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

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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 interim balance sheet of Ternium S.A. and its subsidiaries as of September 30, 2006, and the related consolidated condensed interim statements of income and of changes in shareholders' equity for each of the three-month and the nine-month periods ended September 30, 2006 and 2005 and the consolidated condensed interim statements of cash flows for the nine-month periods ended September 30, 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

We have previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the combined consolidated balance sheet of Ternium S.A. and its subsidiaries as of December 31, 2005, and the related combined consolidated statements of income, of changes in shareholders' equity and of cash flows for the year then ended (not presented herein); and in our report dated February 28, 2006, we expressed an unqualified opinion on those combined consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated condensed balance sheet as of December 31, 2005, is fairly stated in all material respects in relation to the combined consolidated financial statements from which it has been derived.

Buenos Aires, Argentina

November 6, 2006

PRICE WATERHOUSE & CO. S.R.L.

by ____________________ (Partner)
Marcelo D. Pfaff

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,		Nine-month period ended September 30,	
		2006	2005	2006	2005
		(Unaudited)		(Unaudited)	
Net sales	4	1,743,491	1,151,995	4,981,447	2,979,840
Cost of sales	4 & 5	(1,082,402)	(670,275)	(3,147,644)	(1,581,818)
Gross profit	4	661,089	481,720	1,833,803	1,398,022
Selling, general and administrative expenses	6	(152,680)	(148,610)	(459,065)	(328,214)
Other operating income (expenses), net		(204)	(36,867)	2,672	(44,664)
Operating income		508,205	296,243	1,377,410	1,025,144
Financial expenses, net	7	(87,191)	(77,307)	(318,933)	(180,030)
Excess of fair value of net assets acquired over cost		-	-	-	188,356
Equity in earnings of associated companies	8	4,767	2,192	3,845	21,315
Income before income tax expense		425,781	221,128	1,062,322	1,054,785
Income tax expense		(71,747)	(44,948)	(224,594)	(150,665)
Net income for the period		354,034	176,180	837,728	904,120
Attributable to:					
Equity holders of the Company		257,378	89,251	655,022	566,859
Minority interest		96,656	86,929	182,706	337,261
		354,034	176,180	837,728	904,120
Weighted average number of shares outstanding		2,004,743,442	1,168,943,632	1,913,947,510	1,168,943,632
Basic earnings per share for profit attributable to the equity holders of the Company (expressed in USD per share)		0.13	0.08	0.34	0.48
Diluted earnings per share for profit attributable to the equity holders of the Company (expressed in USD per share)		0.13	0.07	0.34	0.46

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)

CONSOLIDATED CONDENSED BALANCE SHEETS

	Notes	September 30, 2006 (Unaudited)		December 31, 2005	
ASSETS					
Non-current assets					
Property, plant and equipment, net	9	5,374,866		5,463,871	
Intangible assets, net	9	541,750		552,882	
Investments in associated companies	8	13,336		9,122	
Other investments, net		13,291		12,607	
Deferred tax assets		37,582		29,126	
Other assets		-		952	
Receivables, net		61,042	6,041,867	47,863	6,116,423
Current assets					
Receivables		220,217		291,302	
Other assets		-		3,160	
Derivative financial instruments		6,788		5,402	
Inventories, net		1,267,069		1,000,119	
Trade receivables, net		609,372		472,760	
Other investments		-		5,185	
Cash and cash equivalents		825,678	2,929,124	765,630	2,543,558
Non-current assets classified as held for sale			9,504		-
Total assets			**8,980,495**		**8,659,981**
EQUITY					
Capital and reserves attributable to the company's equity holders			3,592,640		1,842,454
Minority interest			1,800,017		1,733,465
Total equity			5,392,657		3,575,919
LIABILITIES					
Non-current liabilities					
Provisions		59,385		53,479	
Deferred tax liabilities		952,694		1,048,188	
Other liabilities		217,666		187,917	
Trade payables		-		1,167	
Borrowings		799,412	2,029,157	2,399,878	3,690,629
Current liabilities					
Provisions		-		659	
Current tax liabilities		216,348		126,972	
Other liabilities		172,440		194,073	
Trade payables		653,238		555,330	
Derivative financial instruments		17,455		-	
Borrowings		499,200	1,558,681	516,399	1,393,433
Total liabilities			3,587,838		5,084,062
Total equity and liabilities			**8,980,495**		**8,659,981**

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

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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	Total Equity at September 30, 2006	Total Equity at September 30, 2005
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					(61,524)		(61,524)	(19,128)	(80,652)	(90,043)
Net income for the period						655,022	655,022	182,706	837,728	904,120
Total recognized income for the period					(61,524)	655,022	593,498	163,578	757,076	814,077
Dividends paid in cash and other distributions										(238,652)
Dividends paid in cash and other distributions by subsidiary companies								(27,175)	(27,175)	(125,954)
Acquisition of business								(19,142)	(19,142)	864,415
Contributions from shareholders (see Note 3)	33,801		43,100	(26,818)			50,083	(46,998)	3,085	54,758
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	
Other reserves (see Note 11.b)			(24,338)				(24,338)	(3,711)	(28,049)	307,007
Balance at September 30	**2,004,744**	**(23,295)**	**2,055,290**	**(2,324,866)**	**(154,215)**	**2,034,982**	**3,592,640**	**1,800,017**	**5,392,657**	**3,447,502**

(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.

(All amounts in USD thousands)

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENTS

	Notes	Nine-month period ended September, 30	
		2006	2005
		(Unaudited)	
Cash flows from operating activities			
Net income for the period		**837,728**	**904,120**
Adjustments for:			
Depreciation and amortization	9	318,460	205,492
Income tax accruals less payments		4,307	(25,052)
Derecognition of property, plant and equipment	9	1,716	42,547
Excess of fair value of net assets acquired over cost		-	(188,356)
Equity in earnings of associated companies	8	(3,845)	(21,315)
Interest accruals less payments		(10,736)	11,222
Changes in provisions		31,680	(3,516)
Changes in working capital		(274,111)	(4,068)
Currency translation adjustment and others		33,378	(2,203)
Net cash provided by operating activities		**938,577**	**918,871**
Cash flows from investing activities			
Capital expenditures	9	(280,091)	(124,741)
Changes in trust funds		5,185	88,755
Acquisition of business	11	(103,055)	(2,186,946)
Proceeds from the sale of property, plant and equipment		988	2,384
Net cash used in investing activities		**(376,973)**	**(2,220,548)**
Cash flows from financing activities			
Dividends paid in cash and other distributions to company's equity shareholders		-	(238,652)
Dividends paid in cash and other distributions to minority shareholders		(27,175)	(125,954)
Net proceeds from Initial Public Offering		525,019	-
Contributions from shareholders		3,085	54,758
Proceeds from borrowings		123,207	2,051,009
Repayments of borrowings		(1,124,792)	(593,777)
Net cash (used in) provided by financing activities		**(500,656)**	**1,147,384**
Increase (decrease) in cash and cash equivalents		**60,948**	**(154,293)**
Movement in cash and cash equivalents			
At January 1, (1)		754,980	194,875
Acquisition of business		-	520,753
Effect of exchange rate changes		(591)	(32,665)
Increase (decrease) in cash and cash equivalents		60,948	(154,293)
Cash and cash equivalents at September 30, (1)		**815,337**	**528,670**
Non-cash transactions			
Conversion of debt instruments into shares		605,924	127,576

(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.
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INDEX TO THE NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

1 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.

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.

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.

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.

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

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.

	South and Central America	North America	Europe and others	Total
		(Unaudited)		
Nine-month period ended September 30, 2006				
Net sales	2,839,179	2,108,910	33,358	4,981,447
Depreciation – PP&E	204,665	99,298	8	303,971
Nine-month period ended September 30, 2005				
Net sales	2,122,251	579,486	278,103	2,979,840
Depreciation – PP&E	181,691	18,286	7	199,984

5 Cost of sales

	Nine-month period ended September 30, 2006	Nine-month period ended September 30, 2005
	(Unaudited)	
Inventories at the beginning of the year	1,000,119	254,286
Acquisition of business	8,180	629,729
Plus: Charges for the period		
Raw materials and consumables used and other movements	2,326,769	989,486
Services and fees	112,694	83,011
Labor cost	354,924	196,923
Depreciation of property, plant and equipment	284,652	183,250
Amortization of intangible assets	10,187	3,762
Maintenance expenses	242,915	148,389
Office expenses	5,988	4,806
Freight and transportation	18,816	16,653
Insurance	7,597	3,185
Provision for obsolescence	26,274	2,552
Recovery from sales of scrap and by-products	(37,559)	(20,262)
Others	53,157	22,636
Less: Inventories at the end of the period	(1,267,069)	(936,588)
Cost of sales	**3,147,644**	**1,581,818**

6 Selling, general and administrative expenses

	Nine-month period ended September 30,	
	2006	**2005**
	(Unaudited)	
Services and fees	37,872	27,164
Labor cost	108,665	69,057
Depreciation of property plant and equipment	19,319	16,734
Amortization of intangible assets	4,302	1,746
Maintenance and expenses	12,409	4,980
Taxes	32,513	32,471
Office expenses	23,252	9,195
Freight and transportation	203,744	154,947
Insurance	1,011	292
Others	15,978	11,628
Selling, general and administrative expenses	**459,065**	**328,214**

7 Financial expenses, net

	Nine-month period ended September 30,	
	2006	**2005**
	(Unaudited)	
Interest expense	(91,671)	(43,016)
Interest income	40,559	18,567
Net foreign exchange transaction gains and change in fair value of derivative instruments	(22,176)	(20,386)
Debt issue costs	(12,770)	(950)
Income from Participation Account (i)	-	44,050
Loss from Participation Account (i)	(215,707)	(173,288)
Others	(17,168)	(5,007)
Financial expenses, net	**(318,933)**	**(180,030)**

(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

	Nine-month period ended September 30,	
	2006	**2005**
	(Unaudited)	
At the beginning of the year	9,122	309,318
Translation adjustment	25	(3,365)
Acquisition	344	-
Equity in earnings of associated companies	3,845	21,315
Consolidation of Amazonia	-	(318,166)
At the end of the period	**13,336**	**9,102**

9 Property, plant and equipment and Intangible assets, net

	Net Property, Plant and Equipment	Net Intangible Assets	
	(Unaudited)	(Unaudited)	
Nine-month period ended September 30, 2006			
At the beginning of the year	5,463,871	552,882	
Currency translation differences	(85,708)	(10,604)	
Transfers	(9,632)	-	
Additions	266,804	13,961	(1)
Disposals	(2,607)	-	
Derecognition	(1,716)	-	
Increase due to business acquisition	47,825	-	
Depreciation/ Amortization charge	(303,971)	(14,489)	
At the end of the period	**5,374,866**	**541,750**	

(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 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 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.

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, 30	
	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	27,652
Sales of services to associated parties	2,169	3,244
Sales of services to other related parties	858	3,186
	71,078	**34,082**
(b) Purchases of goods and services		
Purchases of goods from associated parties	62,570	65,921
Purchases of goods from other related parties	30,717	27,562
Purchases of services from associated parties	2,316	-
Purchases of services from other related parties	120,837	45,222
	216,440	**138,705**
(c) Financial results		
Income with associated parties	2,832	47,275
Income with other related parties	31	40
Expenses with other related parties	(1,815)	(2,975)
	1,048	**44,340**

	At September 30, 2006	At December 31, 2005
	(Unaudited)	
(ii) Period-end balances		
(a) Arising from sales/purchases of goods/services		
Receivables from associated parties	71,120	71,317
Receivables from other related parties	50,736	18,175
Payables to associated parties	(9,181)	(13,644)
Payables to other related parties	(40,716)	(17,914)
	71,959	**57,934**
b) Other investments		
Time deposit with other related parties	**11,185**	**10,450**
(c) Other balances		
Trust fund with other related parties	**-**	**5,185**
(d) Financial debt		
Borrowings with other related parties	**(2,161)**	**(607,472)**

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 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