

Ternium S.A.
Form 6-K
December 06, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6 - K

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of

the Securities Exchange Act of 1934

As of 12/6/2007

Ternium S.A.

(Translation of Registrant's name into English)

Ternium S.A.

46a, Avenue John F. Kennedy 2nd floor

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 ☐ Form 40-F ☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12G3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☐

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 presentation at the third quarter and first nine months of 2007 results teleconference.

SIGNATURE

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

TERNIUM S.A.

By: /s/ Roberto Philipps
Name: Roberto Philipps
Title: Chief Financial Officer
Dated: December 6, 2007

November 7, 2007
3Q
2007
Results
Teleconference

November 2007
Ternium
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Forward-Looking Statements
This
presentation
contains
certain

forward-looking
statements
and
information
relating
to
Ternium
S.A.
and
its
subsidiaries
(collectively,
Ternium)
that
are
based
on
the
current
beliefs
of
its
management
as
well
as
assumptions
made
by
and
information
currently
available
to
Ternium.
Such
statements
reflect
the
current
views
of
Ternium
with
respect
to
future
events
and
are

subject
to
certain
risks,
uncertainties
and
assumptions.
Many
factors
could
cause
the
actual
results,
performance
or
achievements
of
Ternium
to
be
materially
different
from
any
future
results,
performance
or
achievements
that
may
be
expressed
or
implied
by
such
forward-looking
statements,
including,
among
others,
changes
in
general
economic,
political
conditions
in

the
countries
in
which
Ternium
does
business
or
other
countries
which
have
an
impact
on
Ternium's
business
activities
and
investments,
changes
in
interest
rates,
changes
in
inflation
rates,
changes
in
exchange
rates,
the
degree
of
growth
and
the
number
of
consumers
in
the
markets
in
which
Ternium
operates
and
sells

its
products,
changes
in
steel
demand
and
prices,
changes
in
raw
material
and
energy
prices
or
difficulties
in
acquiring
raw
materials
or
energy
supply
cut-offs,
changes
in
business
strategy
and
various
other
factors.
Should
one
or
more
of
these
risks
or
uncertainties
materialize,
or
should
underlying
assumptions
prove
incorrect,
actual

results
may
vary
materially
from
those
described
herein
as
anticipated,
believed,
estimated,
expected
or
targeted.
Ternium
does
not
intend,
and
does
not
assume
any
obligation,
to
update
these
forward-looking
statements.

November 2007
Ternium
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Industry Outlook
World apparent steel use
Source:
IISI (2007-2008
SRO Autumn 07

2009-2012 MTF Oct06)

341
352
375
398
419
128
117
134
123
128
51
53
55
64
69
220
246
255
260
37
44
49
55
62
66
70
74
78
501
526
559
594
983
955
929
902
225
477
428
384
353
297
1.079
1.138
1.242
1.414
1.588
1.524
1.323

1.655
1.468
0
200
400
600
800
1.000
1.200
1.400
1.600
1.800
2004
2005
2006
2007
(p)
2008
(p)
2009
(p)
2010
(p)
2011
(p)
2012
(p)
OTROS
USA
LATAM
EUROPA
INDIA
CHINA

November 2007

Ternium

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Industry Outlook

GDPs

Source: IISI / World Research Centre / IMF

Annual GDP growth rate

2003

2004
2005
2006
2007 [e]
2008 [p]
China
10,0
10,1
10,4
11,1
11,5
10,9
USA
2,5
3,6
3,1
2,9
2,0
2,0
Latam
2,1
6,0
4,5
5,4
4,9
4,7
Argentina
8,8
9,0
9,2
8,5
7,1
6,5
Brasil
1,1
5,7
2,9
3,7
4,4
4,0
Colombia
3,9
4,9
4,7
6,8
6,6
4,8
Mexico
1,4
4,2

2,8
4,8
3,0
3,0
Venezuela
-7,6
17,7
10,3
10,3
8,7
7,4
Europa
1,3
2,3
1,9
3,1
2,9
2,4
World
2,7
4,0
3,5
3,9
3,6
3,5

November 2007
Ternium
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Industry Outlook
Prices
117
Avg. Gap
0

100
200
300
400
500
600
700
800
900
0
100
200
300
400
500
600
700
800
900

HRC-Slab gap
HRC USA Midwest
Slab USA Import
Source: CRU

November 2007

Ternium

6
4
6
8
10
12

Jan-

04

Apr-

04

Jul-

04

Oct-

04

Jan-

05

Apr-

05

Jul-

05

Oct-

05

Jan-

06

Apr-

06

Jul-

06

Oct-

06

Jan-

07

Apr-

07

Jul-

07

4

7

10

13

16

Source: AISI / MSCI

Industry Outlook

USA: Crude steel production vs

SC Inventories

November 2007

Ternium

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Industry Outlook

Raw Materials

Source: Clarkson

Source: CVRD

Source: CRU

US\$/t
 2004
 2005
 2006
 Actual
 Tubarao
 a China

35
 30
 28
 88

IRON ORE

NATURAL GAS (HENRY HUB)

FREIGHTS (PANAMAX DAILY RENTAL)

COKE EXPORTS (FOB CHINA)

23
 23
 25
 30
 53
 63
 69
 10
 20
 30
 40
 50
 60
 70
 80

2001
 2002
 2003
 2004
 2005
 2006
 2007

4,0
 3,4
 5,5
 6,2
 9,0
 7,0
 7,1
 0,0
 1,0
 2,0
 3,0
 4,0
 5,0

6,0
7,0
8,0
9,0
10,0
2001
2002
2003
2004
2005
2006
2007
93
0
15
30
45
60
75
90
145
295
0
50
100
150
200
250
300
350
+ 103%

November 2007
Ternium
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Grupo Imsa
Hylsamex Integration

April 29th: Contract signing for the acquisition of Imsa

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From May to July: Development of a 100 days plan

July 26th: IMSA consolidated into Ternium's Financials

August 7th: Mexican operations under one new functional structure

March 31st 2008: Estimated date for Hylsamex-
Grupo
Imsa merger

November 2007

Ternium

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Mills specialization

Procurement & logistics

Management reorganization

Marketing consolidation

Working Capital reduction

Larger runs, dedicated mills, rationalization of attributes, higher efficiencies

Improved purchasing through Exiros, efficiencies arising from the supply chain management system

Lower head count, decrease in administrative & general expenses and simplified legal & accounting structure

Unified marketing effort, better use of distribution channels

Grupo Imsa's

expected integration synergies

Initiatives launched during 3Q 2007 estimated to reach over US\$200 million per year in pre-tax benefits in the medium term

November 2007

Ternium

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Ongoing investment plan for 2007-2010 worth

US\$2.0 billion

Combined production capacity of selected products

(million metric tons per year)

Strong growth in value added product offerings

Capital expenditures in synch with Grupo Imsa integration

Partial reduction of crude steel production capacity gap (more expansions needed)

2006

Imsa

Capex

2010

Crude steel - flat

8.3

1.7

10.0

+20%

Hot rolled coils

8.0

2.3

0.8

11.1

+39%

Cold rolled coils

4.1

1.9

0.5

6.5

+59%

Tinplated products

0.4

0.4

Galvanized products

1.2

1.7

0.3
3.2
+167%
Prepainted products
0.3
0.9
0.2
1.4
+367%
Crude steel - long
2.7
0.5
3.2
+19%
Rebars & wire rods
2.1
0.2
2.3
+10%

November 2007
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11
450
680
490
420
2007E

2008E

2009E

2010E

Total investments (US\$ million)

Ongoing investment plan for 2007-2010 worth

US\$2.0 billion

Ternium Mexico

Hot rolling mills (+730,000 metric tons/year; US\$180 million)

2007 & 2008

Cold rolling mills (+530,000 metric tons/year; US\$65 million)

2008

Service centers (+280,000 metric tons/year; US\$30 million)

2007

Ternium Argentina

Slab production (+1,2 million metric tons/year; US\$570 million¹)

2010

Hot rolling mill (+130,000 metric tons/year; US\$35 million)

2010

Hot rolling mill (+170,000 metric tons/year; US\$30 million)

2012

Main capacity expansion projects

1

Includes improvements in infrastructure related to logistics, services and port facilities

November 2007
Ternium
12
TECOMAN
C.DE ORTEGA
EL RANCHITO
AQUILA
MINA AQUILA

COAHUAYANA NUEVO
A LAZARO CARDENAS
COLOMERA
MAQUILI
LA PLACITA DE MORELOS
MANZANILLO
COLIMA
PUEBLO
COQUIMATLAN
IXTLAHUACAN
MIRAFLORES
CAMOTLAN DE
MINATITLAN
COMALA
V. DE ALVAREZ
QUESERIA
CUAUHTEMOC
ARMERIA
A GUADALAJARA
A GUADALAJARA
A CIHUATLAN
NAHUATL
PENA
PIHUAMO
EL ENCINO
ESTADO DE
JALISCO
ESTADO DE
JALISCO
MICHOACAN
ESTADO DE
ALZADA
JALA
COLORADA
CERRO
JUAREZ
EL VENADO
CHILILLO
92 Km
6 Km
22 Km
Mining
Iron ore reserves prospecting in progress
Pellet
Plant
6
5
Mines in Operation:
1-
Aquila (Michoacán)

2-

Cerro Náhuatl
(Colima)

3-

El Encino (Jalisco)

4-

Peña Colorada (Colima)

Projects under exploration:

5-

Colomera (Michoacán)

6-

Sierra del Alo
(Jalisco)

7-

Arrayanes (Colima)

1

2

3

4

7

Sierra del Alo

Pellet

Plant

Studies to be completed in 2H 2008

November 2007

Ternium

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Mining Expansion

Current

Reserves (*) [MMt]

(*) Does not include recent acquisition

Development subject to certification of iron ore reserves, currently in progress

Total
iron
ore
production
target
of
8.0
million
tons
per
year
of
concentrates,
up
from current 4.5 million tons per year
New mining concession in the Mexican State of Michoacán. 56,000 acres added
to
existing
concessions.
Convenient
location
allows
for
an
easy
integration
with
Ternium's actual mining operations.
Probable
Proven
Total
Total Reserves (Million tons)
233
96
329
Las Encinas
211
49
260
Peña Colorada (1)
22
47
69
Supply in years (2)
60
25
85
(1) 50% of Peña Colorada total reserves
(2) Considering pellet saturation at current capacity

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Ternium

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Ternium's performance in 3Q 2007

3Q 2007 EBITDA of US\$588 million, or 25% of net sales

Sales

up

mainly
due
to
consolidation
of
Grupo
Imsa

Lower
Ebitda
on
account
of
higher
costs

Lower
Ebitda
margin
due
to
higher
costs
and
Grupo
Imsa
consolidation

3Q 2007
Shipments (million tons)

2.7

2.2

23%

2.6

6%

Net Sales (US\$ million)

2,343.4

1,740.4

35%

1,961.1

19%

Operating Income (US\$ million)

432.6

508.2

-15%

450.6

-4%

EBITDA

*

(US\$ million)

587.9

614.9

-4%

580.8

1%

EBITDA Margin (% of net sales)

25%

35%

30%

Net Income (US\$ million)

214.0

354.0

-40%

315.0

-32%

2Q 2007

3Q 2006

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Ternium
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Strong
free
cash
flow¹
generation

Free cash flow of US\$735 million in 9M 2007, US\$840 million for the year 2006

Free cash flow in the third quarter 2007 of US\$35 million was impacted by a one-time US\$296 million income tax payment related to the acquisition of Grupo Imsa (tax credit)

Ternium's performance in 3Q 2007

224

207

261

191

180

428

272

35

224

207

261

191

180

428

272

331

296

4Q 05

1Q 06

2Q 06

3Q 06

4Q 06

1Q 07

2Q 07

3Q 07

Free cash flow (US\$ million)

Tax Adjustment

1

Free cash flow equals net cash provided by operating activities

less capital expenditures

2

November 2007

Ternium

16

Third quarter 2007 EBITDA of US\$588 million

54

29

10

(84)

(15)
(22)
615
588
534
400
450
500
550
600
650
700
EBITDA
3Q06
Shipments
Revenue
per Ton
Cost per
Ton
SG&A
Other
EBITDA
3Q07 excl.
IMSA
EBITDA
IMSA
EBITDA
3Q07

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Ternium
17
386
417
328
216
265

214
 191
 116
 100
 659
 472
 218
 124
 3,693
 1,606
 477
 232
 125
 2,916
 1,586
 1,057
 567
 4,134
 424
 Dic-05
 Jun-06
 Dic-06
 Jun-07
 Sep-07
 Holding's debt
 Mexican subsidiaries' debt
 Amazonia / Sidor's debt
 Siderar's debt
 Cash & equivalents
 Net debt increased to US\$2.9 billion as a
 result of the acquisition of Grupo Imsa
 Cash & equivalents
 771
 916
 643
 731
 1,194
 Borrowings
 2,916
 1,586
 1,057
 567
 4,134
 Net debt / (cash)
 2,145
 670
 414
 (164)
 2,940
 Ternium's borrowings

(US\$ million)

Increase in leverage preserving Company's financial flexibility

Net debt to EBITDA ratio at 1.3 times, based on annualized 3Q 2007 EBITDA

Average

pre-tax

interest

rate

of

Libor+56bps

*

and

average

life

of

4

years

(*)

Company estimate

November 2007
Ternium
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