

TERNIUM S.A.

**CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS AS OF MARCH 31, 2006
AND FOR THE THREE-MONTH PERIODS
ENDED MARCH 31, 2006 AND 2005**

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 March 31, 2006, and the related consolidated condensed statements of income and of changes in shareholders' equity for each of the three-month periods ended March 31, 2006 and 2005 and the consolidated condensed statements of cash flows for the three-month periods ended March 31, 2006 and 2005. These interim financial statements are the responsibility of the Company's management.

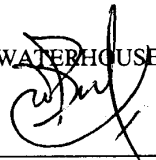
We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. 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.

Buenos Aires, Argentina

April 28, 2006

PRICE WATERHOUSE & CO. S.R.L.

by  (Partner)
Marcelo D. Pfaff

TERNIUM S.A.
Consolidated condensed interim financial statements as of March 31, 2006
and for the three-month periods ended March 31, 2006 and 2005
(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENTS

| | <u>Notes</u> | <u>Three-month period ended March, 31</u> | |
|--------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------|---------------|
| | | <u>2006</u> | <u>2005</u> |
| | | (Unaudited) | |
| Net sales | 4 & 12 | 1,528,883 | 767,589 |
| Cost of sales | 4, 5 & 12 | (987,185) | (418,165) |
| Gross profit | 4 | 541,698 | 349,424 |
| Selling , General and administrative expenses | 6 | (150,993) | (64,980) |
| Other operating income (expenses), net | | 1,819 | (1,015) |
| Operating income | | 392,524 | 283,429 |
| Financial expenses, net | 7 & 12 | (123,530) | (38,901) |
| Excess of fair value of net assets acquired over cost | | - | 188,356 |
| Equity in (losses) earnings of associated companies | 8 | (1,828) | 19,309 |
| Income before income tax expense | | 267,166 | 452,193 |
| Income tax expense | | (72,653) | (48,616) |
| Net income for the period | | 194,513 | 403,577 |
| Attributable to: | | | |
| Equity holders of the Company | | 165,043 | 337,619 |
| Minority interest | | 29,470 | 65,958 |
| | | 194,513 | 403,577 |
| Weighted average number of shares outstanding | | 1,729,329,115 | 1,168,943,632 |
| Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in USD per share) | | 0.10 | 0.29 |

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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Consolidated condensed interim financial statements as of March 31, 2006
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(All amounts in USD thousands)

CONSOLIDATED CONDENSED BALANCE SHEETS

| | <u>Notes</u> | <u>March 31, 2006</u> | <u>December 31, 2005</u> | |
|--------------------------------------------------------------------------------|--------------|-------------------------|--------------------------|------------------|
| | | <u>(Unaudited)</u> | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment, net..... | 9 | 5,418,401 | 5,463,871 | |
| Intangible assets, net | 9 | 547,818 | 552,882 | |
| Investments in associated companies, net | 8 | 7,323 | 9,122 | |
| Other investments, net | | 12,267 | 12,607 | |
| Deferred tax assets | | 40,626 | 29,126 | |
| Other Assets | | 996 | 952 | |
| Receivables, net | | <u>53,323</u> | <u>6,080,754</u> | <u>6,116,423</u> |
| Current assets | | | | |
| Receivables | | 293,490 | 291,302 | |
| Other Assets | | - | 3,160 | |
| Derivative financial instruments | | 8,420 | 5,402 | |
| Inventories, net | | 1,061,634 | 1,000,119 | |
| Trade receivables, net | | 495,860 | 472,760 | |
| Other investments | | 5,296 | 5,185 | |
| Cash and cash equivalents | | <u>902,884</u> | <u>2,767,584</u> | <u>2,543,558</u> |
| Non-current assets classified as held for sale..... | | <u>9,792</u> | <u>-</u> | |
| Total assets | | <u>8,858,130</u> | <u>8,659,981</u> | |
| EQUITY | | | | |
| Capital and reserves attributable to the company's equity holders | | 3,146,384 | 1,842,454 | |
| Minority interest | | <u>1,700,949</u> | <u>1,733,465</u> | |
| Total equity | | 4,847,333 | 3,575,919 | |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Provisions | | 54,697 | 53,479 | |
| Deferred income tax | | 1,040,943 | 1,048,188 | |
| Non-current tax liabilities | | 36,917 | - | |
| Other liabilities | | 197,902 | 187,917 | |
| Trade payables | | 1,233 | 1,167 | |
| Borrowings | | <u>1,209,366</u> | <u>2,399,878</u> | <u>3,690,629</u> |
| Current liabilities | | | | |
| Provisions | | 746 | 659 | |
| Current tax liabilities | | 103,145 | 126,972 | |
| Other liabilities | | 186,149 | 194,073 | |
| Trade payables | | 637,303 | 555,330 | |
| Borrowings | | <u>542,396</u> | <u>1,469,739</u> | <u>1,393,433</u> |
| Total liabilities | | <u>4,010,797</u> | <u>5,084,062</u> | |
| Total equity and liabilities | | <u>8,858,130</u> | <u>8,659,981</u> | |

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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CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| | Attributable to the Company's equity holders (1) | | | | | Retained earnings | Total | Minority interest | Total Equity at March 31, 2006 | Total Equity at March 31, 2005 |
|----------------------------------------------------------------|--------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|---------------------------------|-------------------|------------------|-------------------|--------------------------------|--------------------------------|
| | Capital stock | Initial public offering expenses | Revaluation and other reserves | Capital stock issue discount (2) | Currency translation adjustment | | | | | |
| Balance at January 1 | 1,396,552 | (5,456) | 1,462,137 | (2,298,048) | (92,691) | 1,379,960 | 1,842,454 | 1,733,465 | 3,575,919 | 1,771,851 |
| Currency translation adjustment | | | | | (42,139) | | (42,139) | (14,988) | (57,127) | (78,948) |
| Net income | | | | | | 165,043 | 165,043 | 29,470 | 194,513 | 403,577 |
| Total recognized income for the period... | | | | | (42,139) | 165,043 | 122,904 | 14,482 | 137,386 | 324,629 |
| Dividends paid in cash and other distributions | | | | | | | | | | (123,919) |
| Acquisition of business..... | | | | | | | | | | 916,617 |
| Contributions from shareholders (see Note 3)..... | 33,801 | | 43,100 | (26,818) | | | 50,083 | (46,998) | 3,085 | |
| Conversion of Subordinated Convertible Loans (see Note 3)..... | 302,962 | | 302,962 | | | | 605,924 | | 605,924 | |
| Initial Public Offering (see Note 3) | 271,429 | (17,839) | 271,429 | | | | 525,019 | | 525,019 | |
| Revaluation and other reserves..... | | | | | | | | | | 432,385 |
| Balance at March 31 | 2,004,744 | (23,295) | 2,079,628 | (2,324,866) | (134,830) | 1,545,003 | 3,146,384 | 1,700,949 | 4,847,333 | 3,321,563 |

(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 form shareholders under Luxembourg GAAP and IFRS.

Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg GAAP exist. Therefore, retained earnings included in these consolidated condensed interim financial statements may not be wholly distributable. See Note 10 (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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CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENTS

| | Notes | Three-month period ended | |
|--------------------------------------------------------------------------------------|-------|--------------------------|------------------|
| | | March, 31 | |
| | | 2006 | 2005 |
| | | (Unaudited) | |
| Cash flows from operating activities | | | |
| Net income for the period | | 194,513 | 403,577 |
| Adjustments for: | | | |
| Depreciation and amortization | 9 | 106,300 | 48,940 |
| Income tax accruals less payments | | 10,948 | 30,044 |
| Excess of fair value of net assets acquired over cost | | - | (188,356) |
| Equity in earnings of associated companies | 8 | 1,828 | (19,309) |
| Interest accruals less payments | | (15,893) | 3,185 |
| Changes in provisions | | 11,420 | 2,856 |
| Changes in working capital | | (12,581) | 106,152 |
| Currency translation adjustment and others | | (2,973) | 4,421 |
| Net cash provided by operating activities | | 293,562 | 391,510 |
| Cash flows from investing activities | | | |
| Capital expenditures | 9 | (89,998) | (36,866) |
| Changes in trust funds..... | | - | 83,570 |
| Acquisition of business | 11 | (55,183) | - |
| Proceeds from the sale of property, plant and equipment | | 4,013 | 1,867 |
| Net cash (used in) provided by investing activities | | (141,168) | 48,571 |
| Cash flows from financing activities | | | |
| Dividends paid in cash and other distributions to company's equity shareholders..... | | - | (99,743) |
| Dividends paid in cash and other distributions to minority shareholders | | - | (24,176) |
| Net proceeds from Initial Public Offering | | 525,019 | - |
| Contributions from shareholders | | 3,085 | - |
| Proceeds from borrowings | | 11,381 | 26,884 |
| Repayments of borrowings | | (553,452) | (133,391) |
| Net cash used in financing activities | | (13,967) | (230,426) |
| Increase in cash and cash equivalents. | | 138,427 | 209,655 |
| Movement in cash and cash equivalents | | | |
| At January 1, (1)..... | | 754,980 | 194,875 |
| Acquisition of business | | - | 305,342 |
| Effect of exchange rate changes | | (813) | (32,507) |
| Increase in cash and cash equivalents | | 138,427 | 209,655 |
| Cash and cash equivalents at March 31, (1) | | 892,594 | 677,365 |
| Non-cash transactions | | | |
| Conversion of debt instruments into shares | | 605,925 | 127,576 |

(1) In addition, the Company has restricted cash for USD 10,290 and USD 10,650 at March 31, 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.

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Notes to the Consolidated Condensed Interim Financial Statements

1 Basis of presentation

Ternium S.A. (the “Company” or “Ternium”), a Luxembourg Corporation (Société 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 April 28, 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.

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

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., Cylon 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 underwriter 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 USD 46.0 million.

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

3 Initial public offering (continued)

In addition, the Company entered into the Subordinated Convertible Loan Agreements for a total aggregate amount of USD594 million to fund the acquisition of Hylsamex. As per the provisions contained in the Subordinated Convertible Loan Agreements, the Subordinated Convertible Loans would be converted into shares of the Company upon delivery of Ternium's ADSs to the Underwriters. On February 6, 2006 the Company delivered the above mentioned ADSs and, accordingly, the Subordinated Convertible Loans (including interest accrued through January 31, 2006) were converted into shares at a conversion price of USD2 per share, resulting in the issuance of 302,962,261 new shares.

Furthermore, in November 2005, Sidetur, a subsidiary of Sivena, 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 |
|----------------------------------------------------|--------------------------------|--------------------------------|-----------------|------------------|
| Three-month period ended March 31, 2006 | | | | |
| Net sales | 1,197,327 | 282,864 | 48,692 | 1,528,883 |
| Cost of sales | <u>(748,689)</u> | <u>(198,525)</u> | <u>(39,971)</u> | <u>(987,185)</u> |
| Gross profit | 448,638 | 84,339 | 8,721 | 541,698 |
| Depreciation - PP&E | 89,938 | 11,407 | 308 | 101,653 |
| | | | | |
| | Flat steel products | Long steel products | Other | Total |
| Three-month period ended March 31, 2005 | | | | |
| Net sales | 681,591 | 69,930 | 16,068 | 767,589 |
| Cost of sales | <u>(369,528)</u> | <u>(38,617)</u> | <u>(10,020)</u> | <u>(418,165)</u> |
| Gross profit | 312,063 | 31,313 | 6,048 | 349,424 |
| Depreciation - PP&E | 43,289 | 4,204 | - | 47,493 |

Secondary reporting format - geographical segments

Allocation of net sales is based on the customers' location. Allocation of assets and capital expenditures is based on the assets' 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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Notes to the Consolidated Condensed Interim Financial Statements (Contd.)

4 Segment information (continued)

| | <u>South and Central America</u> | <u>North America</u> | <u>Europe and others</u> | <u>Total</u> |
|------------------------------------------------|------------------------------------------|--------------------------|------------------------------|--------------|
| Three-month period ended March 31, 2006 | | | | |
| Net sales | 827,884 | 686,704 | 14,295 | 1,528,883 |
| Depreciation - PP&E. | 68,445 | 33,201 | 7 | 101,653 |
| Three-month period ended March 31, 2005 | | | | |
| Net sales | 482,639 | 162,648 | 122,302 | 767,589 |
| Depreciation - PP&E. | 47,482 | 4 | 7 | 47,493 |

5 Cost of sales

| | Three-month period ended March 31, | |
|--------------------------------------------------------|-----------------------------------------------|----------------|
| | <u>2006</u> | <u>2005</u> |
| | (Unaudited) | |
| Inventories at the beginning of the period | 1,000,119 | 254,286 |
| Acquisition of business | 8,180 | 284,676 |
| Plus: Charges for the period | | |
| Raw materials and consumables used and other movements | 695,571 | 243,159 |
| Services and fees | 35,312 | 17,677 |
| Labor cost | 118,292 | 45,687 |
| Depreciation of property, plant and equipment | 95,181 | 44,615 |
| Amortization of intangible assets | 3,348 | 1,019 |
| Maintenance expenses | 71,601 | 33,070 |
| Office expenses | 1,513 | 502 |
| Freight and transportation | 5,666 | 5,168 |
| Insurance | 2,641 | 759 |
| Provision for obsolescence | 9,390 | 2,014 |
| Recovery from sales of scrap and by-products | (13,846) | (6,810) |
| Others | 15,851 | 5,254 |
| Less: Inventories at the end of the period | (1,061,634) | (512,911) |
| Cost of sales | <u>987,185</u> | <u>418,165</u> |

6 Selling, General and administrative expenses

| | Three-month period ended March 31, | |
|-----------------------------------------------------|-----------------------------------------------|---------------|
| | <u>2006</u> | <u>2005</u> |
| | (Unaudited) | |
| Services and fees | 16,020 | 5,148 |
| Labor cost | 33,233 | 10,713 |
| Depreciation of property plant and equipment | 6,472 | 2,878 |
| Amortization of intangible assets | 1,299 | 428 |
| Maintenance and expenses | 3,791 | 811 |
| Taxes | 10,295 | 6,469 |
| Office expenses | 6,461 | 2,271 |
| Freight and transportation | 66,833 | 33,742 |
| Insurance | 401 | 171 |
| Others | 6,188 | 2,349 |
| Selling, General and administrative expenses | <u>150,993</u> | <u>64,980</u> |

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

7 Financial expenses, net

| | Three-month period ended | |
|-------------------------------------------------------------------------------------------|---------------------------------|-----------------|
| | March 31, | |
| | 2006 | 2005 |
| | (Unaudited) | |
| Interest expense | (37,376) | (5,175) |
| Interest income | 12,153 | 3,895 |
| Net foreign exchange transaction gains and change in fair value of derivative instruments | (5,496) | (28,465) |
| Write-off of debt issue costs | (9,030) | - |
| Income from Participation Account (i) | - | 44,050 |
| Loss from Participation Account (i) | (83,305) | (53,100) |
| Others | (476) | (106) |
| Financial expenses, net | (123,530) | (38,901) |

- (i) Until February 15, 2005, the Company accounted for its investment in Amazonia under the equity method of accounting. Thus, income arising from the Participation Account Agreement has been recorded under Income from Participation Account within Financial expenses, net. Upon conversion of the Amazonia Convertible Debt Instrument on February 15, 2005, the Company acquired control over Amazonia and began accounting for such investment on a consolidated basis. Accordingly, income resulting from Ternium's share of the Participation Account as from February 15, 2005, has been offset against Amazonia's loss for the same concept and shown net under Loss from Participation Account line item.

8 Investments in associated companies, net

| | Three-month period ended March 31, | |
|-----------------------------------------------------|-------------------------------------------|--------------|
| | 2006 | 2005 |
| | (Unaudited) | |
| At the beginning of the year | 9,122 | 309,318 |
| Translation adjustment | 29 | (3,425) |
| Equity in (losses) earnings of associated companies | (1,828) | 19,309 |
| Consolidation of Amazonia | - | (318,166) |
| At the end of the period | 7,323 | 7,036 |

9 Property, plant and equipment and Intangible assets, net

| | Net Property, Plant and Equipment | Net Intangible Assets |
|------------------------------------------------|--------------------------------------------------|----------------------------------|
| | (Unaudited) | (Unaudited) |
| Three-month period ended March 31, 2006 | | |
| At the beginning of the year | 5,463,871 | 552,882 |
| Currency translation differences | (64,426) | (3,985) |
| Transfers | (9,633) | - |
| Additions | 86,430 | 3,568 |
| Disposals | (4,013) | - |
| Increase due to business acquisition | 47,825 | - |
| Depreciation/ Amortization charge | (101,653) | (4,647) |
| At the end of the period | 5,418,401 | 547,818 |

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

10 Contingencies, commitments and restrictions on the distribution of profits

This note should be read in conjunction with Note 29 to the Company's audited Combined Consolidated Financial Statements for the year ended December 31, 2005. Significant changes or events since the date of the annual report are as follows:

(i) Consorcio Siderurgia Amazonia Ltd.- PDVSA-Gas C.A. claim

As a consequence of the commercial transactions entered into by Sidor and PDVSA-Gas during the three-month period ended March 31, 2006, Sidor's potential exposure under its litigation against that company increased by USD 7.8 million, thus reaching a total amount of USD 102.1 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 March 31,2006 |
|---------------------------------------------------------|-----------------------------|
| 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 | 18,337 |
| Total shareholders' equity under Luxembourg GAAP | 4,132,510 |

11 Acquisition of business

On November 18 2005, Ternium's Argentine subsidiary, Siderar, agreed to acquire assets and facilities of Acindar Industria Argentina de Aceros S.A. ("Acindar") related to the production of welded steel pipes in the province of Santa Fe in Argentina, as well as 100% of the issued and outstanding shares of Impeco S.A., which in turn owns a plant located in the province of San Luis in Argentina. Purchase price paid totaled USD 55.2 million, subject to subsequent adjustments. These two plants have a production capacity of 140 thousand tons per year of tubes to be used in the construction, agricultural and manufacturing industries. The acquisition has been approved by the Argentine competition authorities and was completed on January 31, 2006. This acquisition did not give rise to goodwill.

The acquired business contributed revenues of USD 9.9 million in the three month period ended March 31, 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 |
| Cash and cash equivalents | - |
| Deferred tax liabilities | (875) |
| Others assets and liabilities, net | 53 |
| Net | 55,183 |

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

12 Related parties transactions

The Company is controlled by San Faustin N.V., a Netherlands Antilles corporation, which owns 70.52% of the Company's outstanding shares, 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:

| | Three-month period ended March, 31 | |
|-----------------------------------------------------------|-------------------------------------------|---------------------------------|
| | 2006 | 2005 |
| | (Unaudited) | |
| (i) Transactions | | |
| (a) Sales of goods and services | | |
| Sales of goods to other related parties | 24,243 | 9,113 |
| Sales of services to associated parties | 508 | 275 |
| Sales of services to other related parties | - | 663 |
| | 24,751 | 10,051 |
| (b) Purchases of goods and services | | |
| Purchases of goods from associated parties | 14,390 | 21,603 |
| Purchases of goods from other related parties | 21,983 | 9,237 |
| Purchases of services from other related parties | 10,894 | 8,678 |
| | 47,267 | 39,518 |
| (c) Financial results | | |
| Income with associated parties | - | 44,697 |
| Expenses with other related parties | (147) | (1,013) |
| | (147) | 43,684 |
| | | |
| | At March 31, 2006 | At December 31, 2005 |
| | (Unaudited) | |
| (ii) Period-end balances | | |
| (a) Arising from sales/purchases of goods/services | | |
| Receivables from associated parties | 66,753 | 71,317 |
| Receivables from other related parties | 25,193 | 18,175 |
| Payables to associated parties | (5,123) | (13,644) |
| Payables to other related parties | (23,318) | (17,914) |
| | 63,505 | 57,934 |
| (b) Other investments | | |
| Time deposit | 10,147 | 10,450 |
| (c) Other balances | | |
| Trust fund with other related parties | - | 5,185 |
| (d) Financial debt | | |
| Borrowings with other related parties | (3,789) | (607,472) |

(iii) Officers and Directors' compensation

The aggregate compensation of Officers and Directors earned during the three-month period ended March 31, 2006 amounts to USD 3,426 thousands.

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

13 Recent accounting pronouncements

IFRIC Interpretation 9, Reassessment of Embedded Derivatives

In February 2006, the International Financial Reporting Interpretations Committee ("IFRIC") issued IFRIC Interpretation 9 "Reassessment of Embedded Derivatives" ("IFRIC 9"). IFRIC 9 applies to all embedded derivatives within the scope of International Accounting Standard No. 39. However, it does not address (i) remeasurement issues arising from a reassessment of embedded derivatives, or (ii) the acquisition of contracts with embedded derivatives in a business combination nor their possible reassessment at the date of acquisition.

Paragraph 7 of IFRIC 9 states that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. Also, paragraph 8 of IFRIC 9 states that a first-time adopter shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date it first became a party to the contract and the date a reassessment is required by paragraph 7.

An entity shall apply this Interpretation for annual periods beginning on or after 1 June 2006, although earlier application is encouraged. If an entity applies the Interpretation for a period beginning before 1 June 2006, it shall disclose that fact. The Interpretation shall be applied retrospectively.

The Company's management has not assessed the potential impact that the application of IFRIC 9 may have on the Company's financial condition or results of operations.

14 Post balance sheet events

The following are the main post balance sheet events:

a) 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. Total purchase price accounted for USD 44.6 million. Upon completion of this transaction (which is expected to occur in the second quarter of fiscal year 2006 following the approval by the Mexican competition authorities) Hylsa S.A. de C.V. will own 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.

b) On April 19, 2006, the Shareholders' Meeting of Siderar, approved the distribution of dividends in cash for 122.8 million of Argentine pesos (approximately USD 40.0 million).



Roberto Philipps

Chief Financial Officer