HERSHA HOSPITALITY TRUST
Form 4
November 10, 2008

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
LANDRY DONALD J

(Last) (First) (Middle)

HERSHA HOSPITALITY TRUST, 510 WALNUT STREET, 9TH FLOOR

(Street)

PHILADELPHIA, PA 19106

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HERSHA HOSPITALITY TRUST [HT]

3. Date of Earliest Transaction (Month/Day/Year)
11/07/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Shares of Beneficial Interest	11/07/2008		P		5,000	A	$ 4.15	20,319	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LANDRY DONALD J HERSHA HOSPITALITY TRUST 510 WALNUT STREET, 9TH FLOOR PHILADELPHIA, PA 19106	X			

Signatures

Ashish R. Parikh as attorney-in-fact for Donald J. Landry	11/10/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

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As of December 31,

2012

	2011
Deferred tax assets to be recovered after more than 12 months	
	83,341
	73,102
Deferred tax liabilities to be settled after more than 12 months	
	(720,231)
	(799,749)
	(636,890)
	(726,647)

22. OTHER LIABILITIES – NON CURRENT AND CURRENT

	As of December 31,	
	2012	**2011**
(i) Other liabilities - Non-current		
Termination benefits	3,323	4,238
Pension benefits	175,802	151,752
Other	45,831	40,984
Other liabilities – Non-current	**224,956**	**196,974**

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22. OTHER LIABILITIES – NON CURRENT AND CURRENT (continued)

Pension benefits

The amounts recognized in the consolidated statement of financial position are determined as follows:

	As of December 31,	
	2012	**2011**
Present value of unfunded obligations	282,824	246,825
Unrecognized prior service costs	(3,150)	(3,529)
Unrecognized actuarial losses	(83,465)	(71,646)
Fair value of plan assets	(20,407)	(19,898)
Liability in the statement of financial position	**175,802**	**151,752**

The amounts recognized in the consolidated income statement are as follows:

	Year ended December 31,	
	2012	**2011**
Current service cost	6,276	6,000
Interest cost	21,805	21,708
Amortization of prior service costs	658	818
Net actuarial losses recognized in the year	3,726	2,185
Total included in labor costs	**32,465**	**30,711**

Changes in the liability recognized in the consolidated statement of financial position are as follows:

	As of December 31,	
	2012	**2011**
At the beginning of the year	151,752	162,189
Transfers, new participants and funding of the plan	(17,445)	(19,321)
Total expense	32,465	30,711
Translation differences	10,927	(20,764)
Contributions paid	(1,897)	(1,063)

At the end of the year	**175,802**	**151,752**

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22. OTHER LIABILITIES – NON CURRENT AND CURRENT (continued)

The principal actuarial assumptions used were as follows:

Mexico	**Year ended December 31,**	
	2012	**2011**
Discount rate	8.25%	8.75%
Rate of compensation increase	4.00%	4.00%

Argentina	**Year ended December 31,**	
	2012	**2011**
Discount rate	7.00%	7.00%
Rate of compensation increase	2.00%	2.00%

	As of December 31,	
	2012	**2011**
(ii) Other liabilities – Current		
Payroll and social security payable	70,070	95,684
Termination benefits	10,459	8,547
Related Parties (Note 28)	3,323	4,052
Others	4,688	4,640
Other liabilities – Current	**88,540**	**112,923**

23. DERIVATIVE FINANCIAL INSTRUMENTS

Net fair values of derivative financial instruments

The net fair values of derivative financial instruments at December 31, 2012 and 2011 were as follows:

As of December 31,

	2012	2011
Contracts with positive fair values:		
Foreign exchange contracts	64	50
	64	**50**
Contracts with negative fair values:		
Interest rate swap contracts	(271)	(19,264)
Foreign exchange contracts	-	(10,638)
	(271)	**(29,902)**

Derivative financial instruments breakdown is as follows:

(a) Interest rate contracts

Fluctuations in market interest rates create a degree of risk by affecting the amount of the Company's interest payments and the value of its floating-rate debt. As of December 31, 2012, most of the Company's long-term borrowings were at variable rates.

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23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

On February 23, 2007, Ternium Mexico entered into several interest rate collar agreements that fix the interest rate to be paid over an aggregate notional amount of USD 140 million, in an average range of 4.19% to 6.00%. These agreements were due in March 2012.

On June 18, 2008, Ternium Mexico entered into several knock-in swap agreements in an average swap level of 5.22% and a knock-in level of 2.5%. These agreements were due in July 2012 and as of December 31, 2012, there is no residual on the notional amount.

On September 27, October 12 and November 5, 2012, Tenigal entered into several interest rate starting forward swap agreements that fix the interest rate to be paid over an aggregate amount of USD 45 million, in an average rate of 1.71% to 1.74%. These agreements will be effective starting on July 2014, will be due on July 2022 and have been accounted for as cash flow hedges. As of December 31, 2012, the after-tax cash flow hedge reserve related to these agreements amounted to USD (0.2) million.

Changes in fair value of derivative instruments designated as cash flow hedges for each of the years presented are included below:

	Cash flow hedges		
	Gross amount	**Income Tax**	**Total**
At December 31, 2010	(31,964)	9,590	(22,374)
(Decrease) / Increase	(657)	197	(460)
Reclassification to income statement	22,994	(6,898)	16,096
At December 31, 2011	(9,627)	2,889	(6,738)
(Decrease) / Increase	(553)	165	(388)
Reclassification to income statement	9,910	(2,973)	6,937
At December 31, 2012	(270)	81	(189)

The gross amount of the pre-tax reserve recorded in other comprehensive income at December 31, 2012 (amounting to a loss of USD 0.3 million) is expected to be reclassified to the income statements beginning on July 2014.

(b) Foreign exchange contracts

From time to time, Ternium’s subsidiaries enter into derivative agreements to manage their exposure to currencies other than the USD.

During 2011, Prosid Investments entered into several non-deliverable forward agreements to manage the exchange rate exposure generated by Siderar’s debt in ARS against USD. The notional amount hedged as of December 31, 2012 was ARS 1.4 billion with an average forward price of 5.27 ARS per USD.

Furthermore, during 2011, Ferrasa Colombia S.A.S. has been hedging the exposure of certain trade receivables denominated in its local currency through non-deliverable forward agreements. As of December 31, 2012, there is no residual notional amount on these agreements.

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23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

On December 14, 2011, Ternium Mexico S.A. de C.V. entered into a forward agreement over an aggregate notional amount of MXN 627.5 million, at an exchange rate of 13.94 MXN per USD, to manage its operating exposure in MXN. This agreement were due in January 19, 2012 and as of December 31, 2012, there is no residual notional amount on this agreement.

During December 2011 and in connection with the purchase of the investment in Usiminas (see note 3), both Ternium Investments S.a.r.l., through its Zug branch, and Prosid Investments entered into several non-deliverable forward and forward exchange collar agreements to manage the exchange rate exposure generated by the share purchase agreement in BRL against USD. The notional amount hedged as of December 31, 2011 by Ternium Investments S.a.r.l. and Prosid Investments was BRL 2.9 billion and BRL 1.0 billion, respectively. These agreements were due in January 2012 and had been accounted for as cash flow hedges. As of December 31, 2012, there is no residual cash flow hedge reserve related to these agreements.

The net fair values of the exchange rate derivative contracts as of December 31, 2012 and December 31, 2011 were as follows:

			Fair Value at December 31,	
Currencies	**Contract**	**Notional amount**	**2012**	**2011**
BRL/USD	ND Forward (1)	-	-	(8,902)
ARS/USD	ND Forward	1.4 billion ARS	64	(1,653)
MXN/USD	Forward	-	-	(83)
COP/USD	ND Forward	-	-	50
			64	**(10,588)**

(1) These foreign exchange contracts were accounted for as cash flow hedges.

USD: US dollars; ARS: Argentine pesos; BRL: Brazilian reales; MXN: Mexican pesos; COP: Colombian pesos; GTQ: Guatemalan quetzales; CRC: Costa Rican colon.

24. BORROWINGS

	As of December 31,	
	2012	**2011**
(i) Non-current		
Bank borrowings	1,309,743	951,469
Less: debt issue costs	(6,990)	(2,974)
	1,302,753	**948,495**
(ii) Current		
Bank borrowings	1,127,007	1,050,068
Less: debt issue costs	(5,397)	(2,427)
	1,121,610	**1,047,641**
Total Borrowings	**2,424,363**	**1,996,136**

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24. BORROWINGS (continued)

The maturity of borrowings is as follows:

	Expected Maturity Date				
				At December 31, (1)	
	2013	**2014**	**2015 and thereafter**	**2012**	**2011**
Fixed Rate	536,159	17,599	17,002	570,760	484,996
Floating Rate	585,450	617,378	650,775	1,853,603	1,511,140
Total	**1,121,609**	**634,977**	**667,777**	**2,424,363**	**1,996,136**

(1) As most borrowings incorporate floating rates that approximate market rates and the contractual repricing occurs every 3 to 6 months, the fair value of the borrowings approximates their carrying amount and it is not disclosed separately.

The weighted average interest rates - which incorporate instruments denominated mainly in US dollars and Argentina pesos and which also include the effect of derivative financial instruments- at year-end were as follows:

	As of December 31,	
	2012	**2011**
Bank borrowings	5.99%	5.13%

The nominal average interest rates shown above were calculated using the rates set for each instrument in its corresponding currency and weighted using the dollar-equivalent outstanding principal amount of said instruments at December 31, 2012 and 2011, respectively.

Breakdown of borrowings by currency is as follows:

Currencies	**Contract**	As of December 31,	
		2012	**2011**
USD	Floating	1,699,371	1,357,795

USD	Fixed	5,522	1,690
ARS	Floating	328	467
ARS	Fixed	542,686	460,946
BRL	Floating	18,028	17,177
COP	Floating	135,876	125,300
CRC	Fixed	6,887	6,475
GTQ	Fixed	15,665	15,885
MXN	Floating	-	10,401
Total Borrowings		**2,424,363**	**1,996,136**

USD: US dollars; ARS: Argentine pesos; BRL: Brazilian reales; MXN: Mexican pesos; COP: Colombian pesos; GTQ: Guatemalan quetzales; CRC: Costa Rican colon.

On April 6, 2011, the Company's subsidiary Ternium Mexico, S.A. de C.V. (Ternium Mexico), Crédit Agricole Corporate and Investment Bank, acting as Administrative Agent, and certain banks parties to a loan agreement dated as of July 12, 2007, partially refinanced a syndicated loan facility that had been incurred to finance Ternium's 2007 acquisition of Grupo Imsa, a company subsequently merged into Ternium Mexico.

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24. BORROWINGS (continued)

The outstanding balance of the facility refinanced amounted to USD 1.0 billion. As part of the refinancing, the final maturity date of bank loans in a principal amount of USD 0.8 billion was extended to July 23, 2014 (with the extended loans being payable in four consecutive and equal semi-annual installments commencing on January 26, 2013), and the applicable margin structure for the extended loans was amended. On July 26, 2012, Ternium Mexico repaid the remaining USD 0.2 billion principal amount of the loans that was not refinanced.

25. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS

Ternium is involved in litigation arising from time to time in the ordinary course of business. The Company recorded a provision for those cases in which there is a probable cash outflow and the outcome can be reliably estimated. Based on management's assessment and the advice of legal counsel, it is not anticipated that the ultimate resolution of existing litigation would be material to Ternium's consolidated financial position, results of operations or liquidity.

(i) Tax claims

(a) Siderar. AFIP – Income tax claim for fiscal years 1995 to 1999

The Administración Federal de Ingresos Públicos ("AFIP" – the Argentine tax authority) has challenged the charge to income of certain disbursements that Siderar has treated as expenses necessary to maintain industrial installations, which as such should be deducted in the year in which they take place. The AFIP asserts that these are investments or improvements that must be capitalized and, therefore, it made a jeopardy assessment of income tax due on a nominal tax basis plus fines and interest in fiscal years 1995 to 1999 amounting to approximately USD 17.3 million as of December 31, 2012.

The Company appealed these assessments before the National Tax Court, as in the view of its legal and tax advisors, there are reasons that would likely result in a favorable ruling for the Company.

On April 13, 2005 the Company was notified of a ruling issued by the National Tax Court reducing the assessments made by the AFIP for fiscal years 1995 and 1996. The ruling was appealed both by the Company and the AFIP.

On June 10, 2010 the Company was notified of a ruling issued by the Court of Appeals in federal administrative law which mainly resulted in favor of the Company. The ruling was appealed both by the Company and the AFIP.

On June 8, October 31 and October 15, 2012 the Company was notified of a ruling issued by the National Tax Court reducing partially the assessments made by the AFIP for the fiscal years 1997, 1998 and 1999, respectively. The ruling was appealed both by the Company and the AFIP.

Based on the above, the Company recognized a provision amounting to USD 1.8 million as of December 31, 2012 as management considers there could be a potential cash outflow.

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25. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS (continued)

(b) Ternium Mexico. SAT – Income tax claim for fiscal year 2004

On January 26, 2012, the Mexican tax authorities notified Ternium Mexico and its subsidiary Acerus S.A. de C.V. of a tax assessment that challenges the value attributed by a predecessor of Acerus to a capital reduction made in 2004 (i.e., prior to the Company's investment in Ternium Mexico's predecessor Grupo Imsa in 2007) and assesses an income tax deficiency. The tax authorities assert that the capital reduction should have been valued at a price significantly higher than the value attributed at the time by the shareholder. The proposed assessment represents an estimated contingency of MXN 4,230 Million (approximately USD 325 million) at December 31, 2012, in taxes and penalties. On April 2, 2012, Ternium Mexico filed an appeal to this assessment before the Mexican tax authorities and reserved the right to further appeal to the tax courts. The Company believes that it is not probable that the ultimate resolution of the matter will result in an obligation. Accordingly, no provision was recorded in these Consolidated Financial Statements.

(ii) Commitments

The following are Ternium's main off-balance sheet commitments:

(a) Siderar entered into a contract with Tenaris, a related company of Ternium, for the supply of steam generated at the power generation facility that Tenaris owns in the compound of the Ramallo facility of Siderar. Under this contract, Tenaris has to provide 250 tn/hour of steam, and Siderar has the obligation to take or pay this volume. The amount of this outsourcing agreement totals USD 79.9 million and is due to terminate in 2018.

(b) Siderar, within the investment plan, has entered into several commitments to acquire new production equipment for a total consideration of USD 99.8 million.

(c) Siderar is a party to a long-term contract with Air Liquide Argentina S.A. for the supply of oxygen, nitrogen and argon. The agreement requires Siderar to take or pay minimum daily amounts of these gases for an aggregate amount of USD 52.7 million to satisfy Siderar's current production needs through 2021, and to make incremental purchases of these gases for an aggregate amount of USD 141.3 million to satisfy the requirements through 2030 of a new separation facility to be constructed as part of Siderar's expansion plan. As a result of the several global crises that began in 2008 and the uncertainties surrounding the evolution of steel demand in the domestic and global markets, Siderar put the new separation facility project on hold and the parties engaged in discussions for the renegotiation of the contract. In February 2011, Siderar and Air Liquide Argentina reached agreement on the terms of the renegotiation; the obligations of the parties under the agreement related to the new separation facility were suspended through September 30, 2012, and Siderar agreed to purchase from Air Liquide Argentina certain equipment for an aggregate amount of approximately USD 21.8 million. As of December 31, 2012, Siderar paid advances in connection with equipment purchase orders in an amount of USD 12.8 million. On May 15, 2012, Siderar notified to Air Liquide Argentina its decision to resume the construction of the new facility and, as a result, Air Liquide Argentina will be required to repurchase all the equipment purchase orders at the price paid by Siderar. On January 30, 2013, Siderar and Air Liquide Argentina reached a new agreement on the new term for the separation facility project and the parties' rights and obligations related to it. As a consequence of this new agreement, Air Liquide Argentina will have to repurchase the purchase orders of the previously mentioned equipment.

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25. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS (continued)

(d) Siderar assumed fixed commitments for the purchase of raw materials for a total amount of USD 444.2 million to be expended during 2013.

(e) The production process of Ternium Mexico's (former Hylsa's plants) requires a large amount of electricity. On December 20, 2000, Hylsa entered into a 25-year contract with Iberdrola Energia Monterrey, S.A. de C.V. ("Iberdrola"), a Mexican subsidiary of the Spanish Company Iberdrola Energía, S.A., for the supply to four of Mexico's plants of a contracted electrical demand of 111.2 MW, for a contracted amount of USD 0.8 billion, which is due to terminate in 2027. There are no penalties if consumption is lower in 30 MW per year. This contract effectively started on April 30, 2002, and currently supplies approximately 24% of Ternium Mexico's electricity needs.

(f) Several Ternium Mexico's subsidiaries which have facilities throughout the Mexican territory are parties to a long term energy purchase agreement for approximately 90 MW of electricity as purchased capacity with Tractebel Energía de Monterrey, S. de R.L. de C.V., distributed among each plant defined as a capacity user. Each capacity user is committed to pay Tractebel for the purchased capacity and for the net energy delivered. Ternium Mexico is required to provide its best estimate of its expected nomination for capacity and energy under the specific limits and timelines. The monthly payments are calculated considering the capacity charges, energy charges, back-up power charges, and transmission charges, less any steam credits. The contracted amount is of USD 183 million and the contract will terminate in 2018.

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

In addition, the off-takers 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 off-takers, declared the early termination of the off-take framework agreement and their respective off-take agreements with Corus pursuant to a provision allowing the off-takers 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 off-takers 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 that would exceed USD 150 million (approximately USD 29.7 million in the case of Ternium Procurement), the maximum aggregate cap on liability that the off-takers would have under the off-take framework agreement (a limitation that Corus disputed).

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25. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS (continued)

In addition, Corus threatened to submit to arbitration further claims in tort against the off-takers, and also threatened to submit such claims against certain third-parties to such agreements, including the Company. The off-takers and Ternium Mexico, in turn, denied Corus' claims and brought counterclaims against Corus which, in the aggregate, would also be greater than USD 150 million.

On May 12, 2009, Corus, by a letter from its lawyers, alleged that the off-takers'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 off-takers' 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 off-takers and adding to its claims the payment of punitive or exemplary damages.

On December 21, 2010, the arbitration tribunal issued a partial final award where it held that the off-takers had invalidly terminated the off-take agreements. The tribunal also held that the maximum aggregate USD 150 million liability cap (out of which approximately USD 29.7 million corresponds to Ternium Procurement) provided in the off-take framework agreement applied to all of Corus's claims against the off-takers, including tort as well as contract claims. The tribunal formally admitted new claims and counterclaims into the arbitration proceedings on April 10, 2011.

On April 15, 2011, the arbitration tribunal issued a second partial final award where it held that the off-takers should pay to the claimant GBP 1.6 million for its reasonable legal and other costs incurred before the first partial final award. The off-takers paid that amount around mid-May. In addition, on May 27, 2011, the off-takers paid to Tata an aggregate amount of USD 16.3 million (of which Ternium Procurement paid USD 3.2 million) as indemnification for one of its claims under the arbitration proceedings.

On June 16, 2011, Tata, the off-takers and Ternium Mexico settled the dispute, and the off-takers, in exchange for a full release and discharge of each of them and their respective representatives and affiliates, from all claims and disputes that Tata may have against any of them in relation to the off-take framework agreement and its related agreements, agreed to pay to Tata an aggregate amount of USD 124 million (including the USD 16.3 million previously paid) and authorized their agent under the off-take agreements to transfer to Tata GBP 1.8 million and EUR 0.5 million which had been received by the agent from the off-takers under the off-take framework agreement before the early termination of such agreement. Ternium Procurement paid to Tata its share of the settlement amount (i.e., USD 21.3 million) on June 17, 2011.

On June 21, 2011, Tata notified the arbitration tribunal that the arbitration proceedings were withdrawn. On July 8, 2011 and as a consequence of the settlement reached among the parties, the tribunal declared the termination of the arbitration proceedings.

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25. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS (continued)

(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 has reached an amount equal to 10% of the share capital. At December 31, 2012, this reserve reached the above-mentioned threshold.

As of December 31, 2012, Ternium may pay dividends up to USD 6.0 billion in accordance with Luxembourg law and regulations.

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

	At December 31, 2012
Share capital	2,004,743
Legal reserve	200,474
Non distributable reserves	1,414,122
Accumulated profit at January 1, 2011 (1)	5,982,630
Loss for the year	(7,329)
Total shareholders' equity under Luxembourg GAAP	**9,594,640**

(1) As a result of the repurchase of its own shares from Usiminas on February 15, 2011 (see Note 30), the Company is required under applicable Luxembourg law to create a new non-distributable reserve in the amount of USD 150 million.

26. EARNINGS PER SHARE

As of December 31, 2012, the capital was USD 2,004,743,442 represented by 2,004,743,442 shares, each having a nominal value of USD 1.00 each.

For fiscal years 2012, 2011 and 2010, the weighted average of shares outstanding totaled 1,963,076,776, 1,968,327,917 and 2,004,743,442 shares, respectively. See note 30.

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the daily weighted average number of ordinary shares outstanding during the year.

	2012	**2011**	**2010**
Profit from continuing operations attributable to equity holders of the Company	139,235	513,540	622,076
Weighted average number of ordinary shares in issue	1,963,076,776	1,968,327,917	2,004,743,442
Basic and diluted earnings per share from continuing operations attributable to equity holders of the Company (USD per share)	0.07	0.26	0.31

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27. DISCONTINUED OPERATIONS – NATIONALIZATION OF SIDOR

On March 31, 2008, Ternium S.A. (the “Company”) controlled, through its Spanish subsidiary Consorcio Siderurgia Amazonia S.L. (“Amazonia”), approximately 59.7% of Venezuelan steelmaker Sidor C.A., 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. On April 8, 2008, the Venezuelan government announced its intention to take control over Sidor, and on July 12, 2008, Venezuela, acting through CVG, assumed operational control and complete responsibility for Sidor’s operations.

On May 7, 2009, the Company and Amazonia completed the transfer of their entire 59.7% interest in Sidor to CVG, and 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 was scheduled to be paid in six equal quarterly installments beginning in August 2009 until November 2010, while the second tranche would be due in November 2010, subject to quarterly mandatory prepayment events. CVG made all payments required to be made under the agreements governing the transfer of Sidor to Venezuela except for November 2010 payment.

On December 18, 2010, the Company and Amazonia reached an agreement with CVG on the rescheduling of the unpaid balance of USD 257.4 million, and CVG agreed to make a USD 7 million cash payment and five quarterly installments, beginning on February 15, 2011 and ending on February 15, 2012. The final two installments, however, were not paid when due and, on July 20, 2012, the Company and Amazonia initiated arbitration proceedings against Venezuela before the International Centre for Settlement of Investment Disputes (ICSID), seeking payment of the unpaid amounts. On October 10, 2012, the Company received the payment of the outstanding amount of USD 136.7 million. The receipt of that payment resolved the pending dispute relating to the nationalization of Sidor.

In the year ended December 31, 2012 and 2011, the Company recorded gains in the amount of USD 0.4 million and USD 11.4 million, respectively. These gains are included in “Interest income” in the Income Statement and represent the accretion income over the receivable held against CVG.

28. RELATED PARTY TRANSACTIONS

As of December 31, 2012, Techint owned 62.02% of the Company’s share capital and Tenaris held 11.46% of the Company’s share capital. Each of Techint and Tenaris were controlled by San Faustin S.A., a Luxembourg company (“San Faustin”). Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin (“RP STAK”), a Dutch private foundation (Stichting), held shares in San Faustin sufficient in number to control San Faustin. No person or group of persons controls RP STAK.

For commitments with Related parties, see note 25.

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28. RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties:

	Year ended December 31,		
	2012	**2011**	**2010**
(i) Transactions			
(a) Sales of goods and services and others			
Sales of goods to non-consolidated parties	171	14,182	-
Sales of goods to other related parties	216,392	167,786	172,337
Sales of services and others to non-consolidated parties	173	109	65
Sales of services and others to other related parties	616	1,682	1,763
	217,352	**183,759**	**174,165**
(b) Purchases of goods and services and others			
Purchases of goods from non-consolidated parties	312,106	111,900	84,206
Purchases of goods from other related parties	75,482	58,219	49,735
Purchases of services and others from non-consolidated parties	43,708	42,762	38,939
Purchases of services and others from other related parties	248,647	129,844	114,377
	679,943	**342,725**	**287,257**
(c) Financial results			
Income with non-consolidated parties	-	95	78
Expenses with non-consolidated parties	(308)	(21)	(982)
	(308)	**74**	**(904)**
(d) Dividends received			
Dividends received from non-consolidated parties	**4,718**	**-**	**302**

(ii) Year-end balances	At December 31,	
	2012	**2011**
a) Arising from sales/purchases of goods/services and other transactions		
Receivables from non-consolidated parties	1,102	16,124

Receivables from other related parties	24,243	30,723
Advances to suppliers with other related parties	4,321	1,245
Payables to non-consolidated parties	(69,746)	(24,042)
Payables to other related parties	(68,792)	(50,265)
Borrowings to non-consolidated parties	-	(12,182)
	(108,872)	**(38,397)**

(iii) Officers and Directors' compensation

During the year ended December 31, 2012 the cash compensation of Officers and Directors amounted to USD 13,076. In addition, Officers received 660.000 Units for a total amount of USD 1,883 in connection with the incentive retention program mentioned in note 4 (n)(3).

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29. INVESTMENTS IN MEXICO

On October 4, 2010, Ternium and Nippon Steel Corporation signed a definitive agreement to form an operation in Mexico for the manufacturing and sale of hot-dip galvanized and galvannealed steel sheets to serve the Mexican automobile market. The company was established in November 2010 and operates under the name of Tenigal, S.R.L. de C.V. Ternium and Nippon Steel hold 51% and 49% participations in Tenigal, respectively.

Tenigal plans to build a hot-dip galvanizing plant in the vicinity of Monterrey City (equivalent to the state-of-the-art equipment now in operation at Nippon Steel's steelworks in Japan) with a production capacity of 400,000 metric tons per year. Ternium expects that construction of the facility would require a total investment of approximately USD 350 million. The plant is currently 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. Tenigal is expected to serve the requirements of the growing automotive industry in Mexico, including those of the Japanese car makers.

In addition, Ternium Mexico plans to construct new pickling, cold-rolling, annealing and tempering lines at the same site. Part of the output from these lines will be used to supply the Tenigal plant. Ternium expects that construction of these lines would require a total investment of approximately USD 700 million. As of December 31, 2012, the amount invested in property, plant and equipment totaled USD 245 million.

30. REPURCHASE OF SHARES FROM USIMINAS CONCURRENTLY WITH SECONDARY PUBLIC OFFERING

On January 31, 2011, Ternium entered into a transaction and registration rights agreement with its 14.3% shareholder Usiminas and Techint Holdings S.à.r.l. ("Techint"). The transaction and registration rights agreement provided, among other things, for a SEC-registered underwritten public offering of up to all of Ternium shares held by Usiminas (less the number of shares that Ternium and Techint agreed to purchase as discussed below) in the form of ADSs listed on the New York Stock Exchange. Neither Ternium nor Techint offered to sell any Ternium shares or ADSs in the public offering.

On February 9, 2011, Ternium and Techint, following the pricing of the underwritten public offering mentioned above, entered into purchase agreements with Usiminas relating to their concurrent purchase transactions of Ternium shares. Under these agreements, on February 15, 2011, Ternium and Techint purchased from Usiminas 41,666,666 and 27,777,780 Ternium shares for a total consideration of USD 150 million and USD 100 million, respectively. In connection with the sale of Ternium's shares by Usiminas, Ternium collected a USD 10.2 million fee, included in "Other operating income (expenses), net" and was reimbursed of all expenses relating to the offering and concurrent purchase.

Following consummation of these transactions, Techint owns directly 62.02% of the Company's share capital and Tenaris holds directly 11.46% of the Company's share capital (both including treasury shares) and Usiminas no longer owns any Ternium shares. In addition, the two members of Ternium's Board of Directors nominated by Usiminas resigned from the Ternium Board.

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30. REPURCHASE OF SHARES FROM USIMINAS CONCURRENTLY WITH SECONDARY PUBLIC OFFERING (continued)

Related to the dividends distributed on May 2, 2012, and June 9, 2011, and as these treasury shares are held by one of Ternium's subsidiaries, the dividends attributable to these treasury shares amounting to USD 3.1 million and USD 3.1 million, respectively, were included in equity as less dividend paid.

31. OTHER REQUIRED DISCLOSURES

(a) Statement of comprehensive income

	Cash flow hedges			Currency
	Gross amount	Income Tax	Total	translation adjustment
At December 31, 2010	(31,964)	9,590	(22,374)	(679,457)
(Decrease) / Increase	(657)	197	(460)	(433,633)
Reclassification to income statement	22,994	(6,898)	16,096	-
At December 31, 2011	(9,627)	2,889	(6,738)	(1,113,090)
(Decrease) / Increase	(553)	165	(388)	(425,448)
Reclassification to income statement	9,910	(2,973)	6,937	-
At December 31, 2012	(270)	81	(189)	(1,538,538)

(b) Statement of cash flows

		Year ended December 31,	
	2012	2011	2010
(i) Changes in working capital (1)			
Inventories	20,250	(410,088)	(496,678)
Receivables and others	(86,319)	(8,635)	32,487
Trade receivables	38,219	(136,547)	(170,630)
Other liabilities	(41,456)	25,332	63,062
Trade payables	92,839	130,646	134,681

		23,533	**(399,292)**	**(437,078)**
(ii)	**Income tax accrual less payments**			
	Tax accrued (Note 11)	264,567	311,656	406,193
	Taxes paid	(220,197)	(571,920)	(179,838)
		44,370		