

On May 7, 2009, the Company completed the transfer of its entire 59.7% interest in Sidor to CVG. The Company agreed to receive an aggregate amount of USD 1.97 billion as compensation for its Sidor shares. Of that amount, CVG paid USD 400 million in cash at closing. The balance was divided in two tranches: the first tranche of USD 945 million is being paid in six equal quarterly installments beginning in August 2009 until November 2010, while the second tranche will be due in November 2010, subject to quarterly mandatory prepayment events based on the increase of the WTI crude oil price over its May 6, 2009 level. Under the agreements with CVG and Venezuela, in the event of non-compliance by CVG with its payment obligations, the Company has reserved the rights and remedies that it had prior to the transfer of the Sidor shares in relation to any claim against Venezuela, subject to certain limitations, including that the Company may not claim an amount exceeding the outstanding balance due from CVG.

TERNIUM S.A.

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

11 Nationalization of Sidor (continued)

At September 30, 2010, the carrying amount of the Sidor financial asset (following the receipt of USD 1,721.0 million cash payments) amounted to USD 253.7 million after application of a 14.36% annual discount rate to adequately reflect, and only for the purpose of recording, the present accounting value of the receivable with CVG. The Company estimated the 14.36% annual discount rate on the basis of the yield (13.3%) of Venezuelan sovereign debt with maturities similar to that of the receivable held by Ternium against CVG. However, as the Venezuelan sovereign debt with similar maturities was governed by New York law while the receivable with CVG was governed by Venezuelan law, the discount rate was further adjusted to adequately reflect the specific risk of Ternium s receivable.

In the three-month period ended June 30, 2009, the Company recorded a net gain, in accounting terms, of USD 428.0 million in connection with this transaction which was disclosed within Income from discontinued operations in the Income Statement. This result represents the difference between (i) the fair value, in accounting terms, net of taxes and other transaction costs, of the compensation for the Sidor financial asset (which comprised a USD 400 million cash payment and a receivable against CVG that, at May 7, 2009, had a fair value of USD 1,382.0 million after application of the discount rate stated above, net of taxes and other transaction costs of USD 35.1 million) and (ii) the carrying amount of the Sidor financial asset at March 31, 2009.

In the nine-month period ended September 30, 2010, the Company recorded a gain in the amount of USD 56.7 million included in Interest income Sidor financial asset in the Income Statement, representing the accretion income over the receivable held against CVG. All the above is without prejudice to the rights of the Company, including the rights and remedies reserved in the agreement with CVG and Venezuela as described above, in the event of non-compliance by CVG with its payment obligations.

12 Acquisition of business

On August 25, 2010, Ternium S.A. completed the acquisition of a 54% ownership interest in Ferrasa S.A.S., a company organized under the laws of Colombia (Ferrasa) through a capital contribution in the amount of USD 74.5 million. Ferrasa has a 100% ownership interest in Sidecaldas S.A.S. (Sidecaldas), Figuraciones S.A.S. (Figuraciones) and Perfilamos del Cauca S.A.S. (Perfilamos), all of which are also Colombian companies. Ternium has also completed the acquisition of a 54% ownership interest in Ferrasa Panamá S.A. (Ferrasa Panamá) for USD 0.5 million. On the mentioned date the Company obtained control over the assets and liabilities of the acquired companies.

Ferrasa is a long and flat steel products processor and distributor. Sidecaldas is a scrap-based long steel making and rolling facility, with an annual production capacity of approximately 140,000 tons. Figuraciones and Perfilamos manufacture welded steel tubes, profiles and beams. These companies have combined annual sales of approximately 300,000 tons, of which approximately 70% are long products and 30% are flat and tubular products, used mainly in the construction sector. Ferrasa Panamá is a long steel products processor and distributor based in Panama, with annual sales of approximately 8,000 tons.

The former controlling shareholders have an option to sell to Ternium, at any time, all or part of their remaining 46% interest in each of Ferrasa and Ferrasa Panamá, and Ternium has an option to purchase all or part of that remaining interest from the former controlling shareholders, at any time after the second anniversary of the closing.

TERNIUM S.A.

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

12 Acquisition of business (continued)

Ferrasa and Ferrasa Panamá contributed revenues of USD 33.1 million and a net loss of USD 0.7 million (net of USD 0.6 million of non-controlling interests) in the period from August 25, 2010 to September 30, 2010. The fair value and book value of assets and liabilities arising from the transaction are as follows:

	Fair value	Book value
Property, plant and equipment	140,118	140,413
Previously recognized goodwill		37,377
Trademarks	4,407	
Customer relationships	15,403	
Other contractual rights	4,064	
Other intangible assets	42	42
Inventories	76,771	76,241
Cash and cash equivalents	6,593	6,593
Deferred Tax Assets	7,832	1,180
Borrowings	(134,120)	(134,120)
Other assets and liabilities, net	15,141	15,141
Non-controlling interest in subsidiaries	(236)	(236)
Net	**136,015**	**142,631**
Non-controlling interest	(62,572)	
Goodwill	1,557	
Total Purchase Consideration	**75,000**	

Goodwill, representing the excess of the purchase price paid over the fair value of identifiable assets, liabilities and contingent liabilities totaled USD 1.6 million. Goodwill derives mainly from the fair value of the going concern element of the acquiree.

The Company has chosen to recognize the non-controlling interest at its proportionate share in net identifiable assets acquired.

Acquisition related costs are included in the income statement.

13 Related party transactions

The Company is controlled by San Faustín N.V.. As of September 30, 2010, San Faustin N.V. beneficially owned 60.64% and Tenaris, which is also controlled by San Faustin, held 11.46%, of our outstanding voting stock. Rocca & Partners S.A. controls a significant portion of the voting power of San Faustin N.V. and has the ability to influence matters affecting, or submitted to a vote of the shareholders of San Faustin N.V., such as the election of directors, the approval of certain corporate transactions and other matters concerning the Company s policies. There are no controlling shareholders for Rocca & Partners S.A..

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

13 Related party transactions (continue)

The following transactions were carried out with related parties:

	Nine-month period ended September, 30 2010	2009
	(Unaudited)	
(i) Transactions		
(a) Sales of goods and services		
Sales of goods to other related parties	138,302	23,070
Sales of services and others to associated parties	51	57
Sales of services and others to other related parties	1,395	391
	139,748	**23,518**
(b) Purchases of goods and services		
Purchases of goods from other related parties	34,463	23,976
Purchases of services and others from associated parties	26,049	23,242
Purchases of services and others from other related parties	89,854	68,655
	150,366	**115,873**
(c) Financial results		
Income with associated parties	55	558
Income with other related parties		118
Expenses with other related parties		(27)
	55	**649**

	September 30, 2010 (Unaudited)	December 31, 2009
(ii) Period-end balances		
(a) Arising from sales/purchases of goods/services		
Receivables from associated parties	377	329
Receivables from other related parties	23,598	13,128
Advances to suppliers with other related parties	1,792	15,687
Payables to associated parties	(3,281)	(1,775)
Payables to other related parties	(36,922)	(16,541)

	(14,436)	**10,828**
(b) Other investments non current		
Time deposits	17,881	16,161
	17,881	**16,161**

14 Recently issued accounting pronouncements

(i) Improvements to International Financial Reporting Standards

In May 2010, the IASB issued Improvements to International Financial Reporting Standards by which it amended several international accounting and financial reporting standards.

The effective date of each amendment is included in the IFRS affected.

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

TERNIUM S.A.

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

14 Recently issued accounting pronouncements (continued)

(ii) Amendments to IFRS 7, Financial Instruments: Disclosures

In October 2010, the IASB amended International Financial Reporting Standard 7 Financial Instruments- Disclosures . The amendment requires disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets that are not derecognised and the effect of those risks on an entity s financial position. Entities shall apply these amendments for annual periods beginning on or after 1 July 2011. Earlier application is permitted.

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

15 Subsequent events Agreement to establish a joint venture in Mexico

On October 4, 2010, Ternium S.A. and Nippon Steel Corporation signed a definitive agreement to form a joint venture in Mexico for the manufacturing and sale of hot-dip galvanized and galvannealed steel sheets to serve the Mexican automobile market. The joint venture will operate under the name of Tenigal SRL de CV (Tenigal). Ternium and Nippon Steel will hold 51% and 49% participations in Tenigal, respectively.

Tenigal plans to build a hot-dip galvanizing plant in the vicinity of Monterrey City with a production capacity of 400,000 tons per year. Construction of the facility would require a total investment of approximately USD 350 million. The plant is expected to commence production of high-grade and high-quality galvanized and galvannealed automotive steel sheets, including outer-panel and high-strength qualities, in 2013.

Pablo Brizzio

Chief Financial Officer