



**TERNIUM S.A.**  
**Société Anonyme**

**Audited Annual Accounts**  
**as at December 31, 2014**

29, Avenue de la Porte-Neuve 3<sup>rd</sup> floor  
L-2227 Luxembourg

R.C.S. Luxembourg B-98-668

## INDEX TO THE ANNUAL ACCOUNTS

	<b>Page</b>
Audit Report	2
Balance sheet	4
Profit and loss account	5
Notes to the annual accounts	6



## Audit report

To the Shareholders of  
**Ternium S.A.**

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We have audited the accompanying annual accounts of Ternium S.A., which comprise the balance sheet as at 31 December 2014, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

### *Board of Directors' responsibility for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of Ternium S.A. as of 31 December 2014, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

PricewaterhouseCoopers, Société coopérative

Luxembourg, 18 February 2015

Represented by

Mervyn R. Martins

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TERNIUM S.A.

Audited annual accounts as at December 31, 2014 and 2013

(All amounts in USD)

**Balance sheet as at December 31, 2014 and 2013**

	Notes	12/31/2014 USD	12/31/2013 USD
<b>ASSETS</b>			
<b>C. Fixed assets</b>			
III. Financial Fixed Assets			
1. Shares in affiliated undertakings	3	9.023.402.767	9.462.789.989
		<u>9.023.402.767</u>	<u>9.462.789.989</u>
<b>D. Current assets</b>			
II. Debtors			
2. Amounts owed by affiliated undertakings			
a) becoming due and payable within one year	6	7.545.144	14.101.792
4. Other receivables			
a) becoming due and payable within one year		3.208	-
		<u>7.548.352</u>	<u>14.101.792</u>
IV. Cash at bank and in hand		38.408	38.497
<b>Total assets</b>		<b><u>9.030.989.527</u></b>	<b><u>9.476.930.278</u></b>
<b>LIABILITIES</b>			
A. Capital and reserves			
I. Subscribed capital			
	4	2.004.743.442	2.004.743.442
II. Share premium and similar premiums			
		1.414.121.505	1.414.121.505
1. Legal reserve			
	5	200.474.346	200.474.346
2. Other Reserves			
V. Profit or loss brought forward			
		5.687.690.017	5.844.992.653
VI. Loss for the financial year			
		(289.975.159)	(6.946.877)
		<u>9.017.054.151</u>	<u>9.457.385.069</u>
C. Provisions			
1. Provisions for pensions and similar obligations			
	2.7	10.436.152	11.718.509
		<u>10.436.152</u>	<u>11.718.509</u>
D. Non-subordinated debts			
a) becoming due and payable within one year			
	6	1.629.606	6.053.890
b) becoming due and payable after more than one year			
9 Other creditors			
a) becoming due and payable within one year			
		1.869.618	1.772.810
		<u>13.935.376</u>	<u>19.545.209</u>
<b>Total liabilities</b>		<b><u>9.030.989.527</u></b>	<b><u>9.476.930.278</u></b>

The accompanying notes are an integral part of these annual accounts.

**Profit and loss account for the years ended  
December 31, 2014 and 2013**

	Note	<u>31/12/2014 USD</u>	<u>31/12/2013 USD</u>
<b>A. CHARGES</b>			
2. Other external charges		-	-
5. Other operating charges	8	17.580.534	24.715.850
6. Value adjustments and fair value adjustments on financial fixed assets		287.194.147	
8. Interest and other financial charges			
a) concerning affiliated undertakings		192.390	213.599
b) other interest and similar financial charges		7.927	19.386
11. Income Tax	7	8.820	4.102
<b>TOTAL CHARGES</b>		<b><u>304.983.818</u></b>	<b><u>24.952.937</u></b>
<b>B. INCOME</b>			
5. Other operating income		-	-
6. Income from financial fixed assets			
a) derived from affiliated undertakings	9	15.000.000	18.000.000
7. Income from financial current assets			
a) derived from affiliated undertakings		741	1.334
b) other income from financial current assets		7.917	4.726
13. Loss for the financial year		289.975.159	6.946.877
<b>TOTAL INCOME</b>		<b><u>304.983.818</u></b>	<b><u>24.952.937</u></b>

The accompanying notes are an integral part of these annual accounts.

## Notes to the annual accounts

### Note 1 – General information

Ternium S.A. (the “Company” or “Ternium”), was incorporated on December 22, 2003 to hold investments in flat and long steel manufacturing and distributing companies. The Company has an authorized share capital of a single class of 3,5 billion shares having a nominal value of USD 1,00 per share. As of December 31, 2014, there were 2.004.743.442 shares issued. All issued shares are fully paid.

Following a corporate reorganization carried out during fiscal year 2005, in January 2006 the Company successfully completed its registration process with the United States Securities and Exchange Commission (“SEC”). Ternium’s ADSs began trading on the New York Stock Exchange under the symbol “TX” on February 1, 2006. The Company’s initial public offering was settled on February 6, 2006.

The Company was initially established as a public limited liability company (société anonyme) under Luxembourg’s 1929 holding company regime. Until termination of such regime on December 31, 2010, holding companies incorporated under the 1929 regime (including the Company) were exempt from Luxembourg corporate and withholding tax over dividends distributed to shareholders.

On January 1, 2011, the Company became an ordinary public limited liability company (société anonyme) and, effective as from that date, the Company is subject to all applicable Luxembourg taxes (including, among others, corporate income tax on its worldwide income) and its dividend distributions will generally be subject to Luxembourg withholding tax. However, dividends received by the Company from subsidiaries in high income tax jurisdictions, as defined under Luxembourg law, will continue to be exempt from corporate income tax in Luxembourg under Luxembourg’s participation exemption.

As part of the Company’s corporate reorganization in connection with the termination of Luxembourg’s 1929 holding company regime, on December 6, 2010, the Company contributed its equity holdings in all its subsidiaries and all its financial assets to its Luxembourg wholly-owned subsidiary Ternium Investments S.à r.l., or Ternium Investments, in exchange for newly issued corporate units of Ternium Investments. As the assets contributed were recorded at their historical carrying amount in accordance with Luxembourg GAAP, the Company’s December 2010 contribution of such assets to Ternium Investments resulted in a non-taxable revaluation of the accounting value of the Company’s assets under Luxembourg GAAP. The amount of the December 2010 revaluation was equal to the difference between the historical carrying amounts of the assets contributed and the value at which such assets were contributed and amounted to USD 4.0 billion.

Following the completion of the corporate reorganization, and upon its conversion into an ordinary Luxembourg holding company, the Company voluntarily recorded a special reserve exclusively for tax-basis purposes. As of December 31, 2014 and 2013, this special tax reserve amounted to USD 7.3 billion and USD 7.5 billion, respectively. The Company expects that, as a result of its corporate reorganization, its current overall tax burden will not increase, as all or substantially all of its dividend income will come from high income tax jurisdictions. In addition, the Company expects that dividend distributions for the foreseeable future will be imputed to the special reserve and therefore should be exempt from Luxembourg withholding tax under current Luxembourg law.

The financial year of the Company starts on January 1 and ends on December 31 of each year.

### Note 2 - Summary of significant accounting policies

#### 2.1 Basis of presentation

These annual accounts have been prepared in accordance with Luxembourg legal requirements and accounting standards under the historical cost convention.

Accounting policies and valuation rules are, besides the ones laid down by the law of 19 December 2002, determined and applied by the Board of Directors.

The preparation of annual accounts requires the Board of Directors to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management makes estimates and assumptions concerning the future. Actual results may differ significantly from these estimates under different assumptions or conditions.

### **2.2 Foreign currency translation**

The Company maintains its books and records in United State Dollars ("USD"). Current assets and liabilities and non-current liabilities denominated in currencies other than the USD are translated into USD at the rate of exchange at the balance sheet date. Non-current assets remain at the exchange rate on the day of incorporation. The resulting gains or losses are reflected in the Profit and loss account for the financial year. Income and expenses in currencies other than the USD are translated into USD at the exchange rate prevailing at the date of each transaction.

### **2.3 Financial fixed assets**

Shares in affiliated undertakings are valued at purchase price including the expenses incidental thereto. Loans to affiliated undertakings are stated at nominal value.

Whenever necessary the company conducts impairment test on its fixed assets in accordance with Luxembourg regulations.

In the case of durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

### **2.4 Debtors**

Amounts owed by affiliated undertakings and other receivables are valued at nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Debtors are mainly composed of amounts owed by affiliated undertakings becoming due and payable within one year.

### **2.5 Cash at bank and in hand**

Cash at bank and cash in hand also comprise cash equivalents, liquidity funds and short-term investments with a maturity of less than three months at the date of purchase. Assets recorded in cash and cash equivalents are carried at fair market value or at historical cost which approximates fair market value.

### **2.6 Non subordinated debts**

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt based on a linear method.



## TERNIUM S.A.

Audited annual accounts as at December 31, 2014 and 2013

(All amounts in USD)

### 2.7 Provisions for pensions and similar obligations

During 2007, Ternium launched an incentive retention program (the "Program") applicable to certain senior officers and employees of the Company, who will be granted a number of Units throughout the duration of the Program. The value of each of these Units is based on Ternium's shareholders' equity (excluding non-controlling interest). Also, the beneficiaries of the Program are entitled to receive cash amounts based on (i) the amount of dividend payments made by Ternium to its shareholders, and (ii) the number of Units held by each beneficiary to the Program. Units vest rateably over a period of four years and will be redeemed by the Company ten years after grant date, with the option of an early redemption at seven years after grant date. As the cash payment of the benefit is tied to the book value of the shares, and not to their market value, Ternium valued this long-term incentive program as a long term benefit plan as classified in IAS 19. Actuarial gains and losses are charged or credited in the profit or loss in the period in which they arise.

As of December 31, 2014 and 2013, the outstanding liability corresponding to the Program amounts to USD 10,4 million and USD 11,7 million, respectively.

### Note 3- Shares in affiliated undertakings

On July 19, 2013 and on July 18, 2014, as result of the master credit agreement entered between Ternium Investments S.à r.l. ("Ternium Investments") and Ternium S.A. where Ternium Investments pursuant to which, upon request from Ternium, Ternium Investments may, but shall not be required to, from time to time make loans to Ternium. Any loan under the master credit agreement may be repaid or prepaid from time to time through a reduction of the capital of Ternium Investments by an amount equivalent to the amount of the loan then outstanding (including accrued interest). As a result of the cancellation of loans granted to Ternium, the reductions in the capital of Ternium Investments made on July 19, 2013 and on July 18, 2014 amounted to USD 138.207.800 and USD 152.193.076, respectively.

As a result of the transactions detailed above, the financial assets of the Company as at December 31, 2014, consist of:

Company	Country	% of beneficial ownership	Book value at 12.31.2013 USD	Net (Decreases) / Additions USD	Impairments USD	Book value at 12.31.2014 USD	Equity at 12.31.2014 USD
Ternium Investments S.à r.l.	Luxembourg	100.00%	9.462.789.989	-152.193.076	-287.194.147	9.023.402.767	8.912.708.110
<b>Shares in affiliated undertakings</b>			9.462.789.989	-152.193.076	-287.194.147	9.023.402.767	8.912.708.110

As of December 31, 2014, the Company wrote down its investment in Ternium Investments S.à r.l. by USD 287,2 million, as a consequence of the impairments registered in the accounts of that company for its participations in Usiminas of USD 285,1 million and in Ternium Brasil S.A. of USD 2,1 million. The impairment for Usiminas was mainly due to expectations of a weaker industrial environment in Brazil, and consequently steel demand, as a result of worsening economic activity, as well as a significant downturn in international prices of iron ore and steel, which led to diminished cash flow expectations. As of December 31, 2014 the discount rate used to test the investment in Usiminas for impairment was 9,8%.

# TERNIUM S.A.

Audited annual accounts as at December 31, 2014 and 2013

(All amounts in USD)

## Note 4 - Capital and reserves

	Subscribed Capital	Share premium	Legal reserve	Profit or loss brought forward	Result for the financial year	Shareholders' Equity
<b>Balance at December 31, 2013</b>	2.004.743.442	1.414.121.505	200.474.346	5.844.992.653	(6.946.877)	9.457.385.069
Allocation of previous year results (1)	-	-	-	(6.946.877)	6.946.877	-
Payment of dividends (1)	-	-	-	(150.355.759)	-	(150.355.759)
Loss for the year	-	-	-	-	(289.975.159)	(289.975.159)
<b>Balance at December 31, 2014</b>	2.004.743.442	1.414.121.505	200.474.346	5.687.690.017	(289.975.159)	9.017.054.151

(1) As approved by the Annual General Meeting of Shareholders held on May 7, 2014.

The authorized capital of the Company amounts to USD 3,500 million. The total authorized share capital of the Company is represented by 3,500,000,000 shares with a par value of USD 1 per share. The total capital issued and fully paid-up at December 31, 2014, was 2,004,743,442 shares with a par value of USD 1 per share.

## Note 5 – Legal Reserve

In accordance with Luxembourg law, the Company is required to set aside a minimum of 5% of its annual net profit for each financial period to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve has reached 10% of the Company's issued share capital. At December 31, 2014, this reserve reached the above-mentioned threshold, the legal reserve is not available for distribution to shareholders.

## Note 6 – Balances with affiliated undertakings

	December 31, 2014 - USD	December 31, 2013 - USD
<b>Assets</b>		
Debtors		
Ternium Solutions A.G.	-	570.115
Ternium Investments S.à r.l.	7.545.144	13.531.677
	<b>7.545.144</b>	<b>14.101.792</b>
<b>Liabilities</b>		
Creditors		
Ternium Treasury Services S.A. – Argentine branch	-	63.739
Siderar S.A.I.C.	5.542	346.718
Soluciones Integrales de Gestión S.A. (SIGSA)	1.001.967	978.433
Ternium Solutions A.G.	622.097	4.665.000
	<b>1.629.606</b>	<b>6.053.890</b>

## Note 7 – Taxes

For the period ended December 31, 2014, the Company did not realize any profits subject to tax in Luxembourg and will therefore be only subject to the minimum income tax applicable to a Soparfi (société de participations financières). The Company is also liable to the minimum Net Wealth Tax.

# TERNIUM S.A.

Audited annual accounts as at December 31, 2014 and 2013

(All amounts in USD)

## Note 8 – Other Operating Charges

	December 31, 2014	December 31, 2013
	USD	USD
Services and fees	15.532.038	23.121.790
Board of director`s accrued fees	1.233.563	1.160.000
Other expenses	814.933	434.060
<b>Total</b>	<b>17.580.534</b>	<b>24.715.850</b>

Services and fees are mainly composed of professional, audit and legal services.

## Note 9 – Income from financial fixed assets derived from affiliated undertakings

During the period, the Company has received a dividend from Ternium Investments S.à r.l. amounting to USD 15.000.000.

## Note 10 – Parent Company

As of December 30, 2014, Techint Holdings S.à r.l. (“Techint”) owned 62.02% of the Company’s share capital and Tenaris Investments S.à r.l. (“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.

Pablo Brizzio  
Chief Financial Officer