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

FORM 20-F

- Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934
or
- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2011
or
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
or
- Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 001-32734

TERNIUM S.A.

(Exact Name of Registrant as Specified in its Charter)

N/A

(Translation of registrant's name into English)

Grand Duchy of Luxembourg
(Jurisdiction of incorporation or organization)

29, Avenue de la Porte-Neuve — 3rd floor
L-2227 Luxembourg
(Address of registrant's registered office)

Alicia Alvarez
29, Avenue de la Porte-Neuve — 3rd floor
L-2227 Luxembourg

Tel. +352 26 68 31 52, Fax. +352 26 59 83 49, e-mail: luxembourg@ternium.com
(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange On Which Registered</u>
American Depositary Shares Ordinary Shares, par value USD1.00 per share	New York Stock Exchange New York Stock Exchange*

* Ordinary shares of Ternium S.A. are not listed for trading but only in connection with the registration of American Depositary Shares which are evidenced by American Depositary Receipts.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

2,004,743,442 ordinary shares, par value USD1.00 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note—checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated Filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Please send copies of notices and communications from the Securities and Exchange Commission to:

Cristian J.P. Mitrani
Mitrani, Caballero, Ojam & Ruiz Moreno Abogados
Alicia Moreau de Justo 400, 3rd Floor
C1007AAH — Buenos Aires, Argentina
(54-11) 4590-8600

Robert S. Risoleo, Esq.
Sullivan & Cromwell LLP
1701 Pennsylvania Avenue N.W.
Washington, D.C. 20006
(202) 956-7500

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CERTAIN DEFINED TERMS

In this annual report, unless otherwise specified or if the context so requires:

- References to the “Company” refer exclusively to Ternium S.A., a Luxembourg public limited liability company (*société anonyme*);
- References in this annual report to “Ternium,” “we,” “us” or “our” refer to Ternium S.A. and its consolidated subsidiaries;
- References to the “Ternium companies” are to the Company’s manufacturing subsidiaries, namely Ternium México S.A. de C.V., or Ternium Mexico, a Mexican corporation, Siderar S.A.I.C., or Siderar, an Argentine corporation, Ferrasa S.A.S., or Ferrasa, a Colombian corporation, Ternium Internacional Guatemala S.A., or Ternium Guatemala, a Guatemalan corporation, and Ferrasa Panamá S.A., or Ferrasa Panama, a Panamanian corporation, and their respective subsidiaries;
- References to “Tenaris” are to Tenaris S.A., a Luxembourg public limited liability company (*société anonyme*) and a significant shareholder of the Company;
- References to “San Faustin” are to San Faustin S.A., a Luxembourg corporation and the Company’s indirect controlling shareholder;
- References to the “Ternium commercial network” or “Ternium Internacional” are to an international group of companies wholly owned by Ternium that market and provide worldwide distribution services for products offered primarily by Ternium;
- References to the “Lomond Holdings” comprise the network of companies under the brand “Exiros” and their subsidiaries;
- References to “Usiminas” refer to Usinas Siderúrgicas de Minas Gerais – Usiminas, a Brazilian corporation. For further information on the Usiminas shares purchase transaction, see Item 5. “Operating and Financial Review and Prospects—G. Recent Developments—Acquisition of participation in Usiminas”;
- References to “ADSs” are to the American Depositary Shares, which are evidenced by American Depositary Receipts;
- References to “finished steel products” when used in connection with production capacity are to finished steel products and semi-finished steel products capable of being sold to third parties;
- References to “tons” are to metric tons; one metric ton is equal to 1,000 kilograms, 2,204.62 pounds or 1.102 U.S. (short) tons; and
- References to “billions” are to thousands of millions, or 1,000,000,000.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

We prepare our consolidated financial statements in conformity with International Financial Reporting Standards and IFRIC interpretations as issued by the International Accounting Standards Board, or IASB and adopted by the European Union (EU), or IFRS. IFRS differ in certain significant respects from generally accepted accounting principles in the United States, commonly referred to as U.S. GAAP.

Currencies

In this annual report, unless otherwise specified or the context otherwise requires:

- “dollars,” “U.S. dollars,” “USD” or “US\$” each refers to the United States of America dollar;
- “Mexican pesos” or “MXN” each refers to the Mexican peso; and
- “Argentine pesos” or “ARP” each refers to the Argentine peso.

On December 31, 2011, the noon buying rate between the Mexican peso and the U.S. dollar (as published by *Banco de México*, or the Mexican Bank) was MXN13.9476=USD1.0000, and the U.S. dollar sell exchange rate in the Argentine Republic (as published by *Banco Central de la República Argentina*, or the Argentine Central Bank) was ARP4.3032=USD1.0000. Those rates may differ from the actual rates used in preparation of the Company’s consolidated financial statements. We do not represent that any of these currencies could have been or could be converted into U.S. dollars or that U.S. dollars could have been or could be converted into any of these currencies.

Rounding; Comparability of Data

Certain monetary amounts, percentages and other figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Our Internet Site is Not Part of this Annual Report

We maintain an Internet site at www.ternium.com. Information contained in or otherwise accessible through this website is not a part of this annual report. All references in this annual report to this Internet site are inactive textual references to this URL, or “uniform resource locator” and are for your informational reference only. We assume no responsibility for the information contained on this site.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This annual report and any other oral or written statements made by us to the public may contain “forward-looking statements” within the meaning of and subject to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. This annual report contains forward-looking statements, including with respect to certain of our plans and current goals and expectations relating to Ternium’s future financial condition and performance.

Sections of this annual report that by their nature contain forward-looking statements include, but are not limited to, Item 3. “Key Information,” Item 4. “Information on the Company,” Item 5. “Operating and Financial Review and Prospects” and Item 11. “Quantitative and Qualitative Disclosures About Market Risk.”

We use words such as “aim,” “will continue,” “will likely result,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “should,” “will pursue,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and words and terms of similar substance to identify forward-looking statements, but they are not the only way we identify such statements. All forward-looking statements are management’s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These factors include the risks related to our business discussed under Item 3. “Key Information—D. Risk Factors,” and among them, the following:

- uncertainties about the behavior of steel consumers in the markets in which Ternium operates and sells its products;
- changes in the pricing environments in the countries in which Ternium operates;
- the impact in the markets in which Ternium operates of existing and new competitors, including competitors that offer less expensive products and services, desirable or innovative products, or have extensive resources or better financing, and whose presence may affect Ternium’s customer mix, revenues and profitability;
- increases in the prices of raw materials, other inputs or energy or difficulties in acquiring raw materials or other inputs or energy supply cut-offs;
- the policies of, and the economic, political and social developments and conditions in, the countries in which Ternium owns facilities or other countries which have an impact on Ternium’s business activities or investments;
- inflation or deflation and foreign exchange rates in the countries in which Ternium operates;
- volatility in interest rates;
- the performance of the financial markets globally and in the countries in which Ternium operates;
- the performance of our investment in Usiminas (including the operating and financial performance of Usiminas, and changes in the Brazilian Real versus the U.S. dollar), and the results of our association with Nippon Steel and Usiminas;
- changes in domestic and foreign laws, regulations and taxes;
- regional or general changes in asset valuations;
- our ability to successfully implement our business strategy or to grow through acquisitions, greenfield projects, joint ventures and other investments; and
- other factors or trends affecting the flat and long steel industry generally and our financial condition in particular.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses that may affect Ternium’s financial condition and results of operations could differ materially from those that have been estimated. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this annual report. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The selected consolidated financial data set forth below have been derived from our audited consolidated financial statements for each of the years and at the dates indicated herein. Our consolidated financial statements were prepared in accordance with IFRS, and were audited by PricewaterhouseCoopers S.à.r.l., *Réviseur d'entreprises agréé*, as of December 31, 2011 and for the year ended December 31, 2011 and were audited by Price Waterhouse & Co. S.R.L. as of December 31, 2010 and for the two years in the period ended December 31, 2010, which are independent registered public accounting firms that are member firms of the PwC International Ltd. network. IFRS differ in certain significant respects from U.S. GAAP.

Ternium obtained control over Grupo Imsa, a Mexican steel processor, on July 26, 2007. Accordingly, the audited consolidated financial statements of Ternium as of December 31, 2011, 2010, 2009 and 2008, and for the years then ended, included in this annual report consolidate the results and other financial data of Grupo Imsa for the entire year, and the audited consolidated financial statements of Ternium as of December 31, 2007, and for the year then ended, included in this annual report consolidate the results and other financial data of Grupo Imsa beginning on July 26, 2007. As a result, Ternium's results and other financial data for the years ended December 31, 2011, 2010, 2009 and 2008 varied significantly from the results and other financial data for the year ended December 31, 2007.

For a discussion of the currencies used in this annual report, exchange rates and accounting principles affecting the financial information contained in this annual report, see "Presentation of Certain Financial and Other Information—Accounting Principles" and "Currencies."

In thousands of U.S. dollars

(except number of shares and per share data)

For the year ended December 31,

	2011	2010	2009	2008	2007
Selected consolidated income statement data					
Continuing operations					
Net sales	9,157,198	7,382,004	4,958,983	8,464,885	5,633,366
Cost of sales	(7,094,252)	(5,665,254)	(4,110,370)	(6,128,027)	(4,287,671)
Gross profit	2,062,946	1,716,750	848,613	2,336,858	1,345,695
Selling, general and administrative expenses	(786,161)	(665,306)	(531,530)	(669,473)	(517,433)
Other operating (expenses) income, net	(11,566)	2,493	(20,700)	8,662	8,514
Operating income	1,265,219	1,053,937	296,383	1,676,047	836,776
Interest expense	(100,712)	(72,969)	(105,810)	(136,111)	(133,109)
Interest income	28,689	27,347	21,141	32,178	41,613
Interest income – Sidor financial asset	11,390	61,012	135,952	—	—
Other financial (expenses) income, net	(239,997)	115,112	81,639	(693,192)	(38,498)
Equity in earnings of associated companies	1,293	1,688	1,110	1,851	434
Income before income tax expense	965,882	1,186,127	430,415	880,773	707,216
Income tax expense, benefit					
Current and deferred income tax expense	(315,974)	(406,657)	(91,314)	(258,969)	(291,345)
Reversal of deferred statutory profit sharing	—	—	—	96,265	—
Income from continuing operations	649,908	779,470	339,101	718,069	415,871
Discontinued operations					
Income from discontinued operations	—	—	428,023	157,095	579,925
Profit for the year	649,908	779,470	767,124	875,164	995,796
Attributable to:					
Equity holders of the Company	513,541	622,076	717,400	715,418	784,490
Non-controlling interest	136,367	157,394	49,724	159,746	211,306
	649,908	779,470	767,124	875,164	995,796
Depreciation and amortization	405,842	383,300	385,105	413,541	355,271
Weighted average number of shares (1)	1,968,327,917	2,004,743,442	2,004,743,442	2,004,743,442	2,004,743,442
Basic earnings per share (expressed in USD per share) for profit: (2) (3)					
From continuing operations attributable to the equity holders of the Company	0.26	0.31	0.15	0.27	0.15
From discontinued operations attributable to the equity holders of the Company	—	—	0.21	0.09	0.24
For the year attributable to the equity holders of the Company	0.26	0.31	0.36	0.36	0.39
Dividends per share	0.075(4)	0.075	0.05	—	0.05

- (1) Of the 2,004,743,442 shares issued as of December 31, 2011, Ternium held 41,666,666 through its wholly-owned subsidiary Ternium International Inc. and such shares were not considered outstanding. For further information related to the repurchase of shares in 2011, see note 30 to our consolidated financial statements included elsewhere in this annual report.
- (2) International Accounting Standard N° 1 (IAS 1) (Revised) requires that income for the year as shown in the income statement includes the portion attributable to non-controlling interest. Basic earnings per share, however, continue to be calculated on the basis of income attributable solely to the equity holders of the Company.
- (3) Diluted earnings per share (expressed in USD per share), equals basic earnings per share.
- (4) Reflects dividend proposal submitted to the shareholders' meeting to be held on May 2, 2012.

In thousands U.S. dollars

(except number of shares and per share data)

	At December 31,				
	2011	2010	2009	2008	2007
Selected consolidated balance sheet data					
Non-current assets	5,181,973	5,579,438	5,250,135	5,491,408	8,553,123
Property, plant and equipment, net	4,032,675	4,262,896	4,040,415	4,212,313	6,776,630
Other non-current assets (1)	1,149,298	1,316,542	1,209,720	1,279,095	1,776,493
Current assets	5,564,601	5,532,893	5,042,538	5,179,839	5,095,959
Cash and cash equivalents	2,158,591	1,779,416	2,095,798	1,065,552	1,125,830
Other current assets (2)	3,395,637	3,743,516	2,937,494	4,108,954	3,200,987
Non-current assets classified as held for sale	10,373	9,961	9,246	5,333	769,142
Total assets	10,746,574	11,112,331	10,292,673	10,671,247	13,649,082
Capital and reserves attributable to the Company's equity holders (3)	5,756,372	5,880,740	5,296,342	4,597,370	4,452,680
Non-controlling interest	1,084,827	1,135,361	964,897	964,094	1,805,243
Non-current liabilities	1,934,775	2,540,594	2,872,667	3,374,964	5,401,549
Borrowings	948,495	1,426,574	1,787,204	2,325,867	3,676,072
Deferred income tax	748,999	877,742	857,297	810,160	1,327,768
Other non-current liabilities	237,281	236,278	228,166	238,937	397,709
Current liabilities	1,970,600	1,555,636	1,158,767	1,734,819	1,989,610
Borrowings	1,041,550	513,083	539,525	941,460	406,239
Other current liabilities	929,050	1,042,553	619,242	793,359	1,369,608
Liabilities directly associated with non-current assets classified as held for sale	—	—	—	—	213,763
Total liabilities	3,905,375	4,096,230	4,031,434	5,109,783	7,391,159
Total equity and liabilities	10,746,574	11,112,331	10,292,673	10,671,247	13,649,082
Number of shares (3)	1,963,076,776	2,004,743,442	2,004,743,442	2,004,743,442	2,004,743,442

- (1) As of December 31, 2011, 2010, 2009, 2008 and 2007, includes goodwill mainly related to the acquisition of our Mexican subsidiaries for a total amount of USD663.8, USD750.1, USD708.6, USD683.7 and USD850.7 million, respectively.
- (2) As of December 31, 2011, 2010, 2009, 2008 and 2007, includes deposits with maturity of more than three months for a total amount of USD281.7, USD848.4, USD46.8, USD90.0 and USD65.3 million, respectively.
- (3) The Company's share capital as of December 31, 2011, 2010, 2009, 2008 and 2007 was represented by 2,004,743,442 shares, par value USD1.00 per share, for a total amount of USD2,004.7 million. Of the 2,004,743,442 shares, as of December 31, 2011, Ternium held 41,666,666 through its wholly-owned subsidiary Ternium International Inc. For further information related to the repurchase of shares in 2011, see note 30 to our consolidated financial statements included elsewhere in this annual report.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks and uncertainties described below, together with all other information contained in this annual report, before making any investment decision. Any of these risks and uncertainties could have a material adverse effect on our business, financial condition and results of operations, which could in turn affect the price of the Company's shares and ADSs.

Risks Relating to the Steel Industry

A downturn in the global economy would cause a reduction in worldwide demand for steel and would have a material adverse effect on the steel industry and Ternium.

Ternium's activities and results are affected by international economic conditions, as well as by national and regional economic conditions in the markets where Ternium operates and/or sells its products. A downturn in the global economy would reduce demand for steel products. This would have a negative effect on Ternium's business and results of operations.

If global macroeconomic conditions deteriorate, the outlook for steel producers would be adversely affected. In particular, a recession or depression in the developed economies (such as the global downturn experienced in 2008 and 2009 and the current European crisis), or slower growth or recessionary conditions in emerging economies that are substantial consumers of steel (such as China and India, as well as emerging Asian markets, the Middle East, Latin America and the Commonwealth of Independent States regions) would exact a heavy toll on the steel industry, and would depress demand for our products and adversely affect our business and results of operations. The ongoing effects of the global financial crisis and the current European crisis have had and may continue to have adverse effects on the steel industry, and, accordingly, may adversely affect our business and results of operations.

A protracted fall in steel prices would have a material adverse effect on the results of Ternium, as could price volatility.

Steel prices are volatile and are sensitive to trends in cyclical industries, such as the construction, automotive, appliance and machinery industries, which are significant markets for Ternium's products. Steel prices in the international markets, which had been rising fast during the first half of 2008, fell sharply beginning in the second half of 2008 as a result of collapsing demand and the resulting excess capacity in the industry. The fall in prices during this period adversely affected the results of steel producers generally, including Ternium, as a result of lower revenues and writedowns of finished steel products and raw material inventories. For example, in the second half of 2008 Ternium recorded a valuation allowance on inventories in an amount of USD200 million and in the first half of 2009 it recorded an additional valuation allowance in the amount of USD127.6 million. Beginning in the second half of 2009, steel prices in the international markets rebounded mainly as a result of the increase in the demand for steel in China and other emerging markets, and the subsidence of the worldwide de-stocking process. This positive trend in international steel prices partially reversed during the second half of 2010 as the increase in demand for steel products was more than offset by new capacity additions and idled capacity restarts. A more balanced market and the increase in steel demand by year-end 2010 supported a steel price rally during the first quarter of 2011. During 2011 and the first quarter of 2012, steel prices followed a pattern similar to that witnessed during the previous year. Historically, the length and nature of business cycles affecting the steel industry has been unpredictable. A downturn in steel prices would materially and adversely affect Ternium's revenues and profitability.

In addition, the steel industry is highly competitive with respect to price, product quality, customer service and technological advances, and competition has frequently limited the ability of steel producers to raise the price of finished products to recover higher raw material and energy costs. Moreover, in some cases, the governments of some countries are reluctant to accept price increases of products which are used as raw materials for the manufacture of other goods, as such increases could ultimately affect competitiveness in other industries or increase inflation. In some other cases, governments restrict the ability of companies to pass on to the domestic markets any increases in international prices. Accordingly, increases in the purchase costs of raw materials, energy and other inputs might not be recoverable through increased product prices.

A sudden increase in exports from China could have a significant impact on international steel prices affecting Ternium's profitability.

As demand for steel has surged in China, steel production capacity in that market has also increased, and China is now the largest worldwide steel producing country, accounting for close to half of the worldwide steel production. Due to the size of the Chinese steel market, a slowdown in steel consumption in that market could cause a sizable increase in the volume of steel offered in the international steel markets, exerting a downward pressure on sales and margins of steel companies operating in other markets and regions, including Ternium.

Excess capacity, resulting in part from the 2008 global financial crisis and the current European crisis that reduced steel demand and from a strong increase in steel production capacity in recent years, may hamper the steel industry's ability to sustain adequate profitability.

In addition to economic conditions and prices, the steel industry is affected by other factors such as worldwide production capacity and fluctuations in steel imports/exports and tariffs. Historically, the steel industry has suffered, especially on downturn cycles, from substantial over-capacity. Currently, as a result of the 2008 global downturn, the current European crisis and the increase in steel production capacity in recent years, there are signs of excess capacity in all steel markets, which is impacting the profitability of the steel industry. Accordingly, it is possible that the industry's excess capacity will result in an extended period of depressed margins and industry weakness.

Sales may fall as a result of fluctuations in industry inventory levels.

Inventory levels of steel products held by companies that purchase Ternium's products can vary significantly from period to period. These fluctuations can temporarily affect the demand for Ternium's products, as customers draw from existing inventory during periods of low investment in construction and the other industry sectors that purchase Ternium's products and accumulate inventory during periods of high investment and, as a result, these companies may not purchase additional steel products or maintain their current purchasing volume. Accordingly, Ternium may not be able to increase or maintain its current levels of sales volumes or prices.

Price fluctuations or shortages in the supply of raw materials, slabs and energy could adversely affect Ternium's profitability.

Like other manufacturers of steel-related products, Ternium's operations require substantial amounts of raw materials, energy and other inputs from domestic and foreign suppliers. In particular, the Ternium companies consume large quantities of iron ore, scrap, ferroalloys, electricity, coal, natural gas, oxygen and other gases in operating their blast and electric arc furnaces. In addition, Ternium is a large consumer of slabs and hot and cold-rolled steel, which are used as inputs in the production process. Also, the availability and price of a significant portion of the raw materials, slabs, energy and other inputs Ternium requires are subject to market conditions and government regulation affecting supply and demand. For example, shortages of natural gas in Argentina and the consequent supply restrictions imposed by the government could lead to higher costs of production and eventually to production cutbacks at Siderar's facilities in Argentina. See "—Risks Relating to the Countries in Which We Operate—Argentina—Restrictions on the supply of energy to Siderar's operations in Argentina could curtail Siderar's production and negatively impact Ternium's results of operations." In the past, Ternium has usually been able to procure sufficient supplies of raw materials, slabs, energy and other inputs to meet its production needs; however, it could be unable to procure adequate supplies in the future. Any protracted interruption, discontinuation or other disruption of the supply of principal inputs to the Ternium companies (including as a result of strikes, lockouts or other problems) would result in lost sales and would have a material adverse effect on Ternium's business and results of operations. For example, during 2007 Companhia Vale do Rio Doce, or Vale, our main third party supplier of iron ore, was unable to provide us with the quantities of iron ore required for Siderar's operations; in addition, there was limited transportation capacity from Brazil to Argentina through the Paraguay and Parana rivers. For further information related to raw materials, energy and other inputs requirements, see Item 4. "Information on the Company—B. Business Overview—Raw Materials, Energy and Other Inputs."

The Ternium companies depend on a limited number of key suppliers.

The Ternium companies depend on certain key suppliers for their requirements of some of their principal inputs, including Vale for iron ore and ArcelorMittal for slabs; there is also a trend towards consolidation among suppliers of iron ore and other raw materials. The Ternium companies have entered into long-term contracts for the supply of some of their principal inputs (including iron ore) and it is expected that they will maintain and, depending on the circumstances, renew these contracts. However, if any of the key suppliers fails to deliver or there is a failure to renew these contracts, the Ternium companies could face limited access to some raw materials, energy or other inputs, or higher costs and delays resulting from the need to obtain their input requirements from other suppliers. As an example, in 2007 Vale was unable to provide Siderar with the quantities of iron ore that it required, forcing Siderar to import iron ore from Ternium's mining operations in Mexico.

Intense competition could cause Ternium to lose its share in certain markets and adversely affect its sales and revenues.

The market for Ternium's steel products is highly competitive, particularly with respect to price, quality and service. In both the global and regional markets, Ternium competes against other global and local producers of flat and long steel products, which in some cases have greater financial and operating resources. Competition from larger steel manufacturers could result in declining margins and reductions in sales volumes and revenues.

Ternium's larger competitors could use their resources against Ternium in a variety of ways, including by making additional acquisitions, implementing modernization programs, expanding their production capacity, investing more aggressively in product development, and displacing demand for Ternium's products in certain markets. To the extent that these producers become more efficient, Ternium could confront stronger competition and could fail to preserve its current share of the relevant geographic or product markets. In addition, there has been a trend in recent years toward steel industry consolidation among Ternium's competitors, and current smaller competitors in the steel market could become larger competitors in the future. For example, in June 2006, Mittal Steel and Arcelor merged to create the world's largest steel company, ArcelorMittal; in April 2007, Tata Steel completed the acquisition of Corus; in 2008 Severstal acquired Sparrows Point, WCI Steel and Esmark (subsequently divesting in 2011 Sparrows Point, Warren and Wheeling); and in 2011 Sumitomo Metal Industries and Nippon Steel announced plans to merge their operations. Regional players in Ternium's markets have also experienced consolidation through acquisitions; for example, Siderperu was acquired by Gerdau in 2006, Sicartsa of Mexico was acquired by ArcelorMittal in December 2006 and Aceria Paz del Rio of Colombia was acquired by Votorantim in March 2007. For further information, see Item 4. "Information on the Company—B. Business Overview—Competition."

Moreover, competition from alternative materials (including aluminum, wood, concrete, plastic and ceramics) could adversely affect the demand for, and consequently the market prices of, certain steel products and, accordingly, could affect Ternium's sales volumes and revenues.

Competition in the global and regional markets could also be affected by antidumping and countervailing duties imposed on some producers in major steel markets and by the removal of barriers to imported products in those countries where the Ternium companies direct their sales. For further information, see Item 4. "Information on the Company—B. Business Overview—Regulations—Trade regulations."

Risks Relating to our Business

If Ternium does not successfully implement its business strategy, its opportunities for growth and its competitive position could be adversely affected.

Ternium plans to continue implementing its business strategy of enhancing its position as a low cost steel producer, pursuing strategic growth opportunities, gaining further access to iron ore and other inputs, developing value-added products, and providing services to a wider range of customers in the local and export markets. Any of these components or Ternium's overall business strategy could be delayed or abandoned or could cost more than anticipated, any of which could impact its competitive position and reduce its revenue and profitability. For example, Ternium could fail to develop its projects to increase steel production capacity and lose market share in its regional markets. Even if Ternium successfully implements its business strategy, it may not yield the desired goals.

Recent and future acquisitions, green-field projects, significant investments and strategic alliances could have an adverse impact on Ternium's operations or profits, and Ternium may not realize the benefits it expects from these business decisions.

A key element of Ternium's business strategy is to identify and pursue growth-enhancing strategic opportunities, and as part of that strategy we regularly consider capital investments, strategic acquisitions, greenfield projects and alliances. However, any growth project will depend upon market and financing conditions. We must necessarily base any assessment of potential capital investments, acquisitions, green-field projects and alliances on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Furthermore, we may fail to find suitable acquisition targets or fail to consummate our acquisitions under favorable conditions.

In the recent past, Ternium acquired interests in various companies, including Hylsamex, one of the main steel producers in Mexico; Grupo Imsa, a leading steel processor with operations in Mexico, the United States and Guatemala; and Ferrasa, a Colombian steel producer and processor. In addition, Ternium, together with Nippon Steel, formed the Mexican company Tenigal S.R.L. de C.V., or Tenigal, for the manufacturing and sale of hot-dip galvanized and galvanized steel sheets to serve the Mexican automobile market, including Japanese car makers. Finally, on January 16, 2012, Ternium, together with its subsidiary Siderar, acquired a participation in the control group of Usiminas, the largest flat steel producer in Brazil (for further information on the Usiminas shares purchase transaction, see Item 5. "Operating and Financial Review and Prospects—G. Recent Developments — Acquisition of participation in Usiminas").

Our recent and future acquisitions, investments and alliances may not perform in accordance with our expectations and could have an adverse impact on our operations and profits. Furthermore, we may be unable to successfully integrate any acquired businesses into our operations or to accomplish the business objectives or complete the initiatives or strategies that we expected to accomplish at the time of deciding any such investment. Moreover, we may also acquire, as part of future acquisitions, assets unrelated to our business, and we may not be able to integrate them or sell them under favorable terms and conditions. These risks, and the fact that integration of any acquired businesses will require a significant amount of time and resources of Ternium's management and employees, could have an adverse impact on Ternium's ongoing business and could have a material adverse effect on its business, financial condition and results of operations.

Ternium may be required to record a significant charge to earnings if it must reassess its goodwill or other amortizable intangible assets.

In accordance with IFRS, management must test all of Ternium's goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use annually for impairment, or more frequently if there are indicators of impairment, and recognize a non-cash charge in an amount equal to any impairment. We recorded goodwill in connection with the acquisition of our Mexican subsidiaries, the balance of which, as of December 31, 2011, amounted to USD662.3 million. In addition, we may record goodwill in connection with the recent acquisition of a participation in Usiminas during 2012 (for further information on the Usiminas shares purchase transaction, see Item 5. "Operating and Financial Review and Prospects—G. Recent Developments — Acquisition of participation in Usiminas"). If Ternium's management were to determine in the future that the goodwill from our acquisitions was impaired, Ternium would be required to recognize a non-cash charge to write down the value of goodwill, which would adversely affect Ternium's results.

Labor disputes at Ternium's operating subsidiaries could result in work stoppages and disruptions to Ternium's operations.

A substantial majority of Ternium's employees at its manufacturing subsidiaries are represented by labor unions and are covered by collective bargaining or similar agreements, which are subject to periodic renegotiation. Strikes or work stoppages could occur prior to or during the negotiations leading to new collective bargaining agreements, during wage and benefits negotiations or, occasionally, during other periods for other reasons. Ternium could also suffer plant stoppages or strikes if it were to implement cost reduction plans.

The various measures that Ternium has taken in the recent past, in order to become more competitive in Mexico and in Colombia, have not resulted in significant labor unrest. Notwithstanding this, we cannot assure that this situation will remain stable.

In Argentina, in early 2009, following a decrease in the level of activity since the last quarter of 2008 due to the global economic downturn, Siderar downsized contractor and subcontractor activities and temporary personnel, triggering adverse reactions from the construction workers' union and the steelworkers' union. Later in 2009, during the negotiations between Siderar and the steelworkers' union regarding the annual bonuses related to results, the unions called for work stoppages and other measures. Since then, the various measures that Siderar has taken in order to become more competitive did not result in significant labor unrest. For more information on the collective bargaining agreement applicable to most of Siderar's employees in Argentina, see Item 6. "Directors, Senior Management and Employees—D. Employees—Argentina."

Any future stoppage, strike, disruption of operations or new collective bargaining agreements could result in lost sales and could increase Ternium's costs, thereby affecting our results of operations. For more information on labor relations, see Item 6. "Directors, Senior Management and Employees—D. Employees."

Ternium's related party transactions with companies controlled by San Faustin may not always be on terms as favorable as those that could be obtained from unaffiliated third parties.

Some of Ternium's sales and purchases are made to and from other companies controlled by San Faustin. These sales and purchases are primarily made in the ordinary course of business, and we believe that they are made on terms no less favorable than those we could obtain from unaffiliated third parties. Ternium will continue to engage in related party transactions in the future, and these transactions may not be on terms as favorable as those that could be obtained from unaffiliated third parties. For information concerning the principal transactions between Ternium and related parties see Item 7. "Major Shareholders and Related Party Transactions—B. Related Party Transactions."

Changes in exchange rates or any limitation in the Ternium companies' ability to hedge against exchange rate fluctuations could adversely affect Ternium's business and results.

The operations of the Ternium companies expose them to the effects of changes in foreign currency exchange rates. A significant portion of Ternium's sales are carried out in currencies other than the U.S. dollar. As a result of this foreign currency exposure, exchange rate fluctuations impact the Ternium companies' results and net worth as reported in their income statements and statements of financial position in the form of both translation risk and transaction risk.

In the ordinary course of business, the Ternium companies enter from time to time into exchange rate derivatives agreements to manage their exposure to exchange rate changes. Future regulatory or financial restrictions in the countries where Ternium operates may affect its ability to mitigate its exposure to exchange rate fluctuations, and thus cause an adverse impact on Ternium's results of operations and financial condition.

Risks Relating to our Mining Activities

Iron ore is one of the principal raw materials used by Ternium's operating subsidiaries. Ternium has equity interests in two iron ore mining companies in Mexico: a 100% interest in Las Encinas and a 50% interest in Consorcio Minero Benito Juárez Peña Colorada, S.A. de C.V., which operates Peña Colorada, Mexico's largest iron ore mine. In addition, Ternium may seek to expand its mining activities in the future. Our present and future mining activities are or would be subject to particular risks, as follows:

Our mining activities depend on governmental concessions and on our ability to reach and maintain lease agreements (or other agreements for the use of land) with the owner of the real estate where the mines are located.

Our mining activities are subject to specific regulations and depend on concessions and authorizations granted by governmental authorities. Amendments to applicable law and regulations may change the terms pursuant to which we are required to pursue our exploration, mining and ore processing activities. Such changes may result in new taxes or royalties or require modifications to the processes and technologies used in our mining activities, leading to unexpected capital expenditures and higher costs. If the relevant government authority determines that we are not in compliance with our obligations as concessionaires, it may terminate our concession. Furthermore, in order to explore or exploit mines it is necessary to obtain the right to occupy and use the land where the mines are situated. Even though government regulations frequently establish provisions intended to facilitate the establishment of such rights, in some cases it may be difficult to reach and maintain agreements with the owners or such agreements may be excessively onerous. If we are unable to establish use and occupancy rights on acceptable terms, our mining activities may be compromised.

Our exploration activities are subject to uncertainties as to the result of such exploration; even if the exploration activities lead to the discovery of ore deposits, the effective exploitation of such deposits remains subject to several risks.

Exploration activities are highly speculative, involve substantial risks and may be unproductive. We may incur substantial costs for exploration which do not yield the expected results. The failure to find sufficient and adequate reserves could adversely affect our business. In addition, even if ore deposits are discovered, our ability to pursue exploitation activities may be delayed for a long time during which market conditions may vary. Significant resources and time need to be invested in order to establish ore resources through exploration, define the appropriate processes that shall be undertaken, obtain environmental licenses, concessions and other permits, build the necessary facilities and infrastructure for greenfield projects and obtain the ore or extract the metals from the ore. If a project does not turn out to be economically feasible by the time we are able to exploit it, we may incur substantial write-offs.

Our expected costs for exploration or exploitation activities may vary significantly and affect our expected results.

We may be subject to increased costs or delays relating to the acquisition of adequate equipment for the exploration and exploitation of ore deposits. We may also fail to obtain any necessary permits, or experience significant delays in connection with the issuance of such permits. Adverse mining conditions, whether permanent or temporary, may lead to a significant increase on our costs and/or affect our ability to produce the expected quantities of mineral. All of the above may adversely affect our ability to conduct our mining activities as planned and affect our expected results of operations.

Difficulties in the relationships with local communities may adversely affect our mining activities.

Communities living near areas where we operate may take actions to oppose and interfere with our mining activities. Although we make significant efforts to maintain good relationships with such communities, actions taken by them may hamper our ability to conduct our mining activities as planned, or significantly increase the cost of exploring and/or exploiting the mines and adversely affect our business and results of operations. For example, in Aquila, Mexico, in 2011 and 2012, native communities blocked roads demanding higher compensation for the use of land for mining activities. These actions prevented Ternium from transporting iron ore from the mines to the pelletizing facilities for several months and ultimately resulted in a technical stoppage of the mining activities in Aquila for several weeks.

Risks Relating to the Structure of the Company

As a holding company, the Company's ability to pay cash dividends depends on the results of operations and financial condition of its subsidiaries and could be restricted by legal, contractual or other limitations.

The Company conducts all its operations through subsidiaries. Dividends or other intercompany transfers of funds from those subsidiaries are the Company's primary source of funds to pay its expenses, debt service and dividends and to repurchase shares or ADSs. The Company does not and will not conduct operations at the holding company level.

The ability of the Company's subsidiaries to pay dividends and make other payments to the Company will depend on their results of operations and financial condition and could be restricted by, among other things, applicable corporate and other laws and regulations, including those imposing foreign exchange controls, and agreements and commitments of such subsidiaries. If earnings and cash flows of the Company's operating subsidiaries are substantially reduced, the Company may not be in a position to meet its operational needs or to pay dividends. In addition, the Company's ability to pay dividends is subject to legal and other requirements and restrictions in effect at the holding company level. For example, the Company may only pay dividends out of net profits, retained earnings and distributable reserves and premiums, each as defined and calculated in accordance with Luxembourg laws and regulations.

The Company's controlling shareholder may be able to take actions that do not reflect the will or best interests of other shareholders.

As of March 31, 2012, San Faustin beneficially owned 62.02% and Tenaris, which is also controlled by San Faustin, held 11.46% of our outstanding voting shares. Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin, or RP STAK, controls a significant portion of the voting power of San Faustin and has the ability to influence matters affecting, or submitted to a vote of, the shareholders of San Faustin. As a result, RP STAK is indirectly able to elect a substantial majority of the members of the Company's board of directors and has the power to determine the outcome of most actions requiring shareholder approval, including, subject to the requirements of Luxembourg law, the payment of dividends. The decisions of the controlling shareholder may not reflect the will or best interests of other shareholders. For example, the Company's articles of association permit the board of directors to waive, limit or suppress preemptive rights in certain cases. Accordingly, our controlling shareholder may cause our board of directors to approve an issuance of shares for consideration without preemptive rights, thereby diluting the minority interest in the Company. See “—Risk Factors—Risks Relating to our ADSs—Holders of our shares and ADSs in the United States may not be able to exercise preemptive rights in certain cases” and Item 7. “Major Shareholders and Related Party Transactions—A. Major Shareholders.”

Remaining minority interests in our subsidiaries could delay or impede our ability to complete our strategy.

We do not own one hundred percent of the interests in certain of our subsidiaries.

Approximately 26.03% of Siderar is held by *Administración Nacional de la Seguridad Social*, or ANSeS, Argentina's governmental social security agency, approximately 10.46% is publicly held, and approximately 2.56% is held by certain Siderar employees. ANSeS became a significant shareholder of Siderar in the last quarter of 2008 as a result of the nationalization of Argentina's private pension system, which caused assets under administration of Argentina's private pension funds—including significant interests in publicly traded companies, such as Siderar, held by such funds—to be transferred to ANSeS.

Ternium holds a 54% ownership interest in Ferrasa and Ferrasa Panama, and the former controlling shareholders hold the remaining 46% interest in each of Ferrasa and Ferrasa Panama. Ternium holds a 51% ownership interest in Tenigal, and Nippon Steel holds the remaining 49%.

The existence of a minority interest in these subsidiaries could prevent Ternium from taking actions that, while beneficial to Ternium, might not be beneficial to each relevant subsidiary, considered separately. As a result, we could be delayed or impeded in the full implementation of our strategy or the maximization of Ternium's competitive strengths.

Risks Relating to the Countries in Which We Operate

Negative economic, political and regulatory developments in certain markets where Ternium has a significant portion of its operations and assets could hurt Ternium's financial condition, shipments and prices and disrupt its manufacturing operations, thereby adversely affecting its results of operations and financial condition.

The results of Ternium's operations are subject to the risks of doing business in emerging markets, principally in Mexico and Argentina and to a lesser extent in Colombia, and have been, and could in the future be, affected from time to time to varying degrees by economic, political and regulatory developments, such as forced divestiture of assets; restrictions on production, domestic sales, imports and exports; interruptions to essential energy inputs; exchange and/or transfer restrictions; inflation; devaluation; war or other international conflicts; civil unrest and local security concerns that threaten the safe operation of our facilities; direct and indirect price controls; tax increases; changes (including retroactive) in the enforcement or interpretation of tax laws and other retroactive tax claims or challenges; expropriation of property; changes in laws or regulations; cancellation of contract rights; and delays or denial of governmental approvals. Both the likelihood of such occurrences and their overall effect upon Ternium vary greatly from country to country and are not predictable. Realization of these risks could have an adverse impact on the results of operations and financial condition of Ternium's subsidiaries located in the affected country and, depending on their materiality, on the results of operations and financial condition of Ternium as a whole.

Mexico

Ternium has significant manufacturing operations and assets located in Mexico and a majority of its sales are made in this country. The majority of Ternium's revenues from its Mexican operations, therefore, are related to market conditions in Mexico and to changes in its economic activity. Ternium's business could be materially and adversely affected by economic, political and regulatory developments in this country.

Economic and social conditions and government policies in Mexico could negatively impact Ternium's business and results of operations.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation and other economic problems. Furthermore, the Mexican national economy tends to reflect changes in the economic environment in the United States. If problems such as deterioration in Mexico's economic conditions reemerge, or social instability, political unrest, reduction in government spending or other adverse social developments reemerge in the future, they could lead to continued volatility in the foreign exchange and financial markets, and, depending on their severity and duration, could adversely affect the business, results of operations, financial condition or liquidity of Ternium. Moreover, adverse economic conditions in Mexico could result in, among other things, higher interest rates accompanied by reduced opportunities for refunding or refinancing, reduced domestic consumption of Ternium's products, decreased operating results and delays in the completion of ongoing and future capital expenditures, including the construction of new cold-rolling and galvanizing facilities in the vicinity of Monterrey City, Mexico, which are expected to commence production in 2013.

Increasing violence and crime in Mexico could negatively impact Ternium's business and operations.

In recent years there have been high incidences of violence and crime related to drug trafficking in Mexico, especially in the Monterrey area, where our main facilities are located. Security issues could affect our day-to-day operations and could also result in an economic slowdown, reducing domestic demand for our products and thereby having an adverse effect on our business. A continued deterioration of the security situation may result in significant obstacles or additional costs to the implementation of our growth plans in Mexico, including delays in the completion of capital expenditures.

Argentina

Ternium's subsidiary Siderar has significant manufacturing operations and assets located in Argentina and a significant portion of its sales are made in Argentina. Ternium's main revenues from Siderar's operations, therefore, are related to market conditions in Argentina and to changes in Argentina's gross domestic product, or GDP, and per capita disposable income. Accordingly, Siderar's business could be materially and adversely affected by economic, political, social, fiscal and regulatory developments in Argentina.

Economic and political instability, which resulted in a severe recession in 2002, may occur in the future, thereby adversely affecting our business, financial condition and results.

Our business and results of operations in Argentina have closely followed macroeconomic conditions. Domestic sales of Siderar were severely affected by Argentina's recession during 2001 and 2002. The domestic economic recovery over the 2003 – 2008 period, with sustained growth in construction, agriculture, industrial activity and particularly a significant improvement in the automobile industry, led to a recovery of steel shipments to the Argentine domestic market. During the last quarter of 2008, however, the downturn in the global economy reached the Argentine economy and had a significant adverse impact on our shipments to the Argentine domestic market until their recovery beginning in the second quarter of 2009.

The Argentine economy is currently facing significant challenges. Inflation is high, as further discussed below, and the economy has been affected by supply constraints. Capital investment in general has lagged due to, among other factors, political and economic uncertainties and government actions, including price controls, export taxes, the nationalization of Argentina's private pension system, an increased level of government intervention in, or limitations to, the conduct of business in the private sector, and other measures affecting investor confidence. For example, as price controls are concerned, in February 2011, Argentina's Secretary of Commerce issued Resolution 14/2011 requiring that prices for steel products sold in Argentina, including products sold by Siderar, be limited to those in effect on January 21, 2011, and that sales of steel products be invoiced in Argentine pesos. Although Ternium believes that price controls are illegal under Argentine law and Resolution 14/2011 was ultimately revoked, other price control measures could be imposed in the future. Declining capital investment may affect growth and, accordingly, cause demand for our local subsidiary's products in the domestic market to drop. A lack of financing alternatives could significantly impair Argentina's ability to sustain the economy's activity level, foster economic growth and/or avert a sovereign default.

Economic conditions in Argentina have deteriorated rapidly in the past and may deteriorate rapidly in the future. The Argentine economy may not continue to grow and economic instability may return. Our business and results of operations in Argentina could be adversely affected by rapidly changing economic conditions in Argentina or by the Argentine government's policy response to such conditions.

Inflation may undermine economic growth in Argentina and impact our costs, thereby adversely affecting our results of operations and financial position.

In the past, inflation has undermined the Argentine economy and the government's ability to stimulate economic growth. Beginning in 2004, inflation indicators began showing significant year-over-year increases, signaling a trend characteristic of an inflationary economy. The pace of inflation has increased rapidly and significantly over the last few years; however, since 2007 Argentina's official inflation data published by the *Instituto Nacional de Estadística y Censos*, or INDEC, Argentina's national statistics institute, have been subject to changes in calculation; following the implementation of such changes, the official inflation figures have been consistently disputed by independent economists. For example, the annual inflation rates based on consumer data published by INDEC (IPC GBA) were 7.2% , 7.7%, 10.9% and 9.5% for December 2008, 2009, 2010 and 2011, respectively, while private estimates, on average, refer to annual rates of inflation significantly higher than those published by INDEC.

Sustained high inflation in Argentina could negatively impact our results of operations and financial position as the Argentine peso-denominated costs (mainly labor-related costs) at Siderar increase, thereby affecting its cost-competitiveness and deteriorating its margins. In addition, a high inflation economy could undermine Argentina's foreign competitiveness in international markets and negatively affect the economy's activity and employment levels. Argentine inflation rate volatility makes it impossible to estimate with reasonable certainty the extent to which activity levels and results of operations of Siderar could be affected by inflation in the future.

The Argentine government has increased taxes on Argentine companies and could further increase the fiscal burden in the future.

Since 1992, the Argentine government has not permitted the application of an inflation adjustment on the value of fixed assets for tax purposes. As a result of the substantial devaluation of the Argentine peso in 2002 and significant inflation in recent years, the amounts that the Argentine tax authorities permit Siderar to deduct as depreciation for its past investments in plant, property and equipment have been substantially reduced in real terms, thus creating artificial gains for tax purposes which result in higher-than-nominal effective income tax charges. If the Argentine government continues to increase the tax burden on Siderar's operations, Ternium's results of operations and financial condition could be adversely affected.

Argentine exchange controls could prevent Ternium from paying dividends or other amounts from cash generated by Siderar's operations.

In the past, the Argentine government and the Argentine Central Bank introduced several rules and regulations to reduce volatility in the ARS/USD exchange rate, and implemented formal and informal restrictions on capital inflows into Argentina and capital outflows from Argentina. In addition, Siderar is currently required to repatriate U.S. dollars collected in connection with exports from Argentina (including U.S. dollars obtained through advance payment and pre-financing facilities) into Argentina and convert them into Argentine pesos at the relevant exchange rate applicable on the date of repatriation. Since the last quarter of 2011, the Argentine government tightened its controls on transactions that would represent capital outflows from Argentina, limiting formally or informally the ability of Argentine individuals and companies to purchase foreign currency or transfer funds (including in connection with the purchase of goods or services or as dividends or royalties) abroad. The existing controls, and any additional restrictions of this kind that may be imposed in the future, could expose Ternium to the risk of losses arising from fluctuations in the exchange rate or affect Ternium's ability to finance its investments and operations in Argentina or impair Ternium's ability to convert and transfer outside Argentina funds generated by Siderar, for example, to fund the payment of dividends or to undertake investments and other activities that require offshore payments. For additional information on current Argentine exchange controls and restrictions, see Item 10. "Additional Information—D. Exchange Controls."

Restrictions on the imports of key steelmaking inputs for Siderar's operations in Argentina could adversely affect Siderar's production and, as a result, growth projects and negatively impact Ternium's results of operations.

Some of Siderar's key steelmaking inputs, including iron ore and coking coal, are imported into Argentina. The Argentine government has recently implemented significant import restrictions, which may affect the availability of key steelmaking inputs for our operations in Argentina. All payments on imports of goods and services must be approved by the Argentine federal tax authority and other authorities, such as the Secretary of Commerce. The authorization criteria for such imports have not been determined in the applicable regulations. Such import restrictions could delay imports and, if sustained, adversely affect our business, operations and growth projects in Argentina. In addition, they could affect Siderar's exports from Argentina, considering that foreign countries may adopt and implement counter-measures. A significant number of members of the World Trade Organization jointly expressed on March 2012 their deepening concern about Argentina's import controls, and urged Argentina to remove those trade controls.

Restrictions or an increase of the costs on the supply of energy to Siderar's operations in Argentina could curtail Siderar's production and negatively impact Ternium's results of operations.

In recent years, there has been an insufficient level of investment in natural gas and electricity supply and transport capacity in Argentina, coupled with a substantial increase in demand for natural gas and electricity. This in turn resulted in shortages of natural gas and electricity to residential and industrial users including Siderar during periods of high demand. Such shortages may, in the future, result in significant price increases for gas and electricity. Siderar's operations experienced constraints in their natural gas supply requirements and interruptions in their electricity supply at peak hours on many occasions. If demand for natural gas and electricity increases and a matching increase in natural gas and electricity supply and transport capacity fails to materialize on a timely basis, Siderar's production in Argentina (or that of its main customers and suppliers) could be curtailed, and Siderar's sales and revenues could decline. In addition, the Argentine government announced a cut off in the government's subsidies to the price of the natural gas and electricity. An increase in Siderar's energy costs may adversely affect Siderar's results of operations. See “—Risks Relating to the Steel Industry—Price fluctuations or shortages in the supply of raw materials, slabs and energy could adversely affect Ternium's profitability” above.

Colombia

Ternium has manufacturing operations and assets located in Colombia and a share of its sales is made in Colombia. The majority of Ternium's revenues from its Colombian operations, therefore, are related to market conditions in Colombia and to changes in Colombia's GDP, and per capita disposable income. Accordingly, Ternium's business could be adversely affected by economic, political and regulatory developments in Colombia.

Colombia has experienced internal security issues that have had or could have in the future a negative effect on the Colombian economy.

Colombia has experienced internal security issues, primarily due to the activities of guerrillas, paramilitary groups and drug cartels. In the past, guerrillas have targeted the crude oil pipelines, including the Oleoducto Transandino, Caño Limón-Coveñas and Ocesa pipelines, and other related infrastructure disrupting activities in the oil industry. These activities, their possible escalation and the effects associated with them have had and may have in the future a negative impact on the Colombian economy, thus affecting our business in the country.

Certain Regulatory Risks and Litigation Risks

International trade actions or regulations and trade-related legal proceedings could adversely affect Ternium's sales, revenues and overall business.

International trade-related legal actions and restrictions pose a constant risk for Ternium's international operations and sales throughout the world. We are a significant purchaser of slabs for our operations in Mexico (which we buy from various suppliers in Mexico and overseas) and a significant purchaser of steel products for our operations in Colombia (which we buy from our subsidiaries overseas and from various suppliers in Colombia and overseas). Imports of slabs into Mexico and steel products in Colombia are, subject to certain conditions, imported under zero- or low-import duties. In the future, we may not be able to make such imports under the zero- or low-duty regime, or the Mexican or Colombian government may increase the applicable duties or impose restrictions in the quantities allowed to be imported.

Increased trade liberalization has reduced certain of Ternium's imported input costs and increased Ternium's access to many foreign markets. However, greater trade liberalization in its domestic markets is increasing competition for Ternium in such markets. In recent times, as a consequence of the global downturn, the number of antidumping and countervailing actions limiting trade has increased substantially. Accordingly, producers from certain countries find themselves excluded from certain markets and in need to find alternatives for their products. Ternium's domestic market share could be eroded in the face of foreign imports in light of the recent reduction or elimination of tariffs or if other barriers are reduced or eliminated in Ternium's domestic markets. Ternium's increased exports to foreign markets where import barriers have been reduced may not completely offset domestic market share losses resulting from increased foreign competition.

Countries can impose restrictive import duties and other restrictions on imports under various national trade laws. The timing and nature of the imposition of trade-related restrictions potentially affecting Ternium's exports are unpredictable. Trade restrictions on Ternium's exports could adversely affect Ternium's ability to sell products abroad and, as a result, Ternium's profit margins, financial condition and overall business could suffer. One significant source of trade restrictions results from countries' imposition of so-called "antidumping" and "countervailing" duties, as well as "safeguard measures." These duties can severely limit or altogether impede an exporter's ability to export to relevant markets. In several of Ternium's export destinations, such as the United States or Europe, safeguard duties and other protective measures have been imposed against a broad array of steel imports in certain periods of excess global production capacity, as is currently the case. Furthermore, certain domestic producers have filed antidumping and/or countervailing duty actions against particular steel imports. Some of these actions have led to restrictions on Ternium's exports of certain types of steel products to certain steel markets. As domestic producers' filing of such actions is largely unpredictable, additional antidumping, countervailing duty or other such import restrictions could be imposed in the future, limiting Ternium's export sales to and potential growth in those markets. See Item 4. "Information on the Company—B. Business Overview—Regulations—Trade regulations."

The cost of complying with environmental regulations and potential environmental and product liabilities may increase our operating costs and negatively impact our business, financial condition, results of operations and prospects.

We are subject to a wide range of local, provincial and national laws, regulations, permit requirements and decrees relating to the protection of human health and the environment, including laws and regulations relating to hazardous materials and radioactive materials and environmental protection governing air emissions, water discharges and waste management. Laws and regulations protecting the environment have become increasingly complex and more stringent and expensive to implement in recent years. International environmental requirements vary.

Environmental laws and regulations may, in some cases, impose strict liability rendering a person liable for damages to natural resources or threats to public health and safety without regard to negligence or fault. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances. These laws and regulations may expose us to liability for the conduct of, or conditions caused by others or for acts that were in compliance with all applicable laws at the time they were performed.

Compliance with applicable requirements and the adoption of new requirements could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. The ultimate impact of complying with environmental laws and regulations is not always clearly known or determinable since regulations under some of these laws have not yet been promulgated or are undergoing revision. The expenditures necessary to remain in compliance with these laws and regulations, including site or other remediation costs, or costs incurred from potential environmental liabilities, could have a material adverse effect on our financial condition and profitability. While we incur and will continue to incur expenditures to comply with applicable laws and regulations, there always remains a risk that environmental incidents or accidents may occur that may negatively affect our reputation or our operations.

Some of the activities for which Ternium supplies products, such as canning for consumption, construction and the automotive industry are subject to inherent risks that could result in death, personal injury, property damage or environmental pollution, and subject us to potential product liability risks that could extend to being held liable for the damages produced by such products. Furthermore, Ternium's products are also sold to, and used in, certain safety-critical appliances. Actual or claimed defects in our products may give rise to claims against us for losses suffered by our customers and expose us to claims for damages. The insurance we maintain may not be adequate or available to protect us in the event of a claim, its coverage may be limited, canceled or otherwise terminated, or the amount of our insurance may be less than the related impact on enterprise value after a loss.

Risks Relating to our ADSs

The market price for our ADSs could be highly volatile.

Volatility in the price of our ADSs may be caused by factors within or outside of our control and may be unrelated or disproportionate to Ternium's operating results. In particular, announcements of potentially adverse developments, such as proposed regulatory changes, new government investigations or the commencement or threat of litigation against Ternium, as well as announced changes in Ternium's business plans or those of its competitors could adversely affect the trading price of our ADSs, regardless of the likely outcome of those developments or proceedings. Broad market and industry factors could adversely affect the market price of our ADSs, regardless of its actual operating performance. As an example of this volatility, the price of our ADSs closed at USD45.18 on June 2, 2008, fell to USD4.55 on November 20, 2008, recovered to a closing price of USD43.26 on January 5, 2011, fell to USD15.54 on November 29, 2011 and closed at USD23.68 on March 30, 2012.

Furthermore, the trading price of our ADSs could suffer as a result of developments in emerging markets. Although the Company is organized as a Luxembourg corporation, almost all of its assets and operations are located in Latin America. Financial and securities markets for companies with a substantial portion of their assets and operations in Latin America are, to varying degrees, influenced by political, economic and market conditions in emerging market countries. Although market conditions are different in each country, investor reaction to developments in one country can have significant effects on the securities of issuers with assets or operations in other emerging markets, including Mexico, Argentina and Colombia. See “—Risks Relating to the Countries in Which We Operate.”

In deciding whether to purchase, hold or sell our ADSs, you may not be able to access as much information about us as you would in the case of a U.S. company.

There may be less publicly available information about us than is regularly published by or about U.S. issuers. Also, Luxembourg regulations governing the securities of Luxembourg companies may not be as extensive as those in effect in the United States, and Luxembourg law and regulations in respect of corporate governance matters might not be as protective of minority shareholders as state corporation laws in the United States. Furthermore, IFRS differ in certain material aspects from the accounting standards used in the United States.

Holders of our ADSs may not be able to exercise, or may encounter difficulties in the exercise of, certain rights afforded to shareholders.

Certain shareholders rights under Luxembourg law, including the right to vote, to receive dividends and distributions, to bring actions, to examine the books and records and to exercise appraisal rights may not be available to holders of ADSs, or may be subject to restrictions and special procedures for their exercise, as holders of ADSs only have those rights that are expressly granted to them in the deposit agreement. The Bank of New York Mellon, as depositary, through its custodian agent, is the registered shareholder of the deposited shares underlying the ADSs and therefore only the depositary can exercise the shareholders rights in connection with the deposited shares. For example, if we make a distribution in the form of securities, the depositary is allowed, at its discretion, to sell that right to acquire those securities on your behalf and to instead distribute the net proceeds to you. Also, under certain circumstances, such as our failure to provide the depositary with voting materials on a timely basis, you may not be able to vote by giving instructions to the depositary. In the circumstances specified in the deposit agreement, if the depositary does not receive voting instructions from the holder of ADSs or the instructions are not in proper form, then the depositary shall deem such holder to have instructed the depositary to give, and the depositary shall give, a proxy to a person designated by the Company with respect to that amount of shares underlying such ADSs to vote that amount of shares underlying such ADSs in favor of any proposals or recommendations of the Company (including any recommendation by the Company to vote that amount of shares underlying such ADSs on any issue in accordance with the majority shareholders' vote on that issue) as determined by the appointed proxy. No instruction shall be deemed given and no proxy shall be given with respect to any matter as to which the Company informs the depositary that (x) it does not wish such proxy given, (y) substantial opposition exists, or (z) the matter materially and adversely affects the rights of the holders of ADSs.

Holders of our shares and ADSs in the United States may not be able to exercise preemptive rights in certain cases.

Pursuant to Luxembourg corporate law, existing shareholders of the Company are generally entitled to preemptive subscription rights in the event of capital increases and issues of shares against cash contributions. Under the Company's articles of association, the board of directors had been authorized to waive, limit or suppress such preemptive subscription rights until October 26, 2010; such authorization was renewed in the Extraordinary General Meeting of Shareholders held on June 2, 2010 until July 15, 2015. The Company, however, may issue shares without preemptive rights only if the newly issued shares are issued:

- for, within, in conjunction with or related to, an initial public offering of the shares of the Company on one or more regulated markets (in one or more instances);
- for consideration other than cash;
- upon conversion of convertible bonds or other instruments convertible into shares of the Company; provided, however, that the preemptive subscription rights of the then existing shareholders shall apply in connection with any issuance of convertible bonds or other instruments convertible into shares of the Company for cash; or

- subject to a certain maximum percentage, as compensation to directors, officers, agents or employees of the Company, its direct or indirect subsidiaries or its affiliates, including without limitation the direct issuance of shares or the issuance of shares upon exercise of options, rights convertible into shares or similar instruments convertible or exchangeable into shares issued or created to provide compensation or incentives to directors, officers, agents or employees of the Company, its direct or indirect subsidiaries or its affiliates.

For further details, see Item 10. “Additional Information—B. Memorandum and Articles of Association.”

Furthermore, holders of our shares and ADSs in the United States may, in any event, not be able to exercise any preemptive rights, if granted, for shares unless those shares are registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) with respect to those rights or an exemption from registration is available. We intend to evaluate, at the time of any rights offering, the costs and potential liabilities associated with the exercise by holders of shares and ADSs of the preemptive rights for shares, and any other factors we consider appropriate at the time, and then to make a decision as to whether to register additional shares. We may decide not to register any additional shares, requiring a sale by the depository of the holders’ rights and a distribution of the proceeds thereof. Should the depository not be permitted or otherwise be unable to sell preemptive rights, the rights may be allowed to lapse with no consideration to be received by the holders of the ADSs.

It may be difficult to obtain or enforce judgments against the Company in U.S. courts or courts outside of the United States.

The Company is a public limited liability company (*société anonyme*) organized under the laws of Luxembourg, and most of its assets are located outside of the United States. Furthermore, most of the Company’s directors and officers named in this annual report reside outside the United States. As a result, investors may not be able to effect service of process within the United States upon the Company or its directors or officers or to enforce against the Company or them in U.S. courts judgments predicated upon the civil liability provisions of U.S. federal securities law. Likewise, it may be difficult for a U.S. investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against the Company, its directors or its officers. There is also uncertainty with regard to the enforceability of original actions in courts outside the United States of civil liabilities predicated upon the civil liability provisions of U.S. federal securities laws. Furthermore, the enforceability in courts outside the United States of judgments entered by U.S. courts predicated upon the civil liability provisions of U.S. federal securities law will be subject to compliance with procedural requirements under applicable local law, including the condition that the judgment does not violate the public policy of the applicable jurisdiction.

Item 4. Information on the Company

Overview

Ternium is a leading steel company in Latin America, manufacturing and processing a wide range of flat and long steel products for customers active in the construction, home appliances, capital goods, container, food, energy and automotive industries. Ternium has a production capacity of finished steel products of approximately 10.8 million tons per year as of December 31, 2011, and shipped approximately 8.8 million tons of steel products in 2011. The Company believes that it is a competitive steel producer due to its proximity to customers and high-quality raw material sources, state-of-the-art and flexible production facilities and downstream integration into value-added steel products. In addition, through our recently-acquired participation in the control group of Usiminas, Ternium expects to strengthen its association in Latin America with Nippon Steel, one of the leading steelmakers in the world, and Usiminas, a leader in the Brazilian flat steel market and the largest flat steel producer in Brazil. For further information on the Usiminas shares purchase transaction, see Item 5. “Operating and Financial Review and Prospects—G. Recent Developments — Acquisition of participation in Usiminas.”

Ternium produces and distributes a broad range of finished and semi-finished steel products, including value-added steel products such as cold-rolled coils and sheets, galvanized and electrogalvanized sheets, pre-painted sheets, tin plate, welded pipes, hot-rolled pickled and annealed and tailor-made flat products. Ternium also produces long steel products such as bars and wire rod.

Ternium primarily sells its flat and long steel products in the regional markets of the Americas. Ternium provides specialized products and delivery services, mainly to customers in Mexico, Argentina, Colombia and various Central American countries, through its network of manufacturing facilities and service centers. We believe that Ternium is the leading supplier of flat steel products in Mexico and Argentina, a significant supplier of steel products in Colombia and in various other countries in South and Central America, and a competitive player in the international steel market for flat and long steel products. Through its network of commercial offices in several countries in Latin America, the United States and Spain, Ternium maintains an international presence that allows it to reach customers outside its local markets, achieve improved effectiveness in the supply of its products and in the procurement of semi-finished steel, and maintain a fluid commercial relationship with its customers by providing continuous services and assistance.

In 2011, approximately 55% of Ternium's sales were made to North America, 44% to South and Central America, and 1% to Europe and other markets. In 2011, Ternium's net sales were USD9.2 billion, operating profit was USD1.3 billion, and net income attributable to equity holders was USD513.5 million.

A. History and Development of the Company

The Company

Our legal and commercial name is Ternium S.A. The Company was organized as a public limited liability company (*société anonyme*) under the laws of the Grand-Duchy of Luxembourg on December 22, 2003. Our Luxembourg office is located at 29, Avenue de la Porte-Neuve – 3rd floor, L-2227 Luxembourg, telephone number +352 2668 3152. Our agent for U.S. federal securities law purposes is Ternium International U.S.A. Corporation, located at 2200 West Loop South, 8th floor, Houston, TX 77027, United States.

Ternium

Ternium's origins began in September 1961 with the founding of Propulsora Siderúrgica, or Propulsora, by San Faustin's predecessor in Argentina. Propulsora began its operations as a producer of cold-rolled coils in December 1969 and in the early 1990s began to evolve through a series of strategic investments aimed at transforming Propulsora into an integrated steel producer. In 1993, Propulsora merged with Aceros Parana (a company formed by the Argentine government in connection with the privatization of Somisa, at that time the main integrated producer of flat steel in Argentina), Aceros Parana's subsidiary Sidercrom, a tin plate processing company, and two other steel industry subsidiaries of Propulsora (Aceros Revestidos and Bernal). After the merger, Propulsora changed its name to Siderar S.A.I.C. San Faustin held a controlling interest in Siderar, with the remainder being held mainly by Usiminas, certain former employees of Somisa, and the public.

In December 1997, Amazonia (a consortium formed by San Faustin, Siderar, Usiminas, Hylsamex and Sivensa) won the bid in the privatization of 70% of the shares of Sidor, the largest steel company in the Andean Community, while Venezuela retained the remaining 30%. The continuing worldwide steel production crisis, the deterioration of the financial markets, the appreciation of the Venezuelan Bolívar and other adverse factors negatively affected Sidor and Amazonia, which undertook debt restructurings in 2000 and 2003. In the 2003 restructuring, Amazonia's interest in Sidor was reduced to 59.7%, while Venezuela increased its interest to 40.3%. In addition, Ylopa (an entity formed by San Faustin, Siderar, Tenaris, Usiminas and Hylsamex's former controlling shareholder) provided financial assistance to Sidor under a participation account agreement. Subsequently, Venezuela transferred a 19.9% interest in Sidor to employees and former employees of Sidor under the terms of a special employee participation plan.

As part of a multiple-step corporate reorganization in 2005, San Faustin reorganized its investments in flat and long steel manufacturing, processing and distribution businesses by contributing its controlling interests in Siderar, Sidor (through Amazonia and Ylopa) and Ternium Internacional to the Company. On August 22, 2005, we acquired, together with Siderar, an indirect 99.3% interest in the Mexican company Hylsamex and its subsidiaries and the equity stakes owned by Hylsamex's former controlling shareholder, Alfa, S.A. de C.V., in Amazonia and Ylopa. We subsequently purchased additional shares of Hylsamex in the open market, subject to applicable law, thereby increasing our and Siderar's direct and indirect interest in Hylsamex to 99.9%. In 2005, each of Tenaris and Usiminas exchanged its interests in Amazonia, Ylopa and, in the case of Usiminas, Siderar for shares of the Company, and Sivensa exchanged its interest in Amazonia for shares of the Company.

On January 11, 2006, the Company launched an initial public offering of 24,844,720 ADSs, each representing 10 shares of the Company, in the United States. In connection with the offering, the Company granted the underwriters of the Company's initial public offering an option to purchase up to 3,726,708 additional ADSs to cover over-allotments in the sale of the ADSs. The offering was settled on February 6, 2006.

On December 28, 2006, we acquired an additional 4.85% interest in Siderar from CVRD Internacional S.A., a wholly-owned subsidiary of Vale, thereby increasing our ownership in Siderar to 60.93%.

On April 29, 2007, the Company entered into an agreement with Grupo Imsa and Grupo Imsa's controlling shareholders pursuant to which Grupo Imsa came under our control on July 26, 2007. Under the agreement, the Company, through a wholly owned subsidiary, made a cash tender offer under applicable Mexican law for all of the issued and outstanding share capital of Grupo Imsa. Pursuant to the tender offer, we acquired 25,133,856 shares, representing 9.3% of the issued and outstanding capital of Grupo Imsa. Concurrently with the consummation of the tender offer, on July 26, 2007, all the shares of Grupo Imsa that were not tendered into the tender offer (including the shares owned by Grupo Imsa's majority shareholders), representing 90.7% of Grupo Imsa's issued and outstanding share capital, were redeemed for cash pursuant to a capital reduction effected at the same price per share. Following this capital reduction, we became the sole shareholder of Grupo Imsa.

In 2007, Grupo Imsa was renamed Ternium Mexico and, effective March 31, 2008, Hylsamex merged with and into Ternium Mexico. In connection with this merger, Siderar became a shareholder of Ternium Mexico with a 28.7% interest.

On April 29, 2008, the National Assembly of Venezuela passed a resolution declaring that the shares of Sidor, together with all of its assets, were of public and social interest, and authorizing the Venezuelan government to take any action it deemed appropriate in connection with any such assets, including expropriation. On May 11, 2008, Decree Law 6058 of the President of Venezuela, regulating the steel production activity in the Guayana region in Venezuela (the "Decree"), dated April 30, 2008, was published. The Decree ordered that Sidor and its subsidiaries and associated companies be transformed into state-owned enterprises ("*empresas del Estado*"), with Venezuela owning not less than 60% of their share capital. On May 7, 2009, Ternium completed the transfer of its entire 59.7% interest in Sidor to Corporación Venezolana de Guayana, or CVG, a Venezuelan state-owned entity. For more information on the Sidor nationalization process, see note 27 to our audited consolidated financial statements included elsewhere in this annual report.

On August 25, 2010, Ternium completed the acquisition of a 54% ownership interest in Ferrasa through a capital contribution in the amount of USD74.5 million. Ferrasa has a 100% ownership interest in Sidecaldas S.A.S., Figuraciones S.A.S. and Perfilamos del Cauca S.A.S., all of which are also Colombian companies. Ternium also completed the acquisition of a 54% ownership interest in Ferrasa Panama for USD0.5 million. Ferrasa Panama is a long steel products processor and distributor based in Panama. Through these investments Ternium expanded its business and commercial presence in Colombia as well as in Central America. For more information on the Ferrasa acquisition, see note 3 to our audited consolidated financial statements included elsewhere in this annual report.

On October 4, 2010, Ternium and Nippon Steel signed a definitive agreement to form a joint venture in Mexico for the manufacturing and sale of hot-dip galvanized and galvanized steel sheets to serve the Mexican automobile market. The joint venture company, Tenigal, was established in November 2010 with Ternium and Nippon Steel holding 51% and 49% participations, respectively. Tenigal began work on the construction of a hot-dip galvanizing plant in the vicinity of Monterrey City, Mexico, which is expected to commence production of high-grade and high-quality galvanized and galvanized automotive steel sheets, including outer-panel and high-strength qualities, in 2013. For more information on the Tenigal project, see note 29 to our audited consolidated financial statements included elsewhere in this annual report.

On January 16, 2012, Ternium Investments, Siderar, and its subsidiary Prosid Investments S.C.A., and Confab Industrial, a subsidiary of Tenaris, or TenarisConfab, joined Usiminas' existing control group through the acquisition of 84.7, 30.0 (Siderar jointly with Prosid), and 25.0 million ordinary shares, respectively, and formed the so called T/T Group. In addition, Nippon Steel acquired from Caixa dos Empregados da Usiminas (Usiminas employee pension fund, or CEU) 8.5 million ordinary shares. In addition, Ternium Investments, Siderar and Prosid entered into an amended and restated Usiminas shareholders' agreement with Nippon Steel, Mitsubishi, Metal One and CEU, governing Ternium Investments, Siderar (and Prosid) and TenarisConfab's rights within the Usiminas control group. Following the closing of the transaction, at the request of the T/T Group, Messrs. Daniel Novegil, Roberto Vidigal and Alcides Morgante were appointed as members of Usiminas' board of directors, together with their alternates, to replace the board members nominated by Camargo Correa and Votorantim. In addition, Usiminas' board of directors appointed Julián Eguren, previously a senior executive with Ternium, as chief executive officer (Diretor-Presidente) of Usiminas. For further information on the Usiminas shares purchase transaction, see Item 5. "Operating and Financial Review and Prospects—G. Recent Developments—Acquisition of participation in Usiminas."

For information on Ternium’s capital expenditures, see “B. Business Overview—Capital Expenditure Program.”

B. Business Overview

Our Business Strategy

Our main strategic objective is to enhance shareholder value by strengthening Ternium’s position as a low cost producer of steel products, in a manner consistent with minority shareholders’ rights, while further consolidating Ternium’s position as a leading flat and long steel producer in Latin America and a strong competitor in the Americas with strategic presence in other major steel markets.

The main elements of this strategy are:

- ***Focus on higher margin value-added products.*** We intend to continue to shift Ternium’s sales mix towards higher margin value-added products, such as cold-rolled sheets and coated and tailor-made products, and services, such as just-in-time delivery and inventory management. In this regard, the pickling, cold-rolling, annealing and tempering lines planned in the vicinity of Monterrey City will allow Ternium to increase its offering of cold-rolled and galvanized products to meet the demanding requirements of our industrial customers in Mexico;
- ***Pursue strategic growth opportunities.*** We have a history of strategically growing our businesses through acquisitions and joint ventures. In addition to strongly pursuing organic growth, we intend to identify and actively pursue growth-enhancing strategic opportunities to consolidate Ternium’s presence in its main markets and expand it to the rest of Latin America, gain further access to iron ore and other inputs, expand its offerings of value-added products, increase its steel production, and increase its distribution capabilities. For example, through our recently-acquired participation in the control group of Usiminas we expect to strengthen our association in Latin America with Nippon Steel, one of the leading steelmakers in the world, and Usiminas, a leader in the Brazilian flat steel market and the largest flat steel producer in Brazil. For further information on the Usiminas shares purchase transaction, see Item 5. “Operating and Financial Review and Prospects—G. Recent Developments — Acquisition of participation in Usiminas”;
- ***Implement Ternium’s best practices.*** We believe that the implementation of Ternium’s managerial, commercial and production best practices in acquired new businesses should generate additional benefits and savings. For example, the implementation of Ternium’s cost control procedures and performance analysis in Ternium Mexico improved control over its production variables and led to cost savings;
- ***Maximize the benefits arising from Ternium’s broad distribution network.*** We intend to maximize the benefits arising from Ternium’s broad network of distribution, sales and marketing services to reach customers in major steel markets with a comprehensive range of value-added products and services and to continue to expand its customer base and improve its product mix; and
- ***Enhance Ternium’s position as a low cost steel producer.*** We are focused on improving utilization levels of our plants, increasing efficiency and further reducing production costs from levels that we already consider to be among the most competitive in the steel industry through, among other measures, capital investments and further integration of our facilities.

Our Products

The Ternium companies produce mainly finished and semi-finished flat and long steel products which are sold either directly to steel processors or to end-users, after different value-adding processes. Flat steel products include slabs (steel in its basic, semi-finished state), hot-rolled coils and sheets, cold-rolled coils and sheets, tin plate, hot dipped galvanized and electrogalvanized sheets and pre-painted sheets. Galvanized and pre-painted sheets can be further processed into a variety of corrugated sheets, trapezoidal sheets and other tailor-made products to serve Ternium’s customer requirements. Long steel products include billets and round bars (steel in its basic, semi-finished state), wire rod, bars and stirrups.

Flat steel products

Slabs: Slabs are semi-finished steel forms with dimensions suitable for its processing into hot-rolled flat products. The use of slabs is determined by their dimensions and by their chemical and metallurgical characteristics.

Hot-rolled flat products: Hot-rolled flat products are used by a variety of industrial consumers in applications such as the manufacturing of wheels, auto parts, pipes, gas cylinders and containers. They are also directly used for the construction of buildings, bridges and railroad cars, and for the chassis of trucks and automobiles. Hot-rolled products can be supplied as coils or as sheets cut to a specific length. These products also serve as inputs for the production of cold-rolled products.

Cold-rolled products: Cold-rolled products are applied mainly to the automotive, home appliance and capital goods industries, as well as to galvanizers, drummers, distributors and service centers. Cold-rolled coils are sold as coils or cut into sheets or blanks to meet customers' needs. These products also serve as inputs for the production of coated products.

Tin plate: Given its resistance to corrosion and its mechanical and chemical characteristics, tin plate is mainly sold to the packaging industry for food canning, sprays and paint containers. Tin plate is produced by coating cold-rolled coils with a layer of tin that is attached by an electroplating continuous process.

Hot dipped galvanized and pre-painted sheets: Hot dipped galvanized sheets are produced by adding a layer of zinc to cold-rolled coils, which are afterwards cut into sheets. Galvanized sheets can also be pre-painted, resulting in a product that is mainly sold to the construction industry for building coverings, manufacturing of ceiling systems, panels, air conditioning ducts and several other uses. Ternium also offers, under the trademark Zintroalum in Mexico and Cincalum in Argentina, a distinctive type of galvanized product with coating composition that contains approximately 55% aluminum and 44% zinc to improve product performance for the construction industry, including rural, industrial and marine sites.

Electrogalvanized and pre-painted sheets: Electrogalvanized and pre-painted sheets are sold mainly to customers in the automotive and home appliance industries. Electrogalvanized and pre-painted sheets are produced from cold-rolled coils by adding a layer of zinc that is attached by an electroplating continuous process, in one or both sides. The electrogalvanized coils are subsequently cut and sold either as sheets or are further processed with a color coating to produce pre-painted sheets. Electrogalvanization provides products with a longer useful life and more resistance to corrosion compared to other coating methods.

Steel pipes and tubular products: These products include tubes for general use, structural tubes, tubes for mechanical applications, conduction tubes, conduction electrical tubes and oil tubes. These products, uncoated or galvanized, have applications in several sectors including home accessories, furniture, scaffolding, automotive, bicycles, hospital equipment, posts for wire mesh garden and poultry tools, handrails, guard-rails, agricultural machinery, industrial equipment, conduction of water, air, gas, oil, high-pressure liquids and special fluids and internal building electrical installations.

Beams: These products, including C and Z section steel profiles (purlins) and tubular section beams, are obtained by roll-forming of steel strips and have applications in window frames, stilts, mainstays, crossbeams, building structures, supports, guides and crossbars for installing windows, doors, frames and boards.

Roll formed products: These products include insulated panels, roofing and cladding, roof tiles and steel decks. Obtained from the mechanical transformation of flat steel, uncoated, galvanized or pre-painted, these products are used mainly in the construction industry in warehouses, commercial and industrial refrigeration installations, grain storage, poultry and porcine confinement facilities, roofing and side walls for buildings, and terraces and mezzanine floorings.

Long steel products

Steel billets: Billets are semi-finished steel forms with dimensions suitable for processing into hot-rolled long steel products, such as wire rods, bars and other shapes.

Steel round bars: Round bars are semi-finished steel forms with dimensions suitable for processing into hot-rolled steel products, such as seamless tubes.

Wire rod: Rods are round, thin, semi-finished steel products that are rolled from a billet and coiled for further processing. Rods are commonly drawn into wire products or used to make bolts and nails. Wire rod can be produced in different qualities according to customers' demands.

Bars: Bars are long steel products that are rolled from billets. Two of the most common types of bars produced are merchant bars and reinforcing bars (rebar). Merchant bars include specific shape features, such as rounds, flats, angles, squares and channels, that are used by customers to manufacture a wide variety of products such as furniture, stair railings and farm equipment. Rebar is used to strengthen concrete highways, bridges and buildings.

Stirrups: Obtained from the mechanical transformation of rebars, stirrups are used in the construction industry in cement-based structures.

Other products

Pre-engineered metal building systems: These products are obtained from the mechanical transformation of flat steel. These steel construction systems are designed for use in low-rise non-residential buildings. They include frames, secondary steel members, roofs and walls panels, as well as finishing and accessories.

Pig iron: A semifinished product obtained in the blast furnace, it is mostly used as metallic charge in the steel shop for the production of crude steel; it is also marketed to other steel producers and to manufacturers of iron-based cast products.

Iron ore pellets: A raw material for the production of steel, it is mostly used as metallic charge (after being reduced in DRI modules or blast furnaces) in the steel shop for the production of crude steel; it is also marketed to other steel producers.

Within each of the basic product categories, there is a range of different "items" of varying qualities and prices that are produced either to meet the particular requirements of end users or sold as commodity items.

Production Facilities and Processes

Ternium has steel production facilities, service centers and distribution centers, or DCs, in North, Central and South America and iron ore mining operations in North America.

Ternium's aggregate production capacity of steel products as of December 31, 2011, calculated based on management estimates of standard productivity, product mix allocations, the maximum number of possible working shifts and a continued flow of supplies to the production process, was approximately 10.8 million tons, of which 9.1 million tons correspond to flat steel products and 1.7 million tons correspond to long steel products, and of which 7.6 million tons correspond to facilities located in North America and 3.2 million tons correspond to facilities located in South and Central America.

Steel production facilities, service centers and distribution centers

The assets described in this section are owned by Ternium's operating subsidiaries. The following table provides an overview, by type of asset, of Ternium's production capacity as of December 31, 2011:

Production asset	Quantity	Capacity (thousand tons per year) ¹			Total
		Mexico	Argentina	Other	
Coke Plant	4		1,030		1,030
Sinter Plant	1		1,490		1,490
Direct Reduced Iron (DRI) Plant	3	2,700			2,700
Blast Furnace	2		3,890		3,890
Electric Arc Furnace	5	3,990		160	4,150
Basic Oxygen Furnace	3		5,000		5,000
Thin Slab Continuous Caster	1	2,300			2,300
Slab Continuous Caster	1		2,880		2,880
Billet Continuous Caster	3	1,620		150	1,770

Production asset	Quantity	Capacity (thousand tons per year) ¹			Total
		Mexico	Argentina	Other	
Slab - Rolling Mill	4	6,030	2,830		8,860
Skin - Pass Mill	4	2,220	940		3,160
Billet - Rolling Mill	4	1,080		160	1,240
Pickling Line	8	3,590	1,790		5,380
Cold-Rolling Mill (Tandem or Reversing)	9	2,540	1,800		4,340
Electrolytic Cleaning	4	1,260	200		1,460
Annealing Line	4	1,240	1,240		2,480
Temper Mill	6	1,360	1,770		3,130
Tension-Leveling / Inspection Line	7	800	980		1,780
Electro-tin plating line	1		150		150
Hot Dip Galvanizing Line	12	1,450	550	390	2,390
Electro-galvanizing Line	1		120		120
Color - Coating Line	8	660	110	180	950
Slitter	37	1,960	450	280	2,690
Cut to Length	37	560	860	130	1,550
Roll Forming Line	35	490	410	250	1,150
Panel Line	4	80			80
Profile Line	16	190		80	270
Tube Line	23	500	200	50	750
Structural Beams Lines	1			50	50
Wire Drawing Lines	15			110	110
Wire Mesh Lines	2			30	30
Rebar Processing Lines ²	35			100	100

¹ In this annual report annual production capacity is calculated based on management estimates of standard productivity, product mix allocations, the maximum number of possible working shifts and a continued flow of supplies to the production process.

² Includes shears, straighteners, stirrup benders and shaping centers.

North America Region. Ternium has twelve steel production and/or processing units in this region, consisting of three integrated steel-making plants (two of which produce long steel products and one of which produces flat steel products and includes two steel service centers), five downstream flat steel processing plants, combining hot-rolling, cold-rolling and/or coating facilities (two of which include steel service centers), and four steel service centers. In addition, Ternium has ten distribution centers in this region, aimed at serving customers mainly in the construction sector.

The following table sets forth key items of information regarding Ternium's principal production locations and production units:

Unit	Country	Type of Plant			Distribution Center	Location	Products
		Integrated	Downstream	Service Center			
Guerrero ¹	Mexico	X		X		San Nicolás d.I.G., Nuevo León	Flat
Norte ²	Mexico	X				Apodaca, Nuevo León	Long
Puebla ³	Mexico	X				Puebla, Puebla	Long
Juventud ⁴	Mexico		X	X		San Nicolás d.I.G., Nuevo León	Flat
Churubusco ⁵	Mexico		X	X		Monterrey, Nuevo León	Flat
Monclova ⁶	Mexico		X			Monclova, Coahuila	Flat
Universidad ⁷	Mexico		X			San Nicolás d.I.G., Nuevo León	Flat
Apodaca Industrial ⁸	Mexico			X		Apodaca, Nuevo León	Flat

Unit	Country	Integrated	Type of Plant		Distribution Center	Location	Products
			Downstream	Service Center			
Apodaca Comercial ⁹	Mexico			X		Apodaca, Nuevo León	Flat
Varco-Pruden ¹⁰	Mexico			X		Ciénaga de Flores, Nuevo León	Metal buildings
San Luis ¹¹	Mexico			X		San Luis, San Luis Potosí	Flat
DC Chihuahua	Mexico				X	Chihuahua, Chihuahua	Flat
DC BC	Mexico				X	Tijuana, Baja California	Flat
DC MTY	Mexico				X	Monterrey, Nuevo León	Flat
DC Puebla	Mexico				X	Puebla, Puebla	Flat
DC Guadalajara	Mexico				X	Guadalajara, Jalisco	Flat
DC Mexico	Mexico				X	Tultitlán, Estado De México	Flat
DC Culiacán	Mexico				X	Culiacán, Sinaloa	Flat
DC Veracruz	Mexico				X	Veracruz, Veracruz	Flat
DC Mérida	Mexico				X	Mérida, Yucatán	Flat
DC Tuxtla	Mexico				X	Tuxtla Gtz, Chiapas	Flat
Shreveport ¹²	USA		X			Shreveport, Louisiana	Flat

¹ The Guerrero unit, located in the metropolitan area of Monterrey, Nuevo León, Mexico, produces hot-rolled and cold-rolled coils for the industrial, construction and home appliance sectors and for further processing in other Ternium Mexico's units. It also produces slitted and cut-to-length products for the industrial sector, and profiles and tubes for the industrial and construction sectors. This unit includes two steel service centers, a slab-rolling mill, and an integrated facility based on direct reduced iron, or DRI, mini-mill steelmaking and thin-slab casting/rolling mill technologies that uses iron ore pellets and steel scrap as main raw materials. The facility sources all of the iron ore from Ternium Mexico's mining operations and the electricity and natural gas from the Mexican grid. In addition, the facility sources its net requirements of slabs from Mexican and international producers. Ternium's procurement policy for these products is described in greater depth in Item 4. "Information on the Company—B. Business Overview—Raw Materials, Energy and Other Inputs."

² The Norte unit in Nuevo León, Mexico, produces billets and rebar for the construction industry. It is an integrated facility based on mini-mill steelmaking technology that uses steel scrap as its main raw material. The facility sources electricity from the Mexican grid. Ternium's procurement policy for these products is described in greater depth in Item 4. "Information on the Company—B. Business Overview—Raw Materials, Energy and Other Inputs."

³ The Puebla unit in Puebla, Mexico, produces rebar and wire rod mainly for the construction and industrial sectors, including high-carbon, low-carbon and micro-alloyed wire rod. It is an integrated facility based on DRI and mini-mill steelmaking technologies that uses iron ore pellets and steel scrap as main raw materials. The facility sources all of the iron ore from Ternium Mexico's mining operations and the electricity and natural gas from the Mexican grid. Ternium's procurement policy for these products is described in greater depth in Item 4. "Information on the Company—B. Business Overview—Raw Materials, Energy and Other Inputs."

⁴ The Juventud unit in Nuevo León, Mexico, produces galvanized and color coated coils for the construction, home appliance and other industries and has a steel service center that produces slitted and roll-formed products, panels and tubes for the construction and industrial sectors. This plant processes hot-rolled and cold-rolled coils received from Ternium Mexico's units in Nuevo León.

⁵ The Churubusco unit in Nuevo León, Mexico, produces hot-rolled and cold-rolled coils for the industrial, construction and home appliance sectors and for further processing in other Ternium Mexico's units. It also produces slitted and cut-to-length products for the industrial sector. The facility sources its requirements of slabs from other Mexican producers and from the international markets. Ternium's procurement policy for slabs is described in greater depth in Item 4. "Information on the Company—B. Business Overview—Raw Materials, Energy and Other Inputs."

⁶ The Monclova unit in Coahuila, Mexico, produces galvanized and color coated sheets for the home appliance industry. This plant processes cold-rolled coils mainly received from Ternium Mexico's units in Nuevo León.

- 7 The Universidad unit in Nuevo León, Mexico, located across the street from the Guerrero unit, produces galvanized and color coated coils for the construction, home appliance and industrial sectors. This plant, which also has a cold-rolling mill, processes hot-rolled coils received from Ternium Mexico's units in Nuevo León.
- 8 The Apodaca Industrial unit in Nuevo León, Mexico, is a steel service center that produces slitted and cut-to-length products for industrial customers. This plant processes coated coils mainly received from Ternium Mexico's units in Nuevo León.
- 9 The Apodaca Comercial unit in Nuevo León, Mexico, is a steel service center that produces slitted and roll-formed products, profiles and tubes for the construction industry. This plant processes coated coils mainly received from Ternium Mexico's units in Nuevo León.
- 10 The Varco-Pruden unit in Nuevo León, Mexico, produces metal buildings systems for commercial construction. This plant processes heavy plates procured from the local and international markets and coils received from Ternium Mexico's units in Nuevo León.
- 11 The San Luis unit in San Luis Potosí, Mexico, is a steel service center that produces slitted and cut-to-length products for the home appliance and other industries. This plant processes coated coils received from Ternium Mexico's units in Nuevo León.
- 12 The Shreveport unit in Louisiana, US, produces galvanized and color coated sheets. It processes cold-rolled coils procured in the international markets.

On October 4, 2010, Ternium and Nippon Steel signed a definitive agreement to form a company in Mexico for the manufacturing and sale of hot-dip galvanized and galvanized steel sheets to serve the Mexican automobile market. The company, Tenigal, was established in November 2010 with Ternium and Nippon Steel holding 51% and 49% participations, respectively. Tenigal began work for the construction of 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. The plant is expected to commence production of high-grade and high-quality galvanized and galvanized 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 a new cold-rolling facility, including new pickling, cold-rolling, annealing and tempering lines at the same site, which is also expected to commence production in 2013. Part of the output from these lines will be used to supply the Tenigal plant. For more information on the Tenigal project, see note 29 to our audited consolidated financial statements included elsewhere in this annual report.

South and Central America Region. Ternium has twenty-four steel production and/or processing units in this region, consisting of two integrated steel-making plant (one of which produces flat steel products and one of which produces long steel products), five downstream flat steel processing plants, comprising cold-rolling, coating or tube making facilities (four of which include steel service centers), and seventeen steel service centers. In addition, Ternium has four steel retail distribution centers in this region, aimed at serving customers mainly in the construction sector.

The following table set forth key items of information regarding Ternium's principal production locations and production units:

Unit	Country	Type of Plant			Distribution Center	Location	Products
		Integrated	Downstream	Service Center			
San Nicolás ¹³	Argentina	X				Ramallo, Buenos Aires	Flat
Canning ¹⁴	Argentina		X	X		Canning, Buenos Aires	Flat
Haedo ¹⁴	Argentina		X	X		Haedo, Buenos Aires	Flat
Florencio Varela ¹⁵	Argentina		X	X		Florencio Varela, Buenos Aires	Flat

Unit	Country	Integrated	Type of Plant		Distribution Center	Location	Products
			Downstream	Service Center			
Ensenada ¹⁶	Argentina		X			Ensenada, Buenos Aires	Flat
Rosario ¹⁷	Argentina			X		Rosario, Santa Fe	Flat
San Luis ¹⁷	Argentina			X		San Luis, San Luis	Flat
Serviacero III ¹⁸	Argentina			X		Ramallo, Buenos Aires	Flat
Sidercrom ¹⁹	Argentina			X		Ramallo, Buenos Aires	Flat
Manizales Acasa ²⁰	Colombia	X				Manizales, Caldas	Long
Barranquilla ²¹	Colombia			X		Malambo, Atlántico	Flat
Itaguí ²²	Colombia			X		Itaguí, Antioquía	Long
Calí Perfilamos ²³	Colombia			X		Puerto Tejada, Cauca	Flat
Medellín ²⁴	Colombia			X		Medellín, Antioquía	Flat and long
Bogotá ²⁴	Colombia			X		Bogotá, Cundinamarca	Flat and long
Calí Ferrasa ²⁴	Colombia			X		Calí, Valle del Cauca	Flat and long
Montería ²⁴	Colombia			X		Montería, Córdoba	Flat and long
Manizales Ferrasa ²⁴	Colombia			X		Manizales, Caldas	Flat and long
Villa Nueva ²⁵	Guatemala		X	X		Villa Nueva, Guatemala	Flat
DC Norte	Guatemala				X	Guatemala, Guatemala	Flat
DC Occidente	Guatemala				X	Mazatenango, Suchitepéquez	Flat
Tegucigalpa ²⁶	Honduras			X		San Pedro Sula, Cortés	Flat
DC Tegucigalpa	Honduras				X	Tegucigalpa, Distrito Central	Flat
San Salvador ²⁶	El Salvador			X		San Salvador, San Salvador	Flat
DC San Miguel	El Salvador				X	San Miguel, San Miguel	Flat
Managua ²⁶	Nicaragua			X		Managua, Managua	Flat
Heredia ²⁷	Costa Rica			X		Heredia, Heredia	Flat
Panamá ²⁴	Panama			X		Panamá, Panama	Long

¹³ The San Nicolás unit in the Province of Buenos Aires, Argentina, produces hot-rolled, cold-rolled and tinplate coils for the construction, industrial and packaging sectors and for further processing in other Siderar units. San Nicolás includes an integrated facility based on blast furnace and basic oxygen furnace technologies, supplemented with a sinter plant, coking batteries, a by-product plant and a power plant. It uses metallurgical coal and iron ore lumps, pellets and fines as main raw materials. The facility sources all of its coal and iron ore needs from the international markets, shipped to its own port on the banks of the Paraná river. It sources the natural gas from the Argentine grid, produces most of its electricity needs in its own power plant and sources its net requirements of electricity from the Argentine grid. Ternium's procurement policy for these products is described in greater depth in Item 4. "Information on the Company—B. Business Overview—Raw Materials, Energy and Other Inputs."

¹⁴ The Canning and Haedo units in the Province of Buenos Aires, Argentina, produce galvanized sheets, slitted and roll-formed products and profiles for the construction and home appliance sectors. In addition, the Canning facility produces color coated sheets for such markets. Both plants process cold-rolled coils received from Siderar's San Nicolás and Ensenada units.

¹⁵ The Florencio Varela unit in the Province of Buenos Aires, Argentina, produces electrogalvanized sheets, blanks and slitted products for the automotive, construction and other industries. This plant processes cold-rolled coils received from Siderar's San Nicolás and Ensenada units.

¹⁶ The Ensenada unit in the Province of Buenos Aires, Argentina, produces cold-rolled coils for the construction and industrial sectors and for further processing in Siderar's own facilities. This plant processes hot-rolled coils received from Siderar's San Nicolás unit.

¹⁷ The Rosario unit in the Province of Santa Fe, Argentina, and the San Luis unit in the Province of San Luis, Argentina, are steel service centers that produce tubes for the construction industry. These plants process hot-rolled coils received from Siderar's San Nicolás unit.

¹⁸ The Serviacero III unit in the Province of Buenos Aires, Argentina, is a steel service center that produces cut-to-length products for the construction and industrial sectors. This plant processes hot-rolled coils received from Siderar’s San Nicolás unit.

¹⁹ The Sidercrom unit in the Province of Buenos Aires, Argentina, is a steel service center that produces cut-to-length and slitted products for the packaging sector. This plant processes tinplate coils received from Siderar’s San Nicolás unit.

²⁰ The Manizales Acasa unit in Caldas, Colombia, produces billets and rebar for the construction industry. It is an integrated facility based on mini-mill steelmaking technology that uses steel scrap as its main raw material. The facility sources all of its scrap and electricity needs from local suppliers. Ternium’s procurement policy for these products is described in greater depth in Item 4. “Information on the Company—B. Business Overview—Raw Materials, Energy and Other Inputs.”

²¹ The Barranquilla unit in Atlántico, Colombia, is a steel service center that produces slitted, cut-to-length, drawn wire, wire mesh and customized rebar-based products for the construction industry. This plant processes wire rod purchased in the international market and rebar received from Ferrasa’s Manizales unit and rebar purchased in the international markets. Hot-rolled and cold-rolled coils are received mainly from Ternium Mexico’s units in Nuevo León.

²² The Itaguá unit in Antioquía, Colombia, is a steel service center that produces drawn wire, wire mesh and customized rebar-based products for the construction industry. This plant processes wire rod purchased in the international markets and rebar received from Ferrasa’s Manizales unit and rebar purchased in the international markets.

²³ The Calí Perfilamos unit in Cauca, Colombia, is a steel service center that produces profiles, tubes and structural beams for the construction industry. This plant processes hot-rolled and cold-rolled coils received mainly from Ternium Mexico’s units in Nuevo León and purchased in the international markets.

²⁴ The Medellín unit in Antioquía, Colombia, the Bogotá unit in Cundinamarca, Colombia, the Calí Ferrasa unit in Valle del Cauca, Colombia, the Montería unit in Córdoba, Colombia, the Manizales Ferrasa unit in Caldas, Colombia and the Panamá unit in Panama, Panama, are steel services centers that produce customized rebar-based products for the construction industry. These plants process rebar received from Ferrasa’s Manizales unit and rebar purchased in the international markets.

²⁵ The Villa Nueva unit in Guatemala, Guatemala, produces galvanized sheets for the construction industry and for further processing in other Ternium Mexico’s units in Central America. It also has a steel service center that produces slitted, roll-formed and cut-to-length products, and profiles for the construction industry. This plant processes hot-rolled, cold-rolled and coated coils received from Ternium Mexico’s units in the Nuevo León area and from the international markets.

²⁶ The Tegucigalpa unit in Cortés, Honduras, the San Salvador unit in San Salvador, El Salvador, and the Managua unit in Managua, Nicaragua, are steel service centers that produce roll-formed products for the construction industry. These plants process coated coils received mainly from Ternium Mexico’s Villa Nueva unit.

²⁷ The Heredia unit in Heredia, Costa Rica, is a steel service center that produces roll-formed products and profiles for the construction industry. This plant processes hot-rolled, cold-rolled and coated coils received from Ternium Mexico’s units in Nuevo León and from the Villa Nueva unit.

Iron ore mining facilities

Ternium has a 100% interest in Las Encinas S.A. de C.V., or Las Encinas, and a 50% interest in Consorcio Minero Benito Juárez Peña Colorada, S.A. de C.V., or Peña Colorada. The following table provides an overview, by type of asset, of Ternium's production capacity:

Production asset	Las Encinas		Peña Colorada	
	Quantity	Capacity*	Quantity	Capacity*
Crushing Plant	2	5,300	1	9,200
Beneficiation Plant	1	2,000	1	4,500
Pelletizing Line	1	1,900	2	4,000

* In thousand of tons per year

Las Encinas operates the Aquila open pit mine located in Michoacán, Mexico. The expected mining life of active mining sites is 17 years. Las Encinas produces iron ore pellets. The facilities include crushing and beneficiation plants located close to the mines and beneficiation and pelletizing plants located near Alzada in Colima, Mexico, approximately 160 kilometers from Aquila. The iron ore pellets are transported by train to Ternium Mexico's integrated facilities. The utilization rate of Las Encinas's facilities in 2011, based on its pellet production, was 89%. Las Encinas used to operate El Encino underground mine located in Jalisco, Mexico. During 2011, El Encino's cost-effectively minable reserves were exhausted and the mine ceased operations.

Peña Colorada operates an open pit mine located in Colima, Mexico. The expected mining life of active mining sites is 26 years. Peña Colorada produces iron ore pellets and magnetite concentrate. The facilities include crushing and beneficiation plants located close to the mine, near Minatitlán, and a pelletizing plant, including two pelletizing lines, located near the Manzanillo seaport on the Pacific coast in Colima, Mexico, 50 kilometers from Minatitlán. Ternium and ArcelorMittal each own 50% of Peña Colorada. Under the existing arrangements, Peña Colorada is required to sell half of the mine's production to each of Ternium and ArcelorMittal. See Item 4. "Information on the Company—B. Business Overview—Raw Materials, Energy and Other Inputs—Mexico—Iron Ore." Both iron ore pellets and magnetite concentrates are transported by train or from the Manzanillo seaport to Ternium's facilities, to ArcelorMittal's facilities and abroad. The utilization rate of Peña Colorada's facilities in 2011, based on its pellet production, was 100%.

The mining concessions of Las Encinas and Peña Colorada were granted for a 50-year period; following the expiration of the initial concession term, the concessions are renewable for an additional 50-year term in accordance with, and subject to the procedures set forth in, applicable Mexican mining law.

Production process

Ternium specializes in manufacturing and processing finished flat and long steel products. Ternium's facilities use different technologies and have different levels of integration. The basic inputs for steel production are iron ore and energy. Iron ore is used in three different formats: fines and lumps, which are purchased in the marketplace, and pellets, which are partly purchased in the marketplace and partly produced by Ternium. Ternium's steel production processes consume energy mainly in the form of natural gas, coal and electricity.

Iron ore extraction and processing. The iron ore pellet production process begins with the sourcing of iron ore from Ternium's own mines in Mexico. The ore is extracted from open pit mines. Extraction consists of removing waste and ore from the surface with explosives and loading and transporting it by truck to the crushing facilities where it is resized to a specified size.

After crushing, the ore goes through several grinding and concentration stages. Grinding reduces the size and shape of the ore while concentration, through magnetic drums, separates the iron from the sterile material to obtain an iron ore concentrate with high iron content. This process is carried out using water as an auxiliary element. Excess water is afterwards eliminated through a filtering process, leaving only the necessary humidity for the formation of pellets using pelletizing disks. Pellets are separated according to their size and are then hardened in ovens and shipped to the steel producing facilities.

Steel production. Ternium produces semi-finished steel in the form of thin slabs, slabs, billets and round bars through the electric arc furnace and the blast furnace methods. Under the electric arc furnace method, which is used in Mexico and Colombia, the iron metal charge is heated with other elements to obtain molten steel. The molten steel is then cast, using the continuous casting method, into billets and thin slabs. The iron metal charge in the Norte and Manizales plants is steel scrap, and the iron metal charge in the Monterrey and Puebla plants is a mix of DRI and steel scrap. The DRI results from the conversion of pellets in the DRI modules. One of Monterrey's DRI plants includes the latest DRI HYL® technological advances, such as Hytemp®, which permits the hot discharge of the DRI to the electric arc furnace, generating significant energy savings and improving productivity.

Under the blast furnace method, which is used in Argentina, iron ore pellets, lumps, sinter (a mixture of iron ore fines and limestone produced in our sinter plant) and coke (a solid residue obtained from the distillation of coal produced in our coking batteries) are mixed in the blast furnaces in a process that melts and reduces the iron ore, obtaining pig iron. The molten pig iron is then mixed with steel scrap and other products in a basic oxygen furnace through a process that removes impurities from the pig iron by injecting pure oxygen at high pressure into the molten metal, burning-off carbon and other elements. The molten steel is then cast using the continuous casting method, into slabs.

Steel processing. Semi-finished steel is then processed into finished products using hot-rolling, cold-rolling, coating, tubing, paneling, slitting and cut-to-length facilities among other processes. Ternium purchases semi-finished steel in the marketplace in the form of slabs, as its slabs processing capacity in Mexico is higher than its slabs production capacity in the country. It may purchase hot-rolled and cold-rolled coils as well for further processing in its lines.

Slabs and billets are processed in the hot-rolling mills in Mexico, Argentina and Colombia to obtain hot-rolled products using different technologies. In the case of flat products, hot-rolled coils are obtained from thin or conventional slabs. Thin slab hot-rolling, a technology Ternium uses only in Mexico, requires less energy than conventional slab hot-rolling, as it does not require a roughing section at the mill and does not need to be reheated from room temperature to reach rolling temperature. In the production of long products, which is carried out in Mexico and Colombia, billets are reheated and taken to rolling temperature. The softened steel is processed in the rolling trains to obtain wire rods and rebars as finished long products and, depending on its final use, rebars can be further processed into stirrups and other customized shapes in our service centers in Colombia and Panama.

Depending on its final use, the hot-rolled coils are then tempered and/or pickled, both in Mexico and Argentina, before being sent for sale as coils or cut into steel sheets. Alternatively, the hot-rolled coils may be sent to a cold-rolling mill where they are put under a deformation process at room temperature to reduce their thickness and obtain cold-rolled coils. Cold-rolled coils can be sold in crude form to the market (full hard) or processed in the reheating ovens, annealing bays and tempers lines to modify their metallurgic and physical characteristics. The tempered products can be sold as coils or sheets or further processed by adding coatings.

Cold-rolled coils can be further processed into tin plate at Siderar's facility in Argentina (by adding a thin layer of tin), into galvanized or electrogalvanized sheets at several of Ternium's facilities in Mexico, the United States and Guatemala and at Siderar's facility in Argentina (by adding a thin layer of zinc to the products through different processes) or into pre-painted products. Some of these products can be further processed into slit, cut-to-length and tailor-made products according to customers' needs at Ternium's service centers, which are located in several countries. In addition, coated, cold-rolled and hot-rolled coils can be further processed into tubular products, such as welded pipes, insulated panels and architectural panels, among other products.

Sales and Marketing

Net Sales

Ternium primarily sells its steel products in the regional markets of North America and Central and South America, where it can leverage its strategically located manufacturing facilities to provide specialized products, delivery services to its clients and reduced freight costs.

Our total net sales amounted to USD9.2 billion in 2011, USD7.4 billion in 2010 and USD5.0 billion in 2009. For further information on our net sales, see Item 5. "Operating and Financial Review and Prospects—A. Results of Operations."

The following table shows Ternium's total consolidated net sales by product and geographical region for the years indicated:

<i>In millions of U.S. dollars</i>	For the year ended December 31,		
	2011	2010	2009
Flat Steel Product Sales			
North America	4,108.8	3,464.9	2,371.9
South and Central America	3,658.1	2,886.2	1,717.1
Europe and Other	25.2	25.3	161.0
Total Flat Steel Products Sales	7,792.0	6,376.4	4,250.0
Long Steel Product Sales			
North America	880.3	640.7	512.0
South and Central America	337.5	163.9	57.3
Europe and Other	—	28.6	3.5
Total Long Steel Product Sales	1,217.9	833.1	572.9
Total Other Sales (1)	147.3	172.5	136.1
Total Sales	9,157.2	7,382.0	4,959.0

(1) The item "Other Sales" primarily includes iron ore, pig iron and pre-engineered metal buildings.

<i>In thousands of tons (unaudited)</i>	For the year ended December 31,		
	2011	2010	2009
Flat Steel Product Sales Volume			
North America	4,014.7	3,852.1	3,114.5
South and Central America	3,285.7	2,877.0	1,903.6
Europe and Other	34.9	42.6	287.0
Total Flat Steel Product Sales Volume	7,335.3	6,771.7	5,305.2
Long Steel Product Sales Volume			
North America	1,104.0	974.2	931.2
South and Central America	384.3	258.7	118.4
Europe and Other	—	50.0	6.1
Total Long Steel Product Sales Volume	1,488.3	1,282.9	1,055.6
Total Sales Volume (1)	8,823.6	8,054.6	6,360.8

(1) The Total Sales Volume does not include Other Sales.

North America Region

Sales to customers in the North America Region accounted for 55.5% of Ternium's consolidated sales during 2011, 57.0% during 2010 and 60.0% during 2009. See Item 5. "Operating and Financial Review and Prospects—A. Results of Operations—Fiscal Year Ended December 31, 2011 compared to Fiscal Year Ended December 31, 2010—Net Sales" and "—Fiscal Year Ended December 31, 2010 compared to Fiscal Year Ended December 31, 2009—Net Sales."

Ternium's largest markets in the North America Region are Mexico and the United States.

Most of Ternium's Mexican customers are located near its plants. Flat steel non-coated products are mainly sold in Mexico to construction companies, industrial customers in the packaging, electric motors and service center industries, and distributors and auto parts manufacturers. The principal segments in the Mexican coated steel market are construction, manufacturing (air conditioning, lamps and furniture), appliances and auto parts. Ternium generally serves industrial customers, who require high-quality specifications, as well as commercial customers through service centers and warehouses. Long steel rebar and wire rod markets in Mexico are generally characterized by a large number of orders of small volume, and competition is largely based on price. The customer base for bar and rod products in Mexico consists primarily of independent dealers and distributors, who in turn retail the products to their customers in the construction industry. Ternium markets its tubular products mainly through Mexican independent distributors, and the balance is sold directly to industrial customers.

Customers in the United States are served directly through the Shreveport plant and through Ternium Internacional's Houston commercial office and distribution center, which manage transport and logistics issues and provide local services and assistance. The Gulf Coast and a large portion of the West Coast, in particular, are regions in which our Mexican facilities have distribution advantages. Our main markets in the United States are the construction industry and the energy related sectors.

South and Central America Region

Sales to customers in the South and Central America Region accounted for 43.9% of Ternium's consolidated sales during 2011, 41.4% during 2010 and 35.9% during 2009. See Item 5. "Operating and Financial Review and Prospects—A. Results of Operations—Fiscal Year Ended December 31, 2011 compared to Fiscal Year Ended December 31, 2010—Net Sales" and "—Fiscal Year Ended December 31, 2010 compared to Fiscal Year Ended December 31, 2009—Net Sales."

Ternium's sales are oriented toward the construction and agriculture sectors, the automotive industry, the packaging sector (for food, paints, sprays and petrochemicals), the tube and pipe sector (related to liquids and gas transportation and distribution networks), the capital goods sector and the home appliances sector.

The customer base in South and Central America consists primarily of independent small- and medium-sized companies and distributors, which in turn process or retail products to their customers in different market sectors. In addition, Ternium serves large industrial customers, such as the automotive industry, that require customized products that Ternium can produce through its service centers and finishing facilities.

Ternium's principal customers in the region are located near Siderar's plants in Argentina and Ternium's plants in Colombia and Central America. We also sell to customers in other South American countries, including Brazil, Bolivia, Chile, Ecuador, Paraguay, Peru and Uruguay.

Europe and Other

Sales to customers in Europe and other regions, which are generally made on a spot basis, accounted for 0.6% of Ternium's consolidated sales during 2011, 1.6% during 2010 and 4.0% during 2009. See Item 5. "Operating and Financial Review and Prospects—A. Results of Operations—Fiscal Year Ended December 31, 2011 compared to Fiscal Year Ended December 31, 2010—Net Sales" and "—Fiscal Year Ended December 31, 2010 compared to Fiscal Year Ended December 31, 2009—Net Sales."

Ternium's sales in Europe and other regions are carried out through the Ternium commercial network and in 2011 were mainly destined for the European Union, Pakistan, India and Vietnam.

Pricing

The prices of our steel products generally reflect international market prices for similar products. We adjust prices for our products periodically in response to changes in the import prices of foreign steel, export prices, and supply and demand. See Item 5. "Operating and Financial Review and Prospects—Overview." The actual sales prices that we obtain for our products are also subject to the specifications, sizes and quantity of the products ordered.

Marketing

Our marketing strategy is to continue increasing higher margin value-added products and services in Ternium's sales mix. We expect to increase Ternium's offerings of value-added products, such as cold-rolled sheets and coated and tailor-made products, and services, such as just-in-time deliveries and inventory management. In order to do so, Ternium will continue to work with its customers to anticipate their needs and develop customized products for particular applications and to maintain a strategic presence in several steel markets through its network of commercial offices.

Ternium adapts its marketing strategy according to the different regions it serves. Its sales force specializes in different regional requirements, ranging from product specifications to transport logistics.

In order to increase Ternium's participation in regional markets and improve services provided to customers, Ternium manages its exports through Ternium Internacional's network of commercial offices. Ternium Internacional operates through subsidiaries strategically located in Ternium's key international markets, providing customers with support and services. Ternium Internacional has extensive experience promoting steel products. Its marketing expertise helps Ternium to expand its position in current markets and to develop new ones.

North America Region

The North American steel market is highly competitive, since most major international steel producers direct part of their sales efforts to this region. Ternium's steel customers in Mexico are in the construction industry, the automotive industry, the energy sector and the home appliances sector, among other industries. In Mexico, where our main production facilities are located, we can offer customized services.

Through our service centers, located in the southern United States and in northern and central Mexico, Ternium can cut, paint or roll-form its products to specific client requirements. Customized products include metallic roofing, auto parts and cut-to-length products used in the home appliance and construction industries.

Ternium has commercial offices in Mexico and the United States. These offices provide services such as logistics, stock management and customer assistance, as well as analysis of businesses opportunities in their respective markets.

Ternium Mexico has a department focused on the development of small- and medium-sized companies in Mexico under a program created by the Techint group for the development of its customers and the local industry ("Propymes"). The objective of the program is to improve the competitiveness of customers and suppliers, to increase their exports and to allow them to substitute imports with local products. Approximately 150 companies are part of this program in Mexico, which provides support for industrial, training, and institutional requirements of the participating companies.

Several Mexican steel producers compete with us in the flat and long steel markets, as discussed below in "—Competition." Ternium's experienced sales force specializes in the needs of each market sector and focuses on value-added products and services. In this competitive and end-user oriented market, the extensive use of well-known commercial brands allows customers to clearly recognize Ternium's products. Ternium seeks to increase its competitive advantage by providing value-added services, including the technical assistance related to steel use and production, and developing new steel products.

South and Central America Region

A principal component of Ternium's marketing strategy in South and Central America is establishing lasting and close relationships with customers. This allows Ternium to provide assistance to its customers in their use of steel products and to obtain downstream information that can be applied to future product development.

Ternium's sales force in this region is oriented toward serving the specific needs of different market sectors, such as the construction industry, the automotive industry, the home appliances sector, the packaging sector (for food, paints, sprays and petrochemicals), the agricultural equipment and capital goods sector, the tube and pipe sector (related to liquids and gas transportation and distribution), and steel processors.

Through Siderar's service centers in Argentina and Ternium's service centers located in Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, Ternium can cut, paint or roll-form its products to specific client requirements. Customized products include metallic roofing, auto parts, steel for agricultural machinery, different types of tin used to produce sprays and food containers and cut-to-length products used in the home appliance and construction industries.

Ternium has commercial offices in Argentina, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Uruguay. These offices provide services such as market development, analysis of businesses opportunities, and customer support in their respective countries. Propymes was implemented in Argentina in 2002, with the objective of promoting the local industry. Approximately 640 companies are part of this program, which provides support for industrial, training, commercial, financial and institutional requirements of the participating companies.

Europe and Other

A small share of Ternium's shipments is destined for steel markets outside the Americas. Sales to Europe, Asia and Africa are carried out mainly through Ternium Internacional's office in Spain. Ternium Internacional is focused on trading activities, including the development of commercial and marketing activities.

Competition

Global Market

The steel industry operates predominantly on a regional basis, with large industry participants selling the bulk of their steel production in their home countries or regions, where they have natural advantages and are able to more effectively market value-added products and provide additional customized services. Despite the limitations associated with significant transportation costs, as well as the restrictive effects of protective tariffs and other trade restrictions, international trade of steel has generally increased in the last decade as production has shifted towards low-cost production regions. In addition, since 2002, several large steel manufacturers have merged with each other or acquired steel companies in other parts of the world. This wave of consolidation has resulted in a number of large, global producers with significant operations in several regions and/or continents, contributing to the increasing globalization of the steel industry. Considered as a whole, however, the steel industry still remains considerably fragmented, compared with market conditions characterizing certain of our suppliers and customers, *e.g.* iron ore suppliers and the automotive industry.

Steel consumption has historically been centered in developed economies, such as the United States, Western Europe and Japan. However, in recent years steel consumption in Asia, and in particular China, has increased significantly. Moreover, while production in Europe, Japan and the United States remains significant, steel producers in those regions have increasingly focused on the rolling and finishing of semi-finished products.

There has been a trend in recent years toward steel industry consolidation among Ternium's competitors. In addition, the Venezuelan government has reestablished itself as a steel producer with the nationalization of Sidor. Below is a summary of the most significant transactions:

- June 2006: Mittal Steel and Arcelor merge to create ArcelorMittal, the world's largest steel company.
- March 2007: Votorantim acquires Colombia's Aceria Paz del Rio.
- April 2007: Tata Steel completes the acquisition of Corus.
- July 2007: Gerdau acquires Chaparral Steel.
- August 2007: US Steel acquires Stelco.
- March 2008 to May 2008: Severstal acquires Sparrows Point, WCI Steel and Esmark (subsequently, during 2011, it divested Sparrows Point, Warren and Wheeling).
- February 2011: Nippon Steel and Sumitomo announce a merger plan.

Despite this trend, the global steel market remains highly fragmented. In 2010, the five largest steel producers, ArcelorMittal, Hebei, Baosteel, Angang and Wuhan, accounted for 19% of total worldwide steel production, compared to 15% for the five largest steel producers in 2000.

Steel prices in general, including both flat and long products, have exhibited significant volatility in recent years. From 2000 to 2002, the industry, especially in North America, experienced fluctuating capacity utilization, low demand growth levels and other adverse conditions, which led to depressed steel prices, adversely impacting many steel producers' profitability. In 2003 and 2004, steel prices increased worldwide, due to higher economic growth in most regions, particularly China and other developing countries, as well as higher raw material prices (for iron ore, ferroalloys and energy). During the first quarter of 2008, steel prices went up significantly due to higher demand for steel products and higher input costs resulting from constraints in the availability of raw materials. However, this trend reversed beginning in the second half of 2008 due to a global economic downturn, with prices and costs declining steeply. Beginning in the second half of 2009, steel prices in the international markets rebounded mainly as a result of the increase in the demand for steel in China and other emerging markets, and the subsidence of the worldwide de-stocking process. This positive trend in international steel prices partially reversed during the second half of 2010, as an increase in demand for steel products was more than offset by new capacity additions and idled capacity restarts. A more balanced market and the increase in steel demand by year-end 2010 supported a steel price rally during the first quarter of 2011. During 2011 and first quarter 2012, steel prices followed a pattern similar to that witnessed during the previous year.

North America Region

Mexico. Ternium has strong domestic competitors in the Mexican steel market and faces significant competition from imports. According to Canacero, the Mexican chamber of the iron and steel industry, imports of hot-rolled, cold-rolled and galvanized steel products into Mexico accounted for approximately 30%, 31% and 27% of the Mexican market in 2011, 2010 and 2009, respectively, as steel consumption in Mexico is higher than the installed steel capacity in the country.

Our largest Mexican competitor in the flat products market is AHMSA, an integrated steel producer located in Monclova, Coahuila, that produces a wide variety of steel products. AHMSA focuses on low value added products such as plate and commercial quality hot-rolled and cold-rolled coils. Other significant domestic competitors are Lámina y Placa Comercial S.A. de C.V. (Grupo Villacero), a producer of galvanized coils and a distributor of steel products with operations throughout Mexico, and POSCO, a Korean steel company that produces galvanized coils in Mexico.

In the rebar market, Ternium's largest competitor is ArcelorMittal. To a lesser extent, Ternium also faces competition from Aceros San Luis and Deacero. In the low-carbon wire rod market, Ternium's main competitors are Deacero, ArcelorMittal and, to a lesser extent, Talleres y Aceros and Aceros San Luis.

In the small diameter welded pipe market, Ternium's main competitors are Tubería Laguna, Maquilacero and imports. Orders in this market are usually small and cover a wide range of product specifications.

United States. Ternium has a very small participation in the U.S. steel markets in comparison with U.S. domestic steel manufacturers and importers. It successfully competes in the Gulf Coast and a large portion of the West Coast where its facilities have logistical advantages.

South and Central America Region

Ternium's most significant markets in the South and Central America Region are Argentina and Colombia. Other relevant markets in the region are Central America, Paraguay, Uruguay, Bolivia and Chile.

Argentina. Siderar is the main producer of flat rolled steel products in Argentina. Its main competition in the Argentine flat steel market are imports, mainly from Brazil. The main Brazilian producers of flat steel value-added products are Usiminas, Companhia Siderúrgica Nacional and ArcelorMittal.

Colombia. In 2010, Ternium acquired a 54% ownership interest in Ferrasa. Ferrasa is the main flat steel processor in Colombia and is also a long steel producer. Its main competitors in the Colombian steel market are Acerías de Colombia, Acerías Paz del Río and Diaco. Through the acquisition of Ferrasa, Ternium increased its market share in Colombia.

Other South and Central American markets. Ternium keeps an active presence in the region, particularly in those steel markets where there is the absence or limited presence of domestic competitors. Ternium keeps a leading position in the flat steel markets of Paraguay and Uruguay and has a presence in the flat steel markets of Chile and Bolivia, where the location of Ternium's facilities in neighboring Argentina provides a logistical advantage to supply these markets *vis a vis* its foreign competitors. In addition, Ternium is present in the steel markets of Ecuador and Peru, although it usually faces strong competition in these markets from steel producers located in Brazil and Venezuela. Finally, Ternium keeps a leading position in the flat steel market of Central America, where it leverages its logistical advantages stemming from the location of its facilities in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Mexico and Panama.

Capital Expenditure Program

Capital expenditures in Ternium's facilities during 2011 amounted to approximately USD601 million. We currently expect that our capital expenditures for 2012 for future and ongoing capital expenditure projects will amount to approximately USD1 billion and that such amount will be financed with cash from operations and debt.

The main objectives of Ternium's current capital expenditure program are to:

- maintain and replace equipment;
- increase steel production and processing capacity;
- increase product range;
- reduce production costs;
- improve product quality, equipment reliability and productivity;
- comply with applicable environmental standards; and
- provide enhanced customer services.

In the past, we announced new investments and projects to be developed in Mexico and in Argentina. These investments were aimed at increasing steel production and processing capacity through the construction of new facilities and the expansion of existing ones. The current status of these projects is discussed below.

North America Region

During 2011, Ternium's capital expenditures in the region amounted to USD391 million. We carried out a basic capital expenditure plan in order to maintain our equipment's operating performance and, at the same time, we continued with some projects of which the most significant were:

- *Construction of new cold-rolling and galvanizing facilities in the vicinity of Monterrey City, Mexico.* The cold-rolling facilities include new pickling, cold-rolling, annealing and tempering lines. Part of the output from these lines will be used to supply the new galvanizing facilities. Ternium expects that these lines will commence production in 2013 and that the required total investment will be approximately USD700 million. The expected production capacity of the new cold-rolling facility upon completion is 1.5 million tons per year. In addition, Tenigal, a Mexican company established in November 2010 with Ternium and Nippon Steel holding 51% and 49% participations, respectively, is building the hot-dip galvanizing plant at the same site. Ternium expects that this plant will commence production of high-grade and high-quality galvanized and galvanized automotive steel sheets, including outer-panel and high-strength qualities, in 2013, and that the required total investment will be approximately USD350 million. The expected production capacity of the new galvanizing facility upon completion is 400 thousand tons per year. For more information on the Tenigal project, see note 29 to our audited consolidated financial statements included elsewhere in this annual report.
- *Expansion and enhancement of our service and distribution center network in Mexico.* This project is expected to be completed during 2015 in two stages, for a total investment of approximately USD50 million. The first stage includes the expansion and enhancement of three distribution centers, completed during 2011, and rail network connection enhancements, to be completed during 2012. The second stage includes the development of a new service center in the distribution center located in central Mexico to be completed during 2015.

- *Enhancement of our defuse emission control equipment at our steel shop in the Norte unit.* This environmental project was completed during 2011 for a total investment of approximately USD25 million.
- *Revamping of a grinding plant.* This plant is part of the Las Encinas mining operations in Mexico. The project, completed during 2011 for a total investment of approximately USD30 million, is aimed at expanding the facility's iron ore processing capacity.

South and Central America Region

During 2011, Ternium's capital expenditures in the region amounted to USD209 million. We carried out a basic capital expenditure plan to maintain our equipment's operating performance, continued with some projects and started new ones, of which the most significant were carried out in Argentina:

- *Progress in the expansion of hot rolling mill capacity.* This mill is part of the San Nicolás unit of Siderar's operations. The expansion, for a total investment of approximately USD80 million, includes the installation of an additional coiler (completed in the first quarter of 2012), and the installation of a new exit (to be completed during 2013), enabling an expected increase in the mill's annual processing capacity of approximately 100,000 tons of slabs.
- *Revamping and expansion of the by-products plant at Siderar's coking facilities.* These facilities are part of the San Nicolás unit of Siderar's operations. The project is expected to be completed during 2012 and, together with the repairs and enhancements at the coking facilities, is expected to allow the increase in coke annual production capacity by approximately 400,000 tons. The required total investment is expected to be approximately USD70 million.
- *Construction of a vacuum degassing in the steel shop.* These facilities are part of the San Nicolás unit of Siderar's operations. This equipment will enable the production of interstitial-free steel for certain applications in the automobile industry. It is expected that the project will be completed during 2013 and that the required total investment is expected to be approximately USD50 million.
- *Progress in repairs and enhancements at Siderar's coking facilities.* These facilities are part of the San Nicolás unit of Siderar's operations. Works included repairs in one chimney, completed during 2011, and in coke oven batteries #3 and #4, expected to be completed during 2012. The required total investment is expected to be approximately USD90 million.
- *Progress in the expansion of galvanizing capacity.* These facilities are part of the Haedo unit of Siderar's operations. Works include the revamping and expansion of a hot-dip galvanizing mill, a project we expect to complete during 2012 for a total investment of approximately USD20 million.
- *Progress in the construction of a new continuous caster in the steel shop.* These facilities are part of the San Nicolás unit of Siderar's operations. The project, expected to be completed during 2013, is expected to increase slab annual production capacity by approximately 500,000 tons. The required total investment is expected to be approximately USD180 million.
- *Expansion of service center processing capacity.* This project, completed during 2011 for a total investment of approximately USD15 million, involved the expansion of warehouse capacity and the installation of a new slitter at the Florencio Varela unit of Siderar's operations.

2012 Capital Expenditures

In 2012, Ternium intends to further develop its ongoing projects, primarily in Mexico and Argentina. Our main ongoing project consists of the new cold-rolling and galvanizing facilities being constructed in the vicinity of Monterrey City, Mexico. Consistent with the objectives of our capital expenditure program, we also plan to conduct feasibility studies on, and eventually implement, other projects in Mexico, Argentina and Colombia.

In addition, we will continue evaluating growth opportunities in the region. In Brazil, for example, we are exploring a project (the Açú Port project) to produce iron ore pellets and steel products, which would involve building a pelletizing facility in a first stage, and subsequently constructing a DRI-based mini-mill steelmaking facility. We have taken several preliminary steps in connection with this project. The acquisition of the land for the facilities is nearly complete; we also have a port services contract in place and negotiations for a long term iron ore supply agreement with Anglo American are in progress. We have already obtained a preliminary environmental license, and intend to request an installation license for the pelletizing facility by mid-2012. However, we have yet to secure sufficient quantities of natural gas at competitive pricing, a critical factor for the feasibility of the steel mill. Under existing agreements, we are required to elect whether or not to move forward with the project by September 2012. At that time, we may decide to build a complete project, to build the pelletizing facility only, or to call off the entire project.

Information Technology Investments

We spent an aggregate of approximately USD34 million in information technology during 2011, mainly for the integration of our Mexican facilities into Ternium's core business administration system.

Raw Materials, Energy and Other Inputs

The main inputs for Ternium's facilities in Mexico are slabs, iron ore, steel scrap, electricity and natural gas; the main inputs for Siderar's integrated steel facilities in Argentina are iron ore and coal; and the main inputs for Ternium's facilities in Colombia are steel products, steel scrap and electricity. Below is a more complete description of the supply conditions for raw materials, energy and other inputs at Ternium's facilities in these countries. For a description of some of the risks associated with Ternium's access to raw materials, energy and other inputs, see Item 3. "Key Information—D. Risk Factors—Risks Relating to the Steel Industry—Price fluctuations or shortages in the supply of raw materials, slabs and energy could adversely affect Ternium's profitability."

Mexico

In Mexico, Ternium's manufacturing of finished steel products relies on the supply of crude steel from its steelmaking facilities, which are based on the mini-mill technology, and on the purchase of crude steel slabs from third parties. The mini-mill technology melts a variable combination of DRI and steel scrap to produce steel slabs, billets and round bars. Ternium's production process in Mexico requires extensive use of natural gas and electricity. Third-party slabs are the largest component of production costs; iron ore, scrap, electricity and natural gas costs are also significant.

Slabs. Ternium's Mexican subsidiary has some non-integrated facilities that consume large quantities of slabs purchased from third-party steel suppliers. Currently, slabs are purchased both in Mexico (primarily from ArcelorMittal) and in the international markets. In addition, in the past Siderar supplied slabs from time to time to our Mexican operations. Slab consumption varies significantly from year to year in accordance with market conditions. Our Mexican subsidiary purchased 2.5 million, 2.6 million and 1.7 million tons of slabs in 2011, 2010 and 2009, respectively. Slab purchase prices are market-based.

Iron ore. As described under "—Production Facilities and Processes—Iron ore mining facilities" above, Ternium's subsidiaries own interests in two mining companies in Mexico: 100% of the equity of Las Encinas and a 50% equity stake in Peña Colorada. In 2011, Ternium's Mexican facilities sourced 100% of their iron ore requirements from the mines operated by these two companies. Under our arrangement with Peña Colorada's other shareholder, an ArcelorMittal subsidiary, we are committed to off-take 50% of the annual production of the Peña Colorada mine. In 2011, approximately 91% of the iron ore production available to Ternium went to our own direct reduction plants and the remaining 9% was sold in the international markets. Most of our iron ore exports during 2011 were made on a spot price basis. On average, we consume approximately 1.17 tons of iron ore to produce one ton of crude steel at our mini-mill facilities in Mexico.

Steel scrap. In 2011, approximately 79% of Ternium's scrap requirements were obtained in the Mexican market through its own steel scrap collecting and processing operations and approximately 21% was purchased in the United States. Scrap is purchased at market prices. On average, we consume approximately 0.33 tons of scrap to produce one ton of crude steel at our mini-mill facilities in Mexico.

Electricity. Electric arc furnaces consume large quantities of electricity. During 2011, 60% of Ternium Mexico's total consumption was supplied by the *Comisión Federal de Electricidad* or CFE, Mexico's state-owned electricity company. The remainder was mostly purchased under long-term contracts from two other suppliers with power plants in the Monterrey area, Iberdrola Energía Monterrey, S.A. de C.V., or Iberdrola, a subsidiary of a Spanish utility company, and Tractebel Energía de Monterrey, S. de R.L. de C.V., or Tractebel, a subsidiary of a U.S. utility company. We have a long-term contract with Iberdrola for approximately 111 MW power capacity and a long-term contract with Tractebel for approximately 90 MW power capacity. Electricity purchases under these contracts are made at prices linked to prevailing market conditions. On average, we consume approximately 0.67 MWH of electricity to produce one ton of crude steel at our mini-mill facilities in Mexico.

Natural gas. Natural gas is mainly used as a reducing agent for the production of DRI and for the reheating of slabs and billets before the hot-rolling process. In Mexico, Ternium purchases natural gas from Pemex, the Mexican state-owned oil and gas company that is Mexico's sole producer of natural gas, and from three distributors: Gas Industrial de Monterrey S.A. de C.V. (GIMSA), Compañía Mexicana de Gas (CMG) and Gas Natural Mexico. Natural gas prices for Ternium Mexico are determined based on the average of the quoted prices of several indexes plus transportation and service costs depending on the areas or cities or pursuant to the methodology approved by the Energy Regulatory Commission for prices applicable to an area, as the case may be. Those prices are related to the market prices of natural gas in the southern United States. On average, we consume approximately 9.4 million btu of natural gas to produce one ton of crude steel at our mini-mill facilities in Mexico.

Argentina

In Argentina, Siderar produces crude steel through the use of blast furnace technology. The principal raw materials used to produce steel are iron ore and coal. The manufacturing process also requires significant quantities of electricity and natural gas.

Iron ore. Iron ore is purchased under long-term agreements from suppliers in neighboring Brazil. Prices under these contracts are determined in accordance with market conditions. Our main suppliers of iron ore, in the form of lumps, pellets and sinter feed fines, are Vale and MMX. Our geographic location provides favorable access to high quality iron ore lump and fines produced in Brazil's iron ore mines in the Pantanal Region (Mato Grosso do Sul state), which are transported on barges navigating the Paraguay and Parana Rivers; accordingly, our costs associated with the provision of iron ore are low in comparison with customers requiring seaborne shipping. In addition, Siderar's steelmaking facility in Argentina receives iron ore pellets and fines from ports located on Brazil's ocean coast. We consume approximately 1.34 tons of iron ore to produce one ton of crude steel in Argentina.

Coking coal and related materials. Siderar obtains its coke through the distillation of coking coal and petroleum coke in its coke ovens. Siderar requires different types of coal to produce coke. Coking coal is purchased under short-term contracts and on the spot market from several major international suppliers based mainly in Australia and the United States. Prices under contracts are determined in accordance with market conditions. Petroleum coke is sourced domestically from oil companies such as Exxon Mobil and Repsol YPF. The volume purchased from each supplier mainly depends on the technical quality requirements of the blast furnace operations. We consume 0.47 tons of coking coal and petroleum coke to produce one ton of crude steel in Argentina.

Electricity. Siderar consumes large quantities of electricity for its manufacturing activities, particularly in its San Nicolás and Ensenada facilities. Most of the electricity required by our San Nicolás facility is self-generated on site by a wholly-owned thermoelectric plant with an installed power capacity of 110 MW. This thermoelectric plant uses steam primarily generated from by-product gases obtained in the steelmaking process (blast furnace and coke oven gases) and also steam purchased at market prices under a long-term steam sales agreement, from a power plant located within the San Nicolás facility owned by Siderca S.A.I.C., a subsidiary of Tenaris. Additional fuel requirements for steam production are covered with natural gas purchased from different market vendors, and/or fuel oil bought at market prices. Siderar covers electricity shortfalls or sells excesses, as the case may be, at spot prices in the wholesale market. In order to cover its electricity requirements Siderar entered into electricity supply contracts with the Central Puerto and Genelba, utilities controlled by SADESA Group and Petrobras, respectively. Over the course of the last several years, demand for electricity has increased substantially, resulting in shortages of electricity to residential and industrial users during periods of high demand. Accordingly, in 2008 certain Siderar facilities suffered interruptions in their electricity supply at peak hours. We consume approximately 0.10 MWH of electricity to produce one ton of crude steel in Argentina.

Natural gas. Siderar also consumes substantial volumes of natural gas, particularly to operate its blast furnace and power generation facilities in San Nicolás. Siderar purchases natural gas at market prices mainly from Pan American Energy, Total Austral, Tecpetrol S.A., a company controlled by San Faustin, and natural gas traders, including MetroEnergía, Albanesi, Gas Patagonia and Energy Traders. As is the case with electricity, natural gas demand has increased significantly, and supply to industrial users (including Siderar) has often been restricted during the Southern Hemisphere winter due to supply shortages.

For its San Nicolás facility Siderar has separate transportation and distribution agreements with Transportadora de Gas del Norte S.A., or TGN, and Litoral Gas, companies in which San Faustin holds significant but non-controlling interests. Siderar's firm transportation contracts with TGN expire in April 2028, whereas its distribution agreement with Litoral Gas expires in December 2012. For its other facilities Siderar's transport and distribution needs are covered by the corresponding regional distributors Camuzzi Gas Pampeana S.A., Gas Natural Ban S.A. and Metrogas S.A. We consume approximately 4.9 million btu of natural gas to produce one ton of crude steel in Argentina.

Other inputs. Siderar has on-site oxygen, nitrogen and argon separation plants in order to extract these gases for use in the steelmaking process. Siderar's separation plants are being managed by Air Liquide Argentina S.A., or Air Liquide. Siderar is a party to a long-term contract with Air Liquide for the supply of oxygen, nitrogen and argon. As of December 31, 2011 the agreement requires Siderar to take or pay minimum daily amounts of these gases for an aggregate amount of USD59.0 million to satisfy Siderar's current production needs through 2021, and to make incremental purchases of these gases for an aggregate amount of USD116.1 million to satisfy the requirements through 2025 of a new separation facility to be constructed as part of Siderar's expansion plan. As a result of the several global crisis that began in 2008 and the uncertainties surrounding the evolution of steel demand in the domestic and global markets, the parties engaged in discussions for the renegotiation of the contract. In February 2011, Siderar and Air Liquide 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 March 31, 2012 (subsequently extended to May 15), and Siderar agreed to purchase from Air Liquide certain equipment for an aggregate amount of approximately, as of December 31, 2011, USD21.4 million (as of December 31, 2011, Siderar paid advances in an amount of USD12.6 million). If Siderar was to resume its expansion plan on or prior to May 15, 2012, Air Liquide would be required to repurchase that equipment, and all of the parties' obligations under the contract would be reinstated; otherwise, all rights and obligations relating to the new separation plant and the related supply of gases would terminate automatically on May 15, 2012, and Siderar would be required to pay to Air Liquide an aggregate amount currently estimated at USD12.0 million.

Colombia

In Colombia, Ternium's manufacturing of finished steel products relies on two sources: (a) the production of steel in its steelmaking facilities, which are based on the Electric Arc Furnace (EAF) technology; and (b) on the purchase of steel products, both from our overseas subsidiaries and from third parties. The EAF technology melts steel scrap to produce steel billets, which are then rolled into various long products. Ternium's production process requires extensive use of electricity. Steel products are the largest component of production costs; scrap and electricity costs are also significant.

Steel products. Ternium's operations in Colombia include non-integrated facilities that process steel supplied by Ternium's overseas subsidiaries at market prices and steel purchased from third-party suppliers procured in the domestic and international markets. Our subsidiary purchased from third parties approximately 235,000 tons of steel products in 2011 and 64,000 tons of steel products from August 2010, the month in which we acquired Ferrasa, until year-end 2010.

Steel scrap. Scrap is the main raw material for producing steel in our steelmaking facilities in Colombia. Ternium sources 100% of its steel scrap needs from the local scrap market. We consume approximately 1.1 tons of scrap to produce one ton of crude steel in Colombia.

Electricity. Manizales is our main electricity consuming unit in Colombia, mainly due to its electric arc furnace-based steel production operations. Manizales purchases electricity from ISAGEN S.A. E.S.P., a Colombian power company, under a five-year supply contract expiring in April 2013. The contract is based on annual consumption rates of approximately 68,400 MWH. Electricity prices under the contract are determined according to local regulations and adjusted with the wholesale price index. We consume approximately 0.58 MWH of electricity to produce one ton of crude steel in Colombia.

Product Quality Standards

Ternium develops its products and services with a philosophy of continuous improvement and seeks to excel in its internal quality control of its products and processes. Ternium's products are manufactured in accordance with proprietary standards and the requirements of customers, and within the specifications of recognized international standardization entities including the International Organization for Standardization, or ISO, the American Society for Testing and Materials, or ASTM, the European Standards, or EN, the Japanese Industrial Standards, or JIS, the Society of Automotive Engineers, or SAE, and the standards of the American Petroleum Institute, or API.

Ternium established and implemented a Quality Management System, or QMS, and continuously improves its effectiveness in compliance with the requirements of the applicable ISO 9001:2008 and ISO / TS 16949:2009, intended for production of automotive supplies, and other specific requirements. Ternium's QMS operates with aligned strategies, objectives and criteria throughout Ternium's subsidiaries. To keep its ISO multisite certification, the QMS is audited annually by Lloyd's Register Quality Assurance. In 2011, our U.S., Colombian and Costa Rican facilities were included and certified as part of Ternium's multisite certification scheme.

Ternium Mexico's and Siderar's metallurgical testing laboratories are accredited for the performance of various technical tests in accordance with ISO/IEC 17025:2005 *General Requirements for the Competence of Testing and Calibration Laboratories* or equivalent standards.

Research and Development; Product Development

Product research and development activities at Ternium are conducted through a central Product Development Department in coordination with local teams that operate in several of our facilities. Applied research efforts are carried out in-house and in conjunction with universities and research centers, as well as through participation in international consortia. Ternium also develops new products and processes in cooperation with its industrial customers. Research expenditures are recognized as expenses, and development costs are recorded as cost of sales. For more information on our accounting policy, see note 4 (e) (5) to our audited consolidated financial statements included elsewhere in this annual report.

In 2011, Ternium's product research and development activities focused on initiatives aimed at increasing market share, adding value to our products and reducing costs. During the year, Ternium completed the first stage of a plan entailing the implementation of an IT system in Mexico that fully integrates product and processing route specifications among its plants. This effort will enable significant optimization in our processes and products, including increasing opportunities for productivity enhancement, cost reduction and inventory optimization.

During 2011, Ternium's metal building systems division developed the engineering and manufacturing processes required to supply the steel structures and roofing for Tenigal's facilities in Mexico. Of note were the insulated metal panels and cool roofing systems designed in order to comply with the best criteria for green building. In 2011, we continued certifying our products with customers in the automotive industry in Mexico and Argentina, related to newly defined standards and new car models to be produced in these countries. In this regard, in Argentina, a market that is expected to continue showing dynamism in new models introduction, Siderar gained market share upon receiving customer approval of our hot rolled products for a new light truck model. In addition, Siderar is going through the approval process for a recently developed hot rolled high resistance steel grade for heavy trucks.

During 2011, Ternium developed a new process to manufacture coated steel products with textured high-resistance surface for the appliance market in North America. This new process significantly reduced production costs while yielding an improved and sophisticated aesthetics, allowing Ternium to gain market share and to increase the attractiveness of its products in the high-end appliances market. In 2011, Ternium continued developing products for tube and pipe manufacturers, and completed a project for the manufacturing of high-quality low-inclusion bars, a new family of semi-finished products for oil and gas seamless pipe manufacturing. In addition, it developed rolling processes to obtain thick-gauge high-resistance steels for the manufacturing of welded pipes. These processes will allow Ternium to develop hot rolled coils for the manufacturing of natural gas and water pipelines being developed under Mexican infrastructure plans.

Ternium is continuously reassessing its production processes and products, and developing new ones, with a view to complying with existing and upcoming environmental regulations. During 2011, Ternium launched a project to develop pre-painted galvanized steel free from hexavalent chromium, an element that poses health risks. This project will allow Ternium to keep up with regulations related to the disposal of electric and electronics goods. In addition, Ternium initiated feasibility studies aimed at changing the composition of the electrolyte used in its electro-tin plating line in order to reduce inherent health risks. In 2011, Ternium developed new panels in compliance with the Montreal Protocol regulations. These panels do not require the use of foaming agents that could potentially damage the ozone layer.

Ternium's medium-term product research and development plans are based on a continuing assessment of steel product performance and the emerging requirements of the industry, carried out in close collaboration with leading steel customers. Based on customer needs, we improve, adapt and create new applications and define future technology requirements at our facilities. With the aim of further developing our metallurgical knowledge and its applications, we continued participating in various medium-term projects, including those related to high-resistance cold rolled steel, through a consortium associated with the University of Pittsburgh in the United States; coating of advanced high strength steels for the automotive industry through consortia associated with McMaster University in Canada and the International Zinc Association; high performance coil coating applications for buildings through the French Corrosion Institute; optimization of cutting sheet steel technologies in direct association with the Instituto Argentino de Siderurgia, and new environmentally friendly processes for the canning industry through the International Tin Research Institute.

In 2012, Ternium plans to develop new products for the agricultural machinery sector to expand its product range and increase its market share in Mexico and Colombia, and to consolidate its market leadership in Argentina. Of note among the products to be developed are quenchable hot and cold-rolled ultra-high-strength steel grades. For welded pipe manufacturers Ternium intends to expand its range of hot-rolled steel grades to capture the expected increased demand for these products following the Mexican government's announcement of multiple infrastructure projects to increase distribution capacity of natural gas and water in that country. In addition, Ternium expects to develop new high-performance steel grades for round bars for oil and natural gas seamless pipe manufacturers. Ternium also plans to launch an assistance program for Argentine truck bodywork manufacturers in order to implement the usage of high-resistance steel grades that entail increased competitiveness in terms of fuel consumption and payload. In addition, it intends to introduce new high-strength cold-rolled steel grades for the manufacturing of light-weight parts used by the automotive industry. Finally, Ternium is assessing the development of boron-added steel grades for hot and cold-rolled products, an ultra-high resistance product envisioned as a customer choice for high-performance crash-resistance requirements.

Regulations

Environmental Regulation

Ternium's operations (including mining activities in Mexico) are subject to a broad range of environmental laws, regulations, permit requirements and decrees relating to the protection of human health and environment, including laws and regulations relating to land use; air emissions; wastewater treatment and discharges; the use, handling and disposal of hazardous or toxic materials and the handling and disposal of solid wastes. Laws and regulations protecting the environment have become increasingly complex and more stringent and expensive to implement in recent years. International environmental requirements vary. Ternium's revised corporate environmental policy commits each of its business units to comply with all applicable environmental laws and regulations and aims to achieve the highest standards of environmental performance as a basis to enhance sustainable development. Compliance with environmental laws and regulations, and monitoring regulatory changes, is addressed primarily at the regional level.

Ternium reports to the World Steel Association eleven sustainability indicators, among which carbon dioxide emissions data is being reported on an annual basis as part of the association's initiative to collect emissions data from member companies. We support the steel industry's ongoing effort to develop innovative solutions to reduce greenhouse gas (GHG) emissions over the life cycle of steel products. According to the Intergovernmental Panel on Climate Change (IPCC), the steel industry accounts for approximately 4% to 5% of total world GHG emissions. Our steel production facilities in Mexico have achieved GHG-specific emission levels that are close to the theoretical minimum. Our Guerrero steel production unit in Mexico has been recognized by the state government for its increased GHG capture levels. In Argentina, Siderar's GHG-specific emission levels are close to the industry average for blast furnace technology.

The ultimate impact of complying with existing laws and regulations is not always clearly known or determinable since regulations under some of these laws have not yet been promulgated or are undergoing revision. In addition, new laws and regulations could emerge as a result of ongoing negotiations for new commitments on GHG emissions following the expiration of the Kyoto Protocol in 2012. The expenditures necessary to remain in compliance with these laws and regulations, including site or other remediation costs, or costs incurred from potential environmental liabilities, could have a material adverse effect on our financial condition and profitability. While we incur and will continue to incur expenditures to comply with applicable laws and regulations, there always remains a risk that environmental incidents or accidents may occur that may negatively affect our reputation or our operations.

Ternium has not been subject to any material penalty for any environmental violations in 2011, and we are not aware of any current material legal or administrative proceedings pending against Ternium with respect to environmental matters which could have an adverse material impact on Ternium's financial condition or results of operations.

Mining regulations in Mexico

Because our operations in Mexico include mining, we are also subject to Mexican regulations relating to mining and mining concessions. Under Mexican law, mineral resources belong to the Mexican nation and a concession from the Mexican federal government is required to explore for or exploit mineral reserves. Pursuant to the *Ley Minera* ("Mining Law"), mining concessions may only be granted to Mexican individuals and to legal entities incorporated under Mexican law. Foreign investors may hold up to 100% of the shares of such entities.

A mining concession allows its holder to perform both exploration works (including identifying mineral deposits and quantifying and evaluating economically minable reserves) and exploitation works (including detaching and extracting mineral products from such deposits). Mining concessions are granted for a 50-year period from the date of their recording in the Public Mining Registry; following the expiration of the initial concession term, the concessions are renewable for an additional 50-year term in accordance with, and subject to, the procedures set forth in the Mining Law.

Mining concessions grant several specified rights to the concessionaire, including:

- the right to dispose freely of mineral products obtained as a result of the exploitation of the concession;
- the right to obtain the expropriation of, or an easement with respect to, the land where the exploration or exploitation will be conducted; and
- the use of water in the mine to facilitate extraction.

In addition, a concessionaire of a mining concession is obligated, among other things, to explore or exploit the relevant concession, to pay for any relevant mining rights, to comply with all environmental and safety standards, and to provide information to and permit inspections by the *Secretaría de Economía*. Mining concessions may be terminated if the obligations of the concessionaire are not satisfied.

A company that holds a concession must be registered with the Public Mining Registry. In addition, mining concessions and permits, assignments, transfers and encumbrances must be recorded with the Public Mining Registry to be enforceable. We believe that our material mining concessions are duly registered in the Public Mining Registry.

Trade regulations

Intense global competition in the steel industry can lead many countries to increase duties or impose restrictions on steel product imports to protect their domestic industries from trades that are not made under market conditions or that are otherwise unfair. Such measures protect domestic producers from increased imports sold at dumped or subsidized prices.

During a period of intense competition in 2001, some regions to which Ternium exports its products, such as the United States and Europe, implemented these measures as well as other general measures known as safeguards. While safeguards were lifted in December 2003, antidumping and countervailing duties remain in place. At the same time, bilateral or regional free trade agreements have liberalized trade among some countries, providing for reduced or zero tariffs for many goods, including steel products.

Countries' imposition of trade remedy measures and the entry into force of various free trade agreements can and have both benefited and adversely affected Ternium's home market and export sales of steel products, as described below. See also Item 3. "Key Information—D. Risk Factors—Certain Regulatory Risks and Litigation Risks—International trade actions or regulations and trade-related legal proceedings could adversely affect Ternium's sales, revenues and overall business."

Mexico.

The Mexican government has imposed certain antidumping measures on steel import products that are similar to the ones produced by Ternium Mexico. The following antidumping measures are currently in effect:

Hot-rolled products: On March 28, 2000, the Mexican government imposed antidumping duties on the Russian Federation and Ukraine of 30.31% and 46.66%, respectively, on hot-rolled products. On March 25, 2005, the first sunset review was initiated by the Mexican authorities, and on March 17, 2006 a final resolution was issued, extending the antidumping duties for an additional five-year period. On March 16, 2010, a second sunset review was initiated; and on September 8, 2011, the final resolution was published by which new antidumping duties of 21% and 25% were set for Russia and Ukraine, respectively.

Furthermore, since September 2005, Mexico has imposed antidumping duties against Ukraine (60.1%), Romania (67.60%) and Russia (36.80%) on cut-to-length plates. A sunset review procedure was initiated on September 21, 2010. On March 12, 2012, the Mexican authorities published the final resolution of the sunset review, determining the continuation of the antidumping duties until September 2015.

Cold-rolled products: In June 1999, Mexico imposed antidumping duties on cold-rolled steel sheets from Bulgaria, the Russian Federation and Kazakhstan. On December 12, 2005, as a result of the first sunset review, the Mexican authorities extended the antidumping duties for an additional five-year period until June 2009. On December 28, 2010, following the completion of the second sunset review procedure, the Mexican government published the final resolution eliminating antidumping duties on cold-rolled steel sheets from Bulgaria and setting antidumping duties on cold-rolled steel sheets from the Russian Federation at 15% and from Kazakhstan at 22%.

Plate in coil: Since June 1996, an antidumping duty of 29.3% on imports from Russia has been imposed. In June 2003, the first sunset review resolution concluded that the application of the antidumping duty should continue. In June 2007, the Ministry of Economy issued the final resolution of the second sunset review, determining the continuation of the antidumping duties for an additional five-year period. There is an ongoing third sunset review procedure which began on June 6, 2011.

Long products: Imports of reinforcing bars from Brazil are currently subject to an antidumping duty of 57.69% since 1995. In June 2006, the second sunset review resolution determined the continuation of antidumping duties. On August 9, 2010, a third sunset review was initiated, and on January 12, 2012, the Mexican authority determined the continuation of antidumping duty of 57.69% until August 2015. Imports of wire rod from Ukraine are currently subject to an antidumping duty of 30.52% since September 2000. In June 2006, the first sunset review resolution determined the continuation of antidumping duties for an additional five-year period. On September 7, 2010, a second sunset review was initiated, and on March 7, 2012, the Mexican government determined to increase the antidumping duty from 30.52% to 41% until September 2015.

U.S. authorities have imposed a number of measures on flat and long steel import products from Mexico, thereby restricting Ternium's exports to that country. Below is a description of measures currently in effect:

- Ternium Mexico's wire rod exports are subject to an antidumping duty of 17.94% pursuant to an antidumping duty order on carbon and certain alloy steel wire rod from Mexico. Following the most recent sunset review, such duty was extended for five more years, beginning in June 2008.
- During 2007, the U.S. Department of Commerce, or DoC, initiated an antidumping investigation of light-walled rectangular pipe and tube ("LWRPT") from, among other countries, Mexico. On June 13, 2008, the DoC made a final determination of sales at less than fair value in the investigation of LWRPT from Mexico and, consequently, LWRPT from Mexico is subject to antidumping duties. On February 18, 2011, the DoC published the final results of the first administrative review by which Ternium Mexico's LWRPT exports are now subject to an antidumping duty of 6.13%.

- Since 1992, pursuant to an antidumping duty order on circular welded non-alloy steel pipe -or standard pipe- from various countries, including Mexico, standard pipes manufactured by Hylsamex and Grupo Imsa were subject to antidumping duties. In 2007, such measures were extended for five more years. In August 2009, the DoC published the final results of a changed circumstances review, concluding that Ternium Mexico is the successor-in-interest to Hylsamex for purposes of determining antidumping duty liability. In accordance with the latest administrative review, the applicable duty for Ternium Mexico is 48.33%.

Mexico has signed trade agreements with several countries or trade blocs aimed at liberalizing trade between them:

NAFTA was signed among Canada, Mexico and the United States and came into effect on January 1, 1994. NAFTA provided for the progressive elimination over a ten-year period of duties on, among other things, steel products traded between or among Mexico, the United States and Canada. As a result, zero tariffs currently apply to steel products traded within NAFTA countries. Accordingly, Ternium has greater access to the U.S. and Canadian markets through Ternium Mexico, but also faces increased competition in Mexico from U.S. and Canadian steel imports. NAFTA provides that NAFTA member companies (including Mexican steel producers such as Ternium Mexico) can challenge trade restrictions imposed by other NAFTA countries before a binational dispute resolution panel.

The Mexican-European Free Trade Agreement, or MEFTA, became effective on July 1, 2000. MEFTA provides for the phase-out and eventual elimination of Mexican and European duties on all industrial goods, including finished steel products. The European Union, or EU, eliminated all import duties on Mexican industrial goods, including finished steel products, as of January 1, 2003, while Mexico eliminated all import duties on European industrial goods, including finished steel products, as of January 1, 2007. Accordingly, Ternium has increased access to EU markets under MEFTA through Ternium Mexico, but also could face increased competition in Mexico from EU steel imports.

In November 2003, Mexico and Argentina signed an Economic Complementation Agreement, or ACE 6, whereby reciprocal tariff preferences were granted. In 2006, Mexico and Argentina modified the ACE 6 Agreement, reducing to zero import duties on imports of certain steel products from the other country. Zero import duties included exports from Mexico to Argentina and from Argentina to Mexico for up to 90,000 tons per year of slabs, 60,000 tons per year of cold rolled coils and 30,000 tons per year of corrosion resistant coils, including hot dip galvanized and pre-painted sheets.

In addition, the Mexican government has signed trade agreements with Venezuela, Colombia, the European Free Trade Association—an intergovernmental organization set up by Liechtenstein, Norway, Iceland and Switzerland—Japan, Chile, Bolivia, Nicaragua, Costa Rica and Uruguay, among others. However, the Mexico-Venezuela free trade agreement was terminated in November 2006.

On February 9, 2010, the Mexican Government issued a decree reducing the tariffs on several steel product groups. The tariff for finished flat and long products was set at 0% for 2012 (from 3% in 2011, 5% in 2010 and 7% in 2009). The tariff for semi-finished products was set at 0% in 2012 (from 3% in 2011 and 2010, and 5% in 2009) and the tariff for welded pipe products was set in a range from 0% to 5% since 2012 (from 7% in 2011 and 2010, and 10% in 2009).

Argentina.

The Argentine government has imposed various antidumping measures on certain steel imports that compete directly with Ternium's sales in Argentina. The following measures are currently in effect:

Hot-rolled products: the Argentine government has imposed antidumping measures on hot-rolled steel imports from Kazakhstan (39.91%), Romania (40.48%), the Slovak Republic (62.09%) and South Africa (55.26%), effective since April 2002. In October 2008, following completion of a sunset review initiated in May 2007, Argentine authorities decided to continue these measures for five more years.

Galvanized products: since May 2003, Argentina has imposed antidumping duties on galvanized steel sheets from South Korea (49.67%), South Africa (27.90%), Australia (70.37%) and Taiwan (33.09%). The petitioners requested the initiation of a sunset review in May 2008 to determine whether the antidumping duties will be maintained for five more years. In November 2009, following completion of a sunset review initiated in May 2008, the Argentine government decided to renew measures for three years, replacing previous ad valorem rates by specific antidumping measures: USD243/ton for South Korea; USD286/ton for South Africa; USD247/ton for Australia; and USD223/ton for Taiwan.

Argentina has signed free trade agreements with several countries or trade blocs aimed at liberalizing trade between them.

In early 1991, the Argentine government reduced import tariffs and eliminated most non-tariff restrictions on trade as part of an effort to open the Argentine economy to foreign competition. In March 1991, Argentina, Brazil, Uruguay and Paraguay entered into the Treaty of Asunción, creating the *Mercado Común del Sur* (Common Market of the South), or Mercosur, a common market organization that aimed to bring about the free movement of goods, capital, services and people among its member states. The Treaty of Ouro Preto, signed in 2004, formalized a customs union among Mercosur's member states. Over time, Mercosur has eliminated or significantly reduced import duties, tariffs and other trade barriers among member states. In particular, zero tariffs have applied to steel products imported from other member states since January 1, 2000. The current tariff applicable to steel products imported from outside Mercosur ranges from 2% to 16%.

In 2005, Mercosur entered into a trade agreement with Chile, pursuant to which all tariffs on steel products have been eliminated. In 1996, Mercosur signed a free trade agreement with Bolivia, pursuant to which all steel products began receiving a 100% tariff preference on January 1, 2006. In 2004, Mercosur and the *Comunidad Andina de Naciones* (Andean Community), or CAN, currently including Bolivia, Colombia, Ecuador and Peru, signed a free trade agreement aimed at reducing and eventually eliminating tariffs on steel products traded among member countries over a period of 8 to 12 years. Mercosur is also negotiating free-trade agreements with the EU, Mexico, India and South Africa. In May 2006, Venezuela became a junior member of Mercosur and is currently seeking full membership in the group. Brazil, Argentina and Uruguay have already approved Venezuela's membership. The matter is still pending before Congress in Paraguay.

In November 1993, Argentina and Mexico signed the ACE 6. See Item 4. "Information on the Company—B. Business Overview—Regulations—Trade Regulations—Mexico."

Colombia.

No antidumping measures have been imposed in Colombia. Colombia has signed free trade agreements with several countries or trade blocs aimed at liberalizing trade between them.

CAN is a trading bloc, currently including Bolivia, Colombia, Ecuador and Peru, established during 1993 and approved during 1994 for the purpose of promoting trade relations among its members and between CAN and the rest of the world. The treaty formalized a customs union among CAN's member states. Over time, CAN has eliminated or significantly reduced import duties, tariffs and other trade barriers among member states. In particular, zero tariffs have applied to steel products imported from other member states since January 1, 2000. The current tariff applicable to steel products imported from outside CAN is 5%. The CAN and Mercosur, signed a free trade agreement. See Item 4. "Information on the Company—B. Business Overview—Regulations—Trade Regulations—Argentina."

During June 1994, Colombia and Mexico signed a free trade agreement. See Item 4. "Information on the Company—B. Business Overview—Regulations—Trade Regulations—Mexico."

On August 9, 2007, Colombia, El Salvador, Guatemala and Honduras established the *Triángulo Norte* (North Triangle), or TN, free trade agreement. Members of the TN signed multilateral agreements related to funds transfers and local and most favored nation statuses, and signed bilateral agreements aimed at reducing trade duties. Colombia's free trade agreement with Guatemala started on November 12, 2009; with El Salvador on February 1, 2010; and with Honduras on March 27, 2010. Under TN, zero tariffs apply to several steel products imported from other member states.

Colombia's free trade agreement with United States became effective October 2011. Under this agreement, steel import tariffs from Colombia to the U.S. will remain at 0% and steel import tariffs from the U.S. to Colombia will decrease from a range of 5-10% in 2011 to 0% in one, five or ten years according to the product category. In particular, wire rods import tariffs will be zero beginning in 2012 and rebar import tariffs will decrease gradually, reaching zero in 2021.

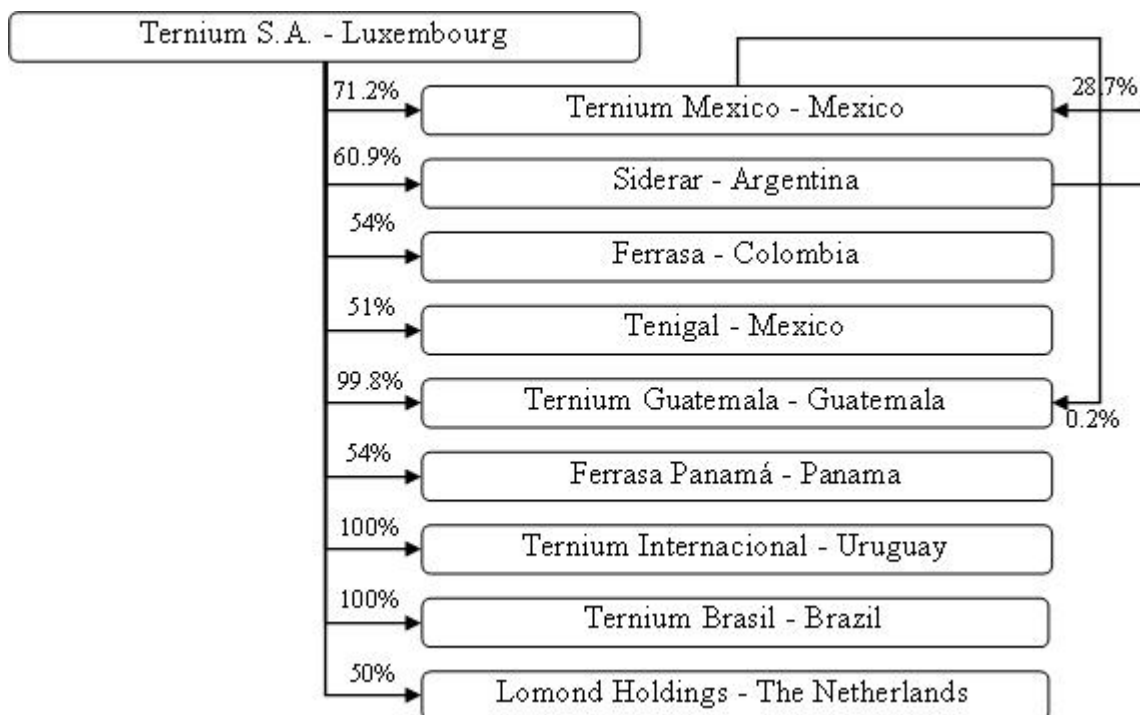
Colombia has also signed free trade agreements with Chile and Canada in effect since May 2009 and August 2011, respectively, and has signed a free trade agreement still not effective with the European Union.

Insurance

Our subsidiaries carry insurance policies covering property damage (including machinery breakdown and business interruption), general liability and other insurance such as, among others, automobile, marine cargo and life and workers' compensation insurance. These insurance policies include coverage and contract amounts which are customary in the steel products industry and in line with legal and domestic market requirements. General liability coverage typically includes third party, employer, sudden and accidental seepage and pollution and product liabilities within limits up to USD100 million per occurrence.

C. Organizational Structure

Below is a simplified diagram of Ternium’s corporate structure as of March 31, 2012.



On January 16, 2012, Ternium, together with its subsidiary Siderar, acquired a participation in the control group of Usiminas—Brazil (for further information on the Usiminas shares purchase transaction, see Item 5. “Operating and Financial Review and Prospects—G. Recent Developments — Acquisition of participation in Usiminas”). As of December 31, 2011, Usiminas’ share capital is represented by 505,260,684 ordinary shares (representing 49.8% of Usiminas’ aggregate share capital) and 508,525,506 preferred shares (representing 50.2% of Usiminas’ aggregate share capital). The Company (through Ternium Investments) and Siderar (directly and through Prosid) hold 84,741,296 and 30,000,000, respectively, of Usiminas’ ordinary shares (representing 16.9% and 6.0%, respectively, of the aggregate Usiminas’ ordinary shares). The Company and Siderar (directly and through Prosid) do not hold preferred shares.

Subsidiaries

Ternium operates entirely through subsidiaries. For a complete list of its subsidiaries and a description of its investments in other companies, see note 2 to our audited consolidated financial statements included elsewhere in this annual report.

Ternium Mexico. Ternium Mexico was formed, as result of the merger of Grupo Imsa, Hylsamex and Hylsamex’s major shareholder in March 2008. Ternium Mexico and its subsidiaries operate all of Ternium’s mining and steel production activities in Mexico and the United States. Ternium Mexico and its subsidiaries produce flat and long steel products, including value-added finished steel products for use mainly in the construction and industrial sectors. Ternium Mexico has finished steel annual production capacity of approximately 7.5 million tons.

Siderar. Siderar is the main integrated manufacturer of flat steel products in Argentina with total annual finished steel production capacity of approximately 2.6 million tons. The shareholders of Siderar as of March 31, 2012 are set out in the following table, together with the share percentage owned by each such shareholder as of that date:

<u>Siderar Shareholders</u>	<u>Number</u>	<u>Percent</u>
Ternium	2,752,808,188	60.94%
ANSeS	1,175,806,541	26.03%
Inversora Siderurgia Argentina S.A. (employees)	115,857,898	2.56%
Public	472,621,396	10.46%
Total shares issued and outstanding	4,517,094,023	100.00%

Ferrasa. Ferrasa is a flat steel products processor and distributor in Colombia and a scrap-based long steel manufacturer, with finished steel annual production capacity of approximately 400,000 tons. Ternium holds, since August 25, 2010, a 54% ownership interest in Ferrasa. The former controlling shareholders have an option to sell to Ternium, at any time, all or part of their remaining 46% interest in Ferrasa, and Ternium will have an option to purchase all or part of that remaining interest from the former controlling shareholders, at any time after August 25, 2012.

Tenigal. Tenigal is a company established in November 2010 for the manufacturing and sale of hot-dip galvanized and galvanized steel sheets to serve the Mexican automobile market. Ternium and Nippon Steel hold 51% and 49% participations in Tenigal, respectively. The company started work for the construction of its facilities and expects to commence production of high-grade and high-quality galvanized and galvanized automotive steel sheets, including outer-panel and high-strength qualities, in 2013, with finished steel annual production capacity of approximately 400,000 tons.

Ternium Guatemala. Ternium Guatemala was formed as result of the merger of two subsidiaries of Grupo Imsa with assets located in Central America, Industria Galvanizadora S.A. and Industrias Monterrey S.A. Ternium Guatemala and its subsidiaries operate all of Ternium's steel processing activities in Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica. Ternium Guatemala and its subsidiaries produce hot-dip galvanized steel sheets and other value-added finished steel products for use mainly in the construction and industrial sectors. Ternium Guatemala has finished steel annual production capacity of 150,000 tons.

Ferrasa Panama. Ferrasa Panama is a small long steel products processor and distributor in Panama. Ternium holds, since August 25, 2010, a 54% ownership interest in Ferrasa Panama. The former controlling shareholders have an option to sell to Ternium, at any time, all or part of their remaining 46% interest in Ferrasa Panama, and Ternium will have an option to purchase all or part of that remaining interest from the former controlling shareholders, at any time after August 25, 2012.

Ternium Internacional. Ternium Internacional comprises a network of companies in Uruguay, Colombia, Ecuador, the Netherlands and the United States that, together with our offices in Panama and Spain, market and provide services in relation to the sales of Ternium's products to several markets other than Mexico and Argentina. The headquarters of the network are located in Uruguay. Office staff is dedicated to export sales and trading, technical assistance, commercial back office and credit analysis.

Other Investments

Lomond Holdings. Lomond Holdings comprises a network of companies under the brand "Exiros" that provides our subsidiaries with purchase agency services in connection with purchases of raw materials and other products or services. Exiros's objectives are to procure better purchase conditions and prices by exercising the improved bargaining power that results from combining the demand for products and services by Ternium, Tenaris and Techint Engineering and Construction, a company controlled by San Faustin engaged in large-scale projects globally. We have a 50% share ownership and Tenaris has the remaining 50% share ownership in Lomond Holdings. Exiros offices are strategically located in nine countries: Argentina, Brazil, Canada, China, Colombia, Italy, Mexico, Romania and the United States.

Usiminas. Usiminas is the largest flat steel producer in Brazil with annual crude steel production capacity of approximately 9.5 million tons and it has iron ore mines in the Serra Azul region. Usiminas is the leader in the Brazilian flat steel market, with strategically located facilities near the main consumers of steel in the country. Usiminas is organized under four main business units: Mining, Steel, Steel Processing and Capital Goods. On January 16, 2012, Ternium together with its subsidiary Siderar acquired a participation in the control group of Usiminas. For further information on the Usiminas shares purchase transaction, see Item 5. “Operating and Financial Review and Prospects—G. Recent Developments—Acquisitions of participation in Usiminas.”

D. Property, Plants and Equipment

See “—B. Business Overview—Production Facilities and Processes” and “—B. Business Overview—Capital Expenditure Program.”

Item 4A. Unresolved Staff Comments

None

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis of our financial condition and results of operations is based on, and should be read in conjunction with, our audited consolidated financial statements and the related notes included elsewhere in this annual report. This discussion and analysis presents our financial condition and results of operations on a consolidated basis. We prepare our consolidated financial statements in conformity with IFRS, which differ in certain significant respects from U.S. GAAP.

Certain information contained in this discussion and analysis is presented elsewhere in this annual report, including information with respect to our plans and strategies for our business, and includes forward-looking statements that involve risks and uncertainties. See “Cautionary Statement Concerning Forward-Looking Statements.” In evaluating this discussion and analysis, you should specifically consider the various risk factors identified in this annual report and others that could cause results to differ materially from those expressed in such forward-looking statements.

Overview

Ternium is a leading steel company in Latin America, manufacturing and processing a wide range of flat and long steel products for customers active in the construction, automotive, home appliances, capital goods, container, food and energy industries. Ternium has production facilities in Mexico, Argentina, Colombia, the southern United States and Guatemala, as well as a network of service and distribution centers in Latin America which provide it with a strong position from which to serve its core markets. In addition, through our recently-acquired participation in the control group of Usiminas, Ternium expects to strengthen its association in Latin America with Nippon Steel, one of the leading steelmakers in the world, and Usiminas, a leader in the Brazilian flat steel market and the largest flat steel producer in the country. For further information on the Usiminas shares purchase transaction, see Item 5. “Operating and Financial Review and Prospects—G. Recent Developments—Acquisition of participation in Usiminas.”

Ternium primarily sells its flat and long steel products in the regional markets of the Americas. Ternium provides specialized products and delivery services through its network of manufacturing facilities and service centers. We believe that Ternium is a leading supplier of flat steel products in Mexico and Argentina, a significant supplier of steel products in Colombia and in various other countries in South and Central America, and a competitive player in the international steel market for flat and long steel products. Through its network of commercial offices in several countries in Latin America, the United States and Spain, Ternium maintains an international presence that allows it to reach customers outside its local markets, achieve improved effectiveness in the supply of its products and in the procurement of semi-finished steel, and maintain a fluid commercial relationship with its customers by providing continuous services and assistance.

Ternium’s revenues are affected by general global trends in the steel industry and more specifically by the economic conditions in the countries in which it has manufacturing operations and where its customers are located. Ternium’s revenues are also impacted by events that affect the price and availability of raw materials, energy and other inputs needed for its operations. Furthermore, due to the highly cyclical nature of the steel industry, recent results may not be indicative of future performance, and historical results may not be comparable to future results. Investors should not rely on the results of a single period, particularly a period of peak prices, as an indication of Ternium’s annual results or future performance. The variables and trends mentioned below could also affect the results of its investments in steel related companies. See Item 4. “Information on the Company—B. Business Overview—Our Business Strategy.”

Ternium's primary source of revenue is the sale of flat and long steel products. Management expects sales of flat and long steel products to continue to be Ternium's primary source of revenue. The global market for such steel products is highly competitive, with the primary competitive factors being price, cost, product quality and customer service. The majority of Ternium's sales are concentrated in the Americas. Specifically, Ternium's largest markets are Mexico, Argentina and Colombia, where its main manufacturing facilities are located.

Ternium's results are sensitive to economic activity and steel consumption. Ternium's results of operations, which primarily depend on economic conditions in Mexico and Argentina, are also influenced by economic conditions in international and regional markets such as NAFTA, Mercosur and the Andean Community. Historically, annual steel consumption in the countries where Ternium operates has varied at a rate that is linked to the annual change in each country's gross domestic product and per capita disposable income. The 2008 – 2009 global economic downturn resulted in an overall decreased demand for Ternium's products. For example, apparent consumption of finished steel products decreased in 2009 by 15% in Mexico and 33% in Argentina. This economic downturn had a pronounced negative effect on Ternium's business and results of operations. Subsequently, in 2010 – 2011, apparent steel consumption increased by 21% in Mexico, due mainly to the recovery of the industrial sector, and by 67% in Argentina, due to a broad recovery of economic activity. A protracted global recession or a depression would have a material adverse effect on the steel industry and Ternium.

Ternium's results are also sensitive to prices in the international steel markets. Steel prices are volatile and are sensitive to trends in cyclical industries, such as the construction, automotive, appliance and machinery industries, which are significant markets for Ternium's products. Steel prices in the international markets, which had been rising fast during the first half of 2008, fell sharply beginning in the second half of 2008 as a result of collapsing apparent demand and the resulting excess capacity in the industry. The fall in prices during this period adversely affected the results of steel producers generally, including Ternium, as a result of lower revenues and writedowns of finished steel products and raw material inventories. For example, in the second half of 2008 Ternium recorded a valuation allowance in an amount of USD200 million and in the first half of 2009 it recorded an additional valuation allowance in an amount of USD127.6 million. Beginning in the second half of 2009, steel prices in the international markets rebounded mainly as a result of the increase in the demand for steel in China and other emerging markets, and the subsidence of the worldwide de-stocking process. This positive trend in international steel prices partially reversed during the second half of 2010 as the increase in demand for steel products was more than offset by new capacity additions and idled capacity restarts. A more balanced market and the increase in steel demand by year-end 2010 supported a steel price rally during the first quarter of 2011. During 2011 and beginning in 2012, steel prices followed a pattern similar to that witnessed during the previous year. Historically, however, the length and nature of business cycles affecting the steel industry have been unpredictable. A protracted fall in steel prices would have a material adverse effect on Ternium's results, as could price volatility.

Trends in the steel industry may also have an impact on Ternium's results. In addition to economic conditions and prices, the steel industry is affected by other factors such as worldwide production capacity and fluctuations in steel imports/exports and tariffs. Historically, the steel industry has suffered, especially on downturn cycles, from substantial overcapacity. Currently, as a result of the 2008 – 2009 global downturn and the increase in steel production capacity in recent years, there are signs of excess capacity in all steel markets. It is possible that the industry's excess capacity will result in depressed margins and industry weakness. Furthermore, there has been a trend in recent years toward steel industry consolidation among Ternium's competitors, and current smaller competitors in the steel market could become larger competitors in the future. Intense competition could cause Ternium to lose its share in certain markets and adversely affect its sales and revenue.

Ternium's production costs are generally sensitive to the international prices of raw materials, slabs and energy, which reflect supply and demand factors in the global steel industry. Ternium purchases substantial quantities of raw materials (including iron ore, coal, ferroalloys and scrap) and slabs for use in the production of its steel products. The availability and price of these and other inputs vary, sometimes significantly, according to general market and economic conditions. In addition to raw materials and slabs, natural gas and electricity are both important components of Ternium's cost structure. Ternium generally purchases these inputs at market or market based prices; accordingly, price fluctuations in these inputs, which may also vary according to general market and economic conditions, necessarily impact Ternium's production costs.

Ternium's export revenues could be affected by trade restrictions and its domestic revenues could be affected by unfair competition from imports. During 2001, a period of strong oversupply, several antidumping measures were imposed in several countries in which Ternium operates (including Mexico and Argentina) to prevent foreign steel producers from dumping certain steel products in local markets. The recovery in global economic conditions during the 2003 – 2008 period helped normalize international steel trade conditions and, eventually, several countries reduced or eliminated protective measures established in prior years. However, a number of trade restrictions, both in Ternium's local and export markets, remain in place. In the face of a protracted period of oversupply, countries may reestablish antidumping duties and/or other safeguards to protect their domestic markets. Ternium's ability to profitably access the export markets may be adversely affected by trade restrictions, including antidumping duties and countervailing measures, in those markets. In addition, Ternium's ability to sell some steel products in its principal markets could be affected by unfair competition from imports of those steel products from certain countries, if applicable trade regulations were not in force.

Prevailing exchange rates have had an impact on Ternium's results in the past and could impact results again in the future. In accordance with IFRS, during the years ended December 31, 2011, 2010 and 2009, Ternium's subsidiaries in Mexico, Argentina and Colombia prepared financial statements in their local currencies and recorded foreign exchange results on their net non-local currency positions when their local currencies revaluated or devaluated to other currencies. However, effective as of January 1, 2012, the functional currency of our Mexican subsidiaries changed to U.S. dollars. Fluctuations in the local currencies against the U.S. dollar had, and in the case of the Argentine subsidiary, may also have in the future, an impact on Ternium's results. In 2008, net foreign exchange result was a loss of USD632.7 million, which was primarily due to the impact of the Mexican peso's 25% devaluation on Ternium Mexico's U.S. dollar denominated debt. In 2011, net foreign exchange result was a loss of USD236.4 million, which was primarily due to the impact of the Mexican peso's 13% devaluation on Ternium Mexico's U.S. dollar denominated debt. These non-cash results when measured in U.S. dollars were offset by changes in Ternium's net equity position in the currency translation adjustment, or CTA, line, as the value of Ternium Mexico's U.S. dollar-denominated debt was not affected by the Mexican peso fluctuation when stated in U.S. dollar terms in Ternium's consolidated financial statements. For information on the change in the functional currency of the Mexican subsidiaries, see “—Overview — Change in functional currency of Mexican subsidiaries.”

Ternium's cash flows for 2009 and 2010 were strongly affected by the non-recurring payments received in connection with the transfer of our interest in Sidor to Venezuela. On May 7, 2009, we completed the transfer of our entire 59.7% interest in Sidor to CVG. Ternium agreed to receive an aggregate amount of USD1.97 billion as compensation for its Sidor shares. Of that amount, CVG paid USD400 million in cash at closing, and the balance was divided into two tranches: the first tranche of USD945 million to be paid in six equal installments beginning in August 2009 until November 2010, and the second tranche due in November 2010 and subject to quarterly mandatory prepayment events based on the increase of the West Texas Intermediary, or WTI, crude oil price over its May 6, 2009 level. CVG made all payments required to be made under the agreements governing the transfer of Sidor to Venezuela except for a payment due on November 8, 2010. On December 18, 2010, Ternium reached an agreement with CVG on the rescheduling of the unpaid balance, which amounted to USD257.4 million. As provided in such refinancing agreement, CVG paid USD7 million to Ternium in January 2011, and CVG was required to pay the remainder in five quarterly installments, beginning on February 15, 2011 and ending on February 15, 2012. In connection with the December 18, 2010 refinancing agreement Ternium received as security for the payment of the outstanding balance, duly endorsed in its favor, promissory notes issued by Energía Argentina S.A., or Enarsa, and Compañía Administradora del Mercado Mayorista Eléctrico S.A., or Cammesa, (both companies owned by the Argentine government) to PDVSA Petróleo S.A. (a company owned by the Venezuelan government). While the first three installments were paid, the final two installments were not satisfied when due, and, as of the date of this annual report, a total principal amount of USD130.3 million remains outstanding. Ternium is pursuing the payment of the outstanding amounts and has reserved all of its rights under contracts, investment treaties and Venezuelan and international law with respect to such amounts. For more information on the Sidor nationalization process, see note 27 to our audited consolidated financial statements included elsewhere in this annual report.

Change in functional currency of Mexican subsidiaries.

For all periods prior to December 31, 2011, the functional currency for the Company's Mexican subsidiaries was the Mexican peso.

Due to changes in the primary economic environment in which its Mexican subsidiaries operate and in accordance with IFRS, the Company performed a functional currency review and concluded that the functional currency of its Mexican subsidiaries should change prospectively to the U.S. dollar, effective as of January 1, 2012. The main indicators of such change in economic environment are:

- an increase of revenues determined and denominated in U.S. dollars (which is expected to continue increasing);
- the elimination of Mexican import duties on steel products effective 2012;
- an increase in the weight of raw material costs with U.S. dollar-denominated prices; and
- a determination that capital expenditures in Mexico (which are made to increase supply capabilities in connection with growing automobile exports to the U.S. market) are mainly incurred in U.S. dollars.

Critical accounting estimates. This discussion of our operating and financial review and prospects is based on our audited consolidated financial statements included elsewhere in this annual report, which have been prepared in accordance with IFRS. The use of IFRS has an impact on our critical accounting policies and estimates.

The preparation of financial statements requires management 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. On an ongoing basis, management evaluates its accounting estimates and assumptions, including those related to doubtful accounts, obsolescence of inventory, impairment of long-term investments, goodwill, and other assets and contingencies, and revises them when appropriate. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Although management believes that its estimates and assumptions are reasonable, they are based upon information available when the estimates and assumptions are made. Actual results may differ significantly from these estimates under different assumptions or conditions.

Our most critical accounting estimates are those that are most important to the portrayal of our financial condition and results of operations, and which require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Changes in these assumptions and estimates could have a material impact on our consolidated financial statements. Our most critical accounting estimates and judgments are set forth below.

Useful lives and impairment of property, plant and equipment and other long-lived assets. In determining useful lives, management considered, among others, the following factors: age, operating condition and level of usage and maintenance. Management conducted visual inspections for the purpose of (i) determining whether the current conditions of such assets are consistent with normal conditions of assets of similar age; (ii) confirming that the operating conditions and levels of usage of such assets are adequate and consistent with their design; (iii) establishing obsolescence levels and (iv) estimating life expectancy, all of which were used in determining useful lives. Management believes, however, that it is possible that the periods of economic utilization of property, plant and equipment may be different than the useful lives so determined. Furthermore, management believes that this accounting policy involves a critical accounting estimate because it is subject to change from period to period as a result of variations in economic conditions and business performance.

When assessing whether an impairment indicator may exist, the Company evaluates both internal and external sources of information, such as the following:

- whether significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- whether market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- whether the carrying amount of the net assets of the entity is more than its market capitalization;
- whether evidence is available of obsolescence or physical damage of an asset;

- whether significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and
- whether evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

None of Ternium's CGUs (cash generating units) were tested for impairment, other than the goodwill test (see note 4 e (4) to our consolidated financial statements included elsewhere in this annual report), in 2011 and 2010, as no impairment indicators were identified. Furthermore, based on information currently available, management believes that the recognition of a future impairment charge is not reasonably possible. Any such impairment charges could have a material adverse effect on Ternium's results of operations, financial condition and net worth.

Impairment and recoverability of goodwill and other assets, including identifiable intangible assets. Assets that have an indefinite useful life (including goodwill) are not subject to amortization and are tested annually for impairment or sooner if events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization and investments in affiliates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and the value in use.

To carry out these tests, assets are grouped at the lowest levels for which there are separately identifiable cash flows (each, a CGU). When evaluating long-lived assets for potential impairment, the Company estimates the recoverable amount based on the value in use of the corresponding CGU. The value in use of each CGU is determined on the basis of the present value of net future cash flows which will be generated by the assets tested.

Determining the present value of future cash flows involves highly sensitive estimates and assumptions specific to the nature of each CGU's activities, including estimates and assumptions relating to amount and timing of projected future cash flows, expected changes in market prices, expected changes in the demand of Ternium's products and services, selected discount rate and selected tax rate.

Ternium uses cash flow projections for the next five years based on past performance and expectations of market development; thereafter, it uses a perpetuity rate with no growth increase. Application of the discounted cash flow (DCF) method to determine the value in use of a CGU begins with a forecast of all expected future net cash flows. Variables considered in forecasts include the GDP growth rates of the country under study and their correlation with steel demand, level of steel prices and estimated raw material costs as observed in industry reports.

Cash flows are discounted at post-tax rates that reflect specific country and currency risks associated with the cash flow projections. The discount rates used are based on Ternium's weighted average cost of capital (WACC), which is considered to be a good indicator of cost of capital. As of December 31, 2011, the discount rate used to test goodwill allocated to Mexico CGU for impairment was 11.4%.

As a result of the above factors, actual cash flows and values could vary significantly from the forecasted future cash flows and related values derived using discounting techniques. Based on the information currently available, however, Ternium believes that it is not reasonably possible that the variation would cause the carrying amount to exceed the recoverable amount of the CGUs.

At December 31, 2009, an impairment provision over the agreement with Corus recognized as intangible assets, was recorded for the amount of USD27.0 million. For more information, see note 25 (ii) to our consolidated financial statements included elsewhere in this annual report. At December 31, 2011 and 2010, no impairment provisions were recorded.

Although we believe our estimates and projections are appropriate based on currently available information, the actual operating performance of an asset or group of assets which has been tested for impairment may be significantly different from current expectations. In such an event, the carrying value of goodwill, investments in associated companies and deferred taxes may be required to be reduced from the amounts currently recorded. Any such reductions may materially affect asset values and results of operations.

Allowances for doubtful accounts. Management makes estimates of the uncollectibility of our accounts receivable. Management analyzes the trade accounts receivable on a regular basis and, when aware of a third party's inability to meet its financial commitments to Ternium, management impairs the amount due by means of a charge to the allowance for doubtful accounts. Management specifically analyzes accounts receivable and historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Allowances for doubtful accounts are adjusted periodically in accordance with the aging of overdue accounts. For this purpose, trade accounts receivable overdue by more than 90 days, and which are not covered by a credit collateral, guarantee or similar surety, are fully provisioned. As of December 31, 2011 and 2010, allowance for doubtful accounts totaled USD16.1 million and USD17.2 million, respectively.

Historically, losses due to credit failures, aging of overdue accounts and customer claims have been within expectations and in line with the provisions established. If, however, circumstances were to materially change (*e.g.*, higher than expected defaults), management's estimates of the recoverability of amounts due to us could be materially reduced and our results of operations, financial condition and net worth could be materially and adversely affected.

Allowance for obsolescence of supplies and spare parts and slow-moving inventory. Management assesses the recoverability of its inventories, considering their selling prices or whether they are damaged or have become wholly or partly obsolete.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

The Company establishes an allowance for obsolete or slow-moving inventory in connection with finished goods and goods in process. The allowance for slow-moving inventory is recognized for finished goods and goods in process based on management's analysis of their aging. In connection with supplies and spare parts, the calculation is based on management's analysis of their aging, the capacity of such materials to be used based on their levels of preservation and maintenance, and their potential obsolescence due to technological change.

As of December 31, 2011 and 2010, the Company recorded USD60.5 million and USD68.2 million, respectively, as allowance for obsolescence.

During 2011 and 2010, no charges were recorded in connection with net realizable value allowance. Charges to mark the inventory to net realizable value in 2009 were USD127.6 million. Of this amount, USD82.8 million corresponded to inventories for shipments to the North America region, while USD44.8 million corresponded to inventories for exports within the South and Central America region.

The additions to the allowance for net realizable value recorded during 2009 responded to the steep fall of steel prices as a result of the global financial crisis that began in 2008. Beginning in the second half of 2008 up to the first half of 2009 average prices of flat steel products decreased 41%. Accordingly, inventory values were compared to their estimated net selling prices and written down when the selling prices were lower than historical costs. This was the case of inventories produced from third-party slabs in Mexico and certain raw materials in Argentina that had been acquired at market prices in force prior to the beginning of the global financial crisis.

Historically, losses due to obsolescence and scrapping of inventory have been within expectations and the provisions established. If, however, circumstances were to materially change (*e.g.* significant changes in market conditions or in the technology used in the mills), management's estimates of the recoverability of these inventories could be materially reduced and our results of operations, financial condition and net worth could be materially and adversely affected.

Loss Contingencies. Ternium is subject to various claims, lawsuits and other legal proceedings that arise in the ordinary course of business, including customer claims in which a third party is seeking reimbursement or indemnity. Ternium's liability with respect to such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Periodically, management reviews the status of each significant matter and assesses potential financial exposure. If the potential loss from the claim or proceeding is considered probable and the amount can be reasonably estimated, a liability is recorded. Management estimates the amount of such liability based on the information available and the assumptions and methods it has concluded are appropriate, in accordance with the provisions of IFRS. Accruals for such contingencies reflect a reasonable estimate of the losses to be incurred based on information available, including the relevant litigation or settlement strategy, as of the date of preparation of these financial statements. As additional information becomes available, management will reassess its evaluation of the pending claims, lawsuits and other proceedings and revise its estimates. The loss contingencies provision amounts to USD15.3 million and USD16.1 million as of December 31, 2011 and 2010, respectively.

Valuation Allowance of Deferred Tax Assets. Management calculates current and deferred income taxes according to the tax laws applicable to our subsidiaries in the countries in which such subsidiaries operate. However, certain adjustments necessary to determine the income tax provision are finalized only after the financial statements are issued. In cases in which the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. When assessing the recoverability of deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. As of December 31, 2011, the recognized tax losses amounted to USD15.9 million and the net unrecognized deferred tax assets amounted to USD17.9 million. According to the tax law in force in the jurisdictions in which the tax losses are generated, these amounts do not have a certain expiration date.

Although we believe our estimates are appropriate, significant differences in actual performance of the asset or group of assets may materially affect our asset values and results of operation.

Sidor financial asset. As further described in note 27 to our audited consolidated financial statements included elsewhere in this annual report, on May 7, 2009, Ternium reached an agreement with CVG for the transfer of its entire 59.7% interest in Sidor in exchange for an aggregate amount of USD1.97 billion, out of which USD400 million were paid in cash on that date. The initial measurement of the receivable and its subsequent measurements until November 8, 2010, were performed on the basis of its discounted amount using an annual discount rate of 14.4%. This discount rate was estimated on the basis of the yield (13.3%) of Venezuelan sovereign debt with maturities similar to that of the receivable held by Ternium against CVG; however, as the Venezuelan sovereign debt with similar maturities was governed by New York law, while the receivable with CVG was governed by Venezuelan law, the discount rate was further adjusted to adequately reflect the specific risk of Ternium's receivable. After the rescheduling of the last unpaid installment agreed on December 18, 2010, the annual discount rate used to measure the receivable was estimated at 6.3%, on the basis of the specific risks associated with the third-party promissory notes received as guarantee for full payment of CVG obligations.

A. Results of Operations

The following discussion and analysis of our financial condition and results of operations are based on our audited consolidated financial statements included elsewhere in this annual report. Accordingly, this discussion and analysis present our financial condition and results of operations on a consolidated basis. See "Presentation of Certain Financial and Other Information—Accounting Principles" and notes 2 and 4 to our audited consolidated financial statements included elsewhere in this annual report. The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this annual report.

In thousands of U.S. dollars
(except number of shares and per share data)

For the year ended December 31,

	2011	2010	2009	2008	2007
Selected consolidated income statement data					
Continuing operations					
Net sales	9,157,198	7,382,004	4,958,983	8,464,885	5,633,366
Cost of sales	(7,094,252)	(5,665,254)	(4,110,370)	(6,128,027)	(4,287,671)
Gross profit	2,062,946	1,716,750	848,613	2,336,858	1,345,695
Selling, general and administrative expenses	(786,161)	(665,306)	(531,530)	(669,473)	(517,433)
Other operating (expenses) income, net	(11,566)	2,493	(20,700)	8,662	8,514
Operating income	1,265,219	1,053,937	296,383	1,676,047	836,776
Interest expense	(100,712)	(72,969)	(105,810)	(136,111)	(133,109)
Interest income	28,689	27,347	21,141	32,178	41,613
Interest income – Sidor financial asset	11,390	61,012	135,952	—	—
Other financial (expenses) income, net	(239,997)	115,112	81,639	(693,192)	(38,498)
Equity in earnings of associated companies	1,293	1,688	1,110	1,851	434
Income before income tax expense	965,882	1,186,127	430,415	880,773	707,216
Income tax expense, benefit					
Current and deferred income tax expense	(315,974)	(406,657)	(91,314)	(258,969)	(291,345)
Reversal of deferred statutory profit sharing	—	—	—	96,265	—
Income from continuing operations	649,908	779,470	339,101	718,069	415,871
Discontinued operations					
Income from discontinued operations	—	—	428,023	157,095	579,925
Profit for the year	649,908	779,470	767,124	875,164	995,796
Attributable to:					
Equity holders of the Company	513,541	622,076	717,400	715,418	784,490
Non-controlling interest	136,367	157,394	49,724	159,746	211,306
	649,908	779,470	767,124	875,164	995,796
Depreciation and amortization	405,842	383,300	385,105	413,541	355,271
Weighted average number of shares (1)	1,968,327,917	2,004,743,442	2,004,743,442	2,004,743,442	2,004,743,442
Basic earnings per share (expressed in USD per share) for profit: (2) (3)					
From continuing operations attributable to the equity holders of the Company	0.26	0.31	0.15	0.27	0.15
From discontinued operations attributable to the equity holders of the Company	—	—	0.21	0.09	0.24
For the year attributable to the equity holders of the Company	0.26	0.31	0.36	0.36	0.39
Dividends per share (4)	0.075(4)	0.075	0.05	—	0.05

- (1) Of the 2,004,743,442 shares issued, as of December 31, 2011, Ternium held 41,666,666 through its wholly-owned subsidiary Ternium International Inc. and such shares were not considered outstanding. For further information related to the repurchase of shares in 2011, see note 30 to our consolidated financial statements include elsewhere in this annual report.
- (2) International Accounting Standard N° 1 (IAS 1) (Revised) requires that income for the year as shown in the income statement includes the portion attributable to non-controlling interest. Basic earnings per share, however, continue to be calculated on the basis of income attributable solely to the equity holders of the Company.
- (3) Diluted earnings per share (expressed in USD per share) equals basic earnings per share.
- (4) Reflects dividend proposal submitted to the shareholders' meeting to be held on May 2, 2012.

<i>In thousands U.S. dollars (except number of shares and per share data)</i>	At December 31,				
	2011	2010	2009	2008	2007
Selected consolidated balance sheet data					
Non-current assets	5,181,973	5,579,438	5,250,135	5,491,408	8,553,123
Property, plant and equipment, net	4,032,675	4,262,896	4,040,415	4,212,313	6,776,630
Other non-current assets (1)	1,149,298	1,316,542	1,209,720	1,279,095	1,776,493
Current assets	5,564,601	5,532,893	5,042,538	5,179,839	5,095,959
Cash and cash equivalents	2,158,591	1,779,416	2,095,798	1,065,552	1,125,830
Other current assets (2)	3,395,637	3,743,516	2,937,494	4,108,954	3,200,987
Non-current assets classified as held for sale	10,373	9,961	9,246	5,333	769,142
Total assets	10,746,574	11,112,331	10,292,673	10,671,247	13,649,082
Capital and reserves attributable to the Company's equity holders (3)	5,756,372	5,880,740	5,296,342	4,597,370	4,452,680
Non-controlling interest	1,084,827	1,135,361	964,897	964,094	1,805,243
Non-current liabilities	1,934,775	2,540,594	2,872,667	3,374,964	5,401,549
Borrowings	948,495	1,426,574	1,787,204	2,325,867	3,676,072
Deferred income tax	748,999	877,742	857,297	810,160	1,327,768
Other non-current liabilities	237,281	236,278	228,166	238,937	397,709
Current liabilities	1,970,600	1,555,636	1,158,767	1,734,819	1,989,610
Borrowings	1,041,550	513,083	539,525	941,460	406,239
Other current liabilities	929,050	1,042,553	619,242	793,359	1,369,608
Liabilities directly associated with non-current assets classified as held for sale	—	—	—	—	213,763
Total liabilities	3,905,375	4,096,230	4,031,434	5,109,783	7,391,159
Total equity and liabilities	10,746,574	11,112,331	10,292,673	10,671,247	13,649,082
Number of shares (3)	1,963,076,776	2,004,743,442	2,004,743,442	2,004,743,442	2,004,743,442

- (1) As of December 31, 2011, 2010, 2009, 2008 and 2007, includes goodwill mainly related to the acquisition of our Mexican subsidiaries for a total amount of USD663.8, USD750.1, USD708.6, USD683.7 and USD850.7 million, respectively.
- (2) As of December 31, 2011, 2010, 2009, 2008 and 2007, includes deposits with maturity of more than three months for a total amount of USD281.7, USD848.4, USD46.8, USD90.0 and USD65.3 million, respectively.
- (3) The Company's share capital as of December 31, 2011, 2010, 2009, 2008 and 2007 was represented by 2,004,743,442 shares, par value USD1.00 per share, for a total amount of USD2,004.7 million. Of the 2,004,743,442 shares, as of December 31, 2011, Ternium held 41,666,666 through its wholly-owned subsidiary Ternium International Inc.

Fiscal Year Ended December 31, 2011 compared to Fiscal Year Ended December 31, 2010

Overview

Ternium's operating income in 2011 was USD1.3 billion, compared to USD1.1 billion in 2010. This USD211.3 million year-over-year increase mainly reflects a 769,000 ton increase in shipments and a USD126 higher revenue per ton, partially offset by a USD109 higher flat and long steel operating cost per ton¹, which increased mainly due to higher raw material costs. Ternium's net income was USD649.9 million, a decrease of USD129.6 million year-over-year mainly due to a USD431.1 million lower net financial result, partially offset by the above mentioned USD211.3 million higher operating income and a USD90.7 million lower income tax expense. The year-over-year change in net financial results included a USD360.1 million lower net foreign exchange result primarily due to the impact of the Mexican peso's 13.1% depreciation on Ternium's Mexican subsidiary's U.S. dollar denominated debt in 2011, compared with a 5.4% Mexican peso appreciation in 2010, and a USD49.6 million lower interest income on the Sidor financial asset.

¹ Operating cost per ton is equal to cost of sales plus selling, general and administrative expenses, divided by shipments.

In 2011, steel consumption in the North American market increased 9.1% year-over-year. The economies in the North America Region expanded more gradually during 2011. GDP in Mexico grew an estimated 4.0% in the year, consolidating the 2010 recovery, while the U.S. economy grew an estimated 1.8% in 2011, a deceleration from the 3.0% expansion rate in 2010. Mexico showed a broad-based increase in activity in 2011, featuring an expansion in key steel consuming sectors such as construction and automotive.

The steel markets in Central and South America showed a 2.2% year-over-year increase in apparent steel use during 2011. The economic activity in the region continued to grow during 2011, including an estimated 9.0% GDP expansion in Argentina and an estimated 5.5% GDP growth in Colombia. Construction activity consolidated its growth pace and the automotive sector, which significantly expanded in 2010, showed healthy growth rates in 2011.

Net Sales

Net sales were USD9.2 billion in 2011, 24% higher than net sales in 2010. Shipments of flat and long products were 8.8 million tons in 2011, up 10% compared to shipments in 2010, reflecting higher demand for steel products and Ternium's increased participation in the Colombian steel market. Revenue per ton shipped was USD1,021 in 2011, a 14% increase compared to 2010, mainly as a result of higher prices.

The following table shows Ternium's total consolidated net sales, shipments and revenue by product and geographical region for the years ended December 31, 2011 and 2010:

	Net Sales (million USD)			Shipments (thousand tons)			Revenue /ton (USD/ton)		
	2011	2010	Dif.	2011	2010	Dif.	2011	2010	Dif.
North America	4,989.1	4,105.6	22%	5,118.6	4,826.3	6%	975	851	15%
South & Central America	3,995.6	3,050.1	31%	3,670.0	3,135.7	17%	1,089	973	12%
Europe & other	25.2	53.9		34.9	92.6		721	582	
Total flat and long products	9,009.9	7,209.5	25%	8,823.6	8,054.6	10%	1,021	895	14%
Other products ⁽¹⁾	147.3	172.5	(15%)						
Total Net Sales	9,157.2	7,382.0	24%						

⁽¹⁾ Primarily includes iron ore, pig iron and pre-engineered metal buildings.

Sales of flat and long products in the North America Region were USD5.0 billion in 2011, an increase of 22% versus 2010 mainly due to higher revenue per ton. Shipments in the region totaled 5.1 million tons in 2011, a 6% increase compared to 2010, reflecting increased demand for steel products and a wider product range. Revenue per ton shipped in the region increased 15% to USD975 in 2011 over 2010, mainly due to higher prices.

Flat and long product sales in the South & Central America Region were USD4.0 billion in 2011, an increase of 31% versus 2010, due to higher shipments and revenue per ton. Shipments in the region totaled 3.7 million tons in 2011, or 17% higher than 2010, mainly due to higher demand for steel products and Ternium's increased participation in the Colombian steel market. Revenue per ton shipped was USD1,089 in 2011, an increase of 12% compared to 2010, mainly due to higher prices.

Sales of other products totaled USD147.3 million in 2011, compared to USD172.5 million in 2010. Shipments of iron ore were lower in 2011 versus 2010 while pig iron shipments increased.

Cost of sales

Cost of sales was USD7.1 billion in 2011, an increase of USD1.4 billion, or 25%, compared to 2010. This was due to a USD1.2 billion, or 29%, increase in raw material costs and consumables used, reflecting a 10% increase in sales volumes and higher raw material and purchased slab costs, and a USD179.5 million, or 13%, increase in other costs, including a USD80.1 million increase in labor and a USD48.5 million increase in services expenses (reflecting higher activity levels and labor costs) and a USD27.7 million increase in depreciation of property, plant and equipment.

Selling, general and administrative expenses

Selling, general & administrative (SG&A) expenses in 2011 were USD786.2 million, or 9% of net sales, compared with USD665.3 million, or 9% of net sales, in 2010. The USD120.9 million increase in SG&A was mainly due to a USD21.5 million increase in freight expenses and a USD23.2 million increase in taxes related to increased activity levels and a USD12.9 million increase in labor costs. In addition, SG&A increased USD52.0 million year-over-year as a result of the consolidation of Ferrasa from August 25, 2010.

Other operating income (expenses), net

Other operating results in 2011 were a loss of USD11.6 million, compared with a gain of USD2.5 million in 2010. The 2011 loss included a non-recurring charge of USD24.5 million related to the settlement of arbitration proceedings with Tata Steel. For more information, see note 25 to our audited consolidated financial statements included elsewhere in this annual report.

Operating income

Operating income in 2011 was USD1.3 billion, or 14% of net sales, compared to operating income of USD1.1 billion, or 14% of net sales, in 2010. The USD211.3 million year-over-year increase reflects improvements, mainly in the flat and long steel product segments.

In thousands of U.S. dollars	Flat steel products		Long steel products		Other products		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Net Sales	7,792,045	6,376,380	1,217,877	833,137	147,276	172,487	9,157,198	7,382,004
Cost of sales	(6,138,685)	(4,932,551)	(864,522)	(633,958)	(91,045)	(98,745)	(7,094,252)	(5,665,254)
SG&A expenses	(673,363)	(585,746)	(96,832)	(62,419)	(15,966)	(17,141)	(786,161)	(665,306)
Other operating results	(14,912)	2,887	3,247	(506)	99	112	(11,566)	2,493
Operating income	965,085	860,970	259,770	136,254	40,364	56,713	1,265,219	1,053,937

Flat steel products segment

The flat steel products segment operating income was USD965.1 million in 2011, an increase of USD104.1 million compared to 2010, reflecting higher sales partially offset by higher operating cost. Sales of flat products in 2011 increased 22% compared to 2010, reflecting an 8% increase in shipments, mainly due to higher demand for steel products and Ternium's increased participation in the Colombian steel market, and a 13% increase in revenue per ton shipped, mainly due to higher steel prices in Ternium's main steel markets.

	Net Sales (million USD)			Shipments (thousand tons)			Revenue /ton (USD/ton)		
	2011	2010	Dif.	2011	2010	Dif.	2011	2010	Dif.
North America	4,108.8	3,464.9	19%	4,014.7	3,852.1	4%	1,023	899	14%
South & Central America	3,658.1	2,886.2	27%	3,285.7	2,877.0	14%	1,113	1,003	11%
Europe & other	25.2	25.3		34.9	42.6		721	594	
Flat products	7,792.0	6,376.4	22%	7,335.3	6,771.7	8%	1,062	942	13%

Operating cost increased 23%, reflecting an 8% increase in shipments and a 14% increase in operating cost per ton mainly from higher raw material and purchased slab costs, as well as higher labor costs, services expenses and depreciation of property, plant and equipment.

Long steel products segment

The long steel products segment operating income was USD259.8 million in 2011, an increase of USD123.5 million compared to 2010, reflecting higher sales and operating costs. Sales of long products in 2011 increased 46% compared to 2010, reflecting a 16% increase in shipments mainly due to the consolidation of Ferrasa from August 25, 2010 and a wider product range, and a 26% increase in revenue per ton shipped, mainly as a result of higher prices.

	Net Sales (million USD)			Shipments (thousand tons)			Revenue /ton (USD/ton)		
	2011	2010	Dif.	2011	2010	Dif.	2011	2010	Dif.
North America	880.3	640.7	37%	1,104.0	974.2	13%	797	658	21%
South & Central America	337.5	163.9	106%	384.3	258.7	49%	878	634	39%
Europe & other	—	28.6		—	50.0		1,507	571	
Long products	1,217.9	833.1	46%	1,488.3	1,282.9	16%	818	649	26%

Operating cost increased 38%, reflecting a 16% increase in shipments and a 19% increase in operating cost per ton mainly from higher raw material costs, as well as higher labor costs, services expenses and depreciation of property, plant and equipment.

Other products segment

The other products segment operating income was USD40.4 million in 2011, a decrease of USD16.3 million compared to 2010, mainly reflecting the impact of lower revenues.

Net financial results

Net financial results were a USD300.6 million loss in 2011, compared with a USD130.5 million gain in 2010.

In 2011, Ternium's net interest results totaled a USD72.0 million loss, higher than the USD45.6 million loss in 2010, mainly reflecting higher net indebtedness and average interest rates.

Net foreign exchange result was a loss of USD236.4 million in 2011 compared to a gain of USD123.7 million in 2010. The loss in 2011 was primarily due to the impact of the Mexican peso's 13.1% depreciation on Ternium's Mexican subsidiary's U.S. dollar denominated debt. This result is non-cash when measured in U.S. dollars and is offset by changes in Ternium's net equity position in the currency translation adjustments line, as the value of Ternium Mexico's U.S. dollar denominated debt is not altered by the Mexican peso's fluctuation when stated in U.S. dollars in Ternium's consolidated financial statements. During the periods covered in this annual report, Ternium Mexico prepared its financial statements in Mexican pesos and registered foreign exchange results on its net non-Mexican pesos positions when the Mexican peso revaluated or devaluated relative to other currencies.

Interest income on the Sidor financial asset was USD11.4 million in 2011, compared to USD61.0 million in 2010. These results are attributable to the Sidor financial asset in connection with the transfer of Sidor shares on May 7, 2009. The decrease reflects the reduction in the notional amount of the Sidor financial asset over time.

Equity in earnings of associated companies

Ternium's share in the results of associated companies (mainly Exiros) during 2011 was a gain of USD1.3 million, compared to a gain of USD1.7 million in 2010.

Income tax expense

Income tax expense in 2011 was USD316.0 million, or 33% of income before income tax and non-controlling interest, compared with an income tax expense of USD406.7 million in 2010, or 34% of income before income tax and non-controlling interest.

Net result of discontinued operations

There were no results of discontinued operations in 2011 and in 2010.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest in 2011 was USD136.4 million, compared to USD157.4 million in 2010, mainly due to a lower result attributable to non-controlling interest in Siderar and Ternium Mexico.

Fiscal Year Ended December 31, 2010 compared to Fiscal Year Ended December 31, 2009

Overview

Ternium's operating income in 2010 was USD1.1 billion, compared to USD296.4 million in 2009. The USD757.6 million year-over-year increase mainly reflects the improvement in the flat steel products segment and shows a recovery from the 2009 global economic downturn, with higher sales volumes and improved margins. Revenue per ton increased USD137 and shipments increased by 1.7 million tons while operating cost per ton² increased USD57. Net income was USD779.5 million in 2010, compared to USD767.1 million in 2009. Although the net income variation was slight in nominal terms, the drivers for net income in each of these years were significantly different. There were no discontinued operations results in 2010, whereas there was a USD428.0 million discontinued operations gain in 2009 related to the transfer of the Sidor shares to Venezuela. The year-over-year change in net income also included the above mentioned USD757.6 million increase in operating income and a USD315.3 million increase in income tax expense.

In 2010, steel consumption in the North American market increased 31% year-over-year. The economies in the NAFTA region expanded gradually during the year with a 4.0% GDP growth in Mexico and a 2.9% GDP growth in the U.S. Mexican export-oriented industries were particularly favored by the recovery of economic activity in the United States. In contrast, the construction sector in the country remained subdued during most of 2010 and only showed evidence of improvement by year-end.

Likewise, the steel markets in Central and South America showed an estimated 28% year-over-year increase in apparent steel use during 2010. The economic activity in the region expanded during 2010, including a 7.5% GDP growth in Argentina and a 4.7% GDP growth in Colombia. Construction activity in the region returned to solid growth rates and the automotive sector, which was among the most affected sectors in 2009, significantly expanded in 2010.

Net Sales

Net sales in 2010 were USD7.4 billion, 49% higher than net sales in 2009. Shipments of flat and long products were 8.1 million tons in 2010, up 27% compared to shipments in 2009. Revenue per ton shipped was USD895 in 2010, an 18% increase compared to 2009, mainly as a result of higher prices.

The following table shows Ternium's total consolidated net sales, shipments and revenue by product and geographical region for the years ended December 31, 2010 and 2009:

	Net Sales (million USD)			Shipments (thousand tons)			Revenue /ton (USD/ton)		
	2010	2009	Dif.	2010	2009	Dif.	2010	2009	Dif.
North America	4,105.6	2,883.9	42%	4,826.3	4,045.7	19%	851	713	19%
South & Central America	3,050.1	1,774.5	72%	3,135.7	2,022.0	55%	973	878	11%
Europe & other	53.9	164.5		92.6	293.1		582	561	
Flat and long products	7,209.5	4,822.9	49%	8,054.6	6,360.8	27%	895	758	18%
Other products ⁽¹⁾	172.5	136.1	27%						
Total Net Sales	7,382.0	4,959.0	49%						

⁽¹⁾ Primarily includes iron ore, pig iron and pre-engineered metal buildings.

Sales of flat and long products in the North America Region were USD4.1 billion in 2010, an increase of 42% versus 2009 due to higher shipments and prices. Shipments in the region totaled 4.8 million tons in 2010, or 19% higher than 2009, as a result of higher demand. Revenue per ton in the North Region increased 19% to USD851 in 2010 over 2009, mainly due to higher prices.

Flat and long product sales in the South & Central America Region were USD3.1 billion in 2010, an increase of 72% versus 2009, due to higher shipments and prices. Shipments in the region totaled 3.1 million tons in 2010, or 55% higher than in 2009, mainly due to a recovery from the 2009 global economic downturn. Revenue per ton shipped was USD973 in 2010, an increase of 11% compared to 2009.

Sales of other products totaled USD172.5 million in 2010, compared to USD136.1 million during 2009, an increase of 27%. The increase includes the impact of higher iron ore prices.

² Operating cost per ton is equal to cost of sales plus selling, general and administrative expenses, divided by shipments.

Cost of sales

Cost of sales was USD5.7 billion in 2010, an increase of USD1.6 billion, compared to USD4.1 billion in 2009. This 38% increase was due to a USD1.2 billion, or 41%, increase in the costs of raw material and consumables (reflecting in part a 27% increase in sales volumes and in part higher raw material and purchased slab prices), and a USD313.4 million, or 28%, increase in other costs (including a USD118.4 million increase in labor, a USD121.4 million increase in maintenance and a USD71.5 million increase in services expenses), reflecting higher activity levels.

Selling, general and administrative expenses

SG&A expenses in 2010 were USD665.3 million, or 9% of net sales, compared with USD531.5 million, or 11% of net sales, in 2009. The USD133.8 million increase in SG&A was mainly due to higher freight expenses (up USD75.7 million), higher taxes related to increased activity levels (up USD23.5 million) and the impact of the consolidation of Ferrasa on August 25, 2010. In addition, higher wages, salaries and social security costs were mostly offset by lower personnel reduction charges.

Other operating income (expenses), net

Net other operating income in 2010 was USD2.5 million, compared with net other operating expenses of USD20.7 million in 2009. The year-over-year difference was mainly due to a USD27.0 million full impairment in 2009 of the remaining intangible asset value of a contract related to the purchase of steel slabs from Corus' Teeside facility. For more information, see note 25 to our audited consolidated financial statements included elsewhere in this annual report.

Operating income

Operating income in 2010 was USD1.1 billion, or 14% of net sales, compared to an operating income of USD296.4 million, or 6% of net sales, in 2009. The USD757.6 million year-over-year increase mainly reflects the improvement in the flat steel products segment.

In thousands of U.S. dollars	Flat steel products		Long steel products		Other products		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Net Sales	6,376,380	4,249,979	833,137	572,900	172,487	136,104	7,382,004	4,958,983
Cost of sales	(4,932,551)	(3,634,854)	(633,958)	(392,983)	(98,745)	(82,533)	(5,665,254)	(4,110,370)
SG&A expenses	(585,746)	(477,067)	(62,419)	(40,739)	(17,141)	(13,724)	(665,306)	(531,530)
Other operating results	2,887	(21,303)	(506)	414	112	189	2,493	(20,700)
Operating income	860,970	116,755	136,254	139,592	56,713	40,036	1,053,937	296,383

Flat steel products segment

The flat steel products segment operating income was USD861.0 million in 2010, an increase of USD744.2 million compared to 2009, reflecting higher sales, partially offset by higher operating cost. Sales of flat products in 2010 increased 50% compared to 2009, reflecting a 28% increase in shipments and an 18% increase in revenue per ton shipped, mainly due to a recovery from the 2009 global economic downturn and higher steel prices in Ternium's main steel markets.

	Net Sales (million USD)			Shipments (thousand tons)			Revenue / ton (USD/ton)		
	2010	2009	Dif.	2010	2009	Dif.	2010	2009	Dif.
North America	3,464.9	2,371.9	46%	3,852.1	3,114.5	24%	899	762	18%
South & Central America	2,886.2	1,717.1	68%	2,877.0	1,903.6	51%	1,003	902	11%
Europe & other	25.3	161.0		42.6	287.0		594	561	
Flat products	6,376.4	4,250.0	50%	6,771.7	5,305.2	28%	942	801	18%

Operating cost increased reflecting higher shipments and higher cost per ton mainly from higher raw material and purchased slab prices, as well as higher wages, salaries and social security, services and maintenance costs, partially offset by lower personnel reduction charges.

Long steel products segment

The long steel products segment operating income was USD136.3 million in 2010, relatively stable compared to 2009 reflecting higher sales and operating costs. Sales of long products in 2010 increased 45% compared to 2009 reflecting a 22% increase in shipments and a 20% increase in revenue per ton shipped, mainly due to a recovery from the 2009 global economic downturn and higher prices.

	Net Sales (million USD)			Shipments (thousand tons)			Revenue /ton (USD/ton)		
	2010	2009	Dif.	2010	2009	Dif.	2010	2009	Dif.
North America	640.7	512.0	25%	974.2	931.2	5%	658	550	20%
South & Central America	163.9	57.3	186%	258.7	118.4	118%	634	484	31%
Europe & other	28.6	3.5		50.0	6.1		571	583	
Long products	833.1	572.9	45%	1,282.9	1,055.6	22%	649	543	20%

Operating cost increased reflecting higher shipments and higher cost per ton mainly from higher raw material prices, as well as higher wages, salaries and social security, services and maintenance costs, partially offset by lower personnel reduction charges.

Other products segment

The other products segment operating income was USD56.7 million in 2010, an increase of USD16.7 million compared to 2009, mainly reflecting the impact of higher iron ore prices.

Net financial results

Net financial results were a USD130.5 million gain in 2010, compared with a USD132.9 million gain in 2009.

In 2010, Ternium's net interest expenses were USD45.6 million, compared to a net interest expense of USD84.7 million in 2009, mainly as a result of lower net indebtedness and cost of debt.

Net foreign exchange result was a gain of USD123.7 million in 2010 compared to a gain of USD83.1 million in 2009. The gain in 2010 was primarily due to the impact of the Mexican peso's 5.4% revaluation on Ternium's Mexican subsidiary's U.S. dollar denominated debt. This result is non-cash when measured in U.S. dollars and is offset by changes in Ternium's net equity position in the currency translation adjustments line, as the value of Ternium Mexico's U.S. dollar denominated debt is not altered by the Mexican peso's fluctuations when stated in U.S. dollars in Ternium's consolidated financial statements. In accordance with IFRS, during the periods covered in this annual report, Ternium Mexico prepared its financial statements in Mexican pesos and registered foreign exchange results on its net non-Mexican peso positions when the Mexican peso revaluated or devaluated relative to other currencies.

Interest income on the Sidor financial asset was USD61.0 million in 2010, compared to USD136.0 million in 2009. These results are attributable to the Sidor financial asset in connection with the transfer of Sidor shares on May 7, 2009.

Equity in earnings of associated companies

Ternium's share in the results of associated companies (mainly Exiros) during 2010 was a gain of USD1.7 million, compared to a gain of USD1.1 million in 2009.

Income tax expense

Income tax expense for 2010 was USD406.7 million, or 34% of income before income tax and non-controlling interest, compared with an income tax expense of USD91.3 million in 2009 or 21% of income before income tax and non-controlling interest. The 2009 result included a non-recurring gain of USD35.4 million due to a favorable resolution on a tax-related dispute in México. In addition, Mexican statutory tax rate was raised from 28% in 2009 to 30% in 2010. For additional information regarding changes in the Mexican tax system, see Item 3. "Key Information—D. Risk Factors—Risks Relating to the Countries in Which We Operate—Mexico."

Net result of discontinued operations

There were no results of discontinued operations in 2010, while 2009 included a USD428.0 million gain in connection with the transfer of Sidor shares on May 7, 2009.

Net income attributable to non-controlling interest

Income attributable to non-controlling interest in 2010 was USD157.4 million, higher than income attributable to non-controlling interest of USD49.7 million in 2009, mainly due to a higher result attributable to non-controlling interest in Siderar and Ternium Mexico.

Foreign Currency Fluctuations

See Item 11. “Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Exposure Risk.”

Governmental Economic, Fiscal, Monetary or Political Policies or Factors

See Item 3. “Key Information—D. Risk Factors—Risks Relating to the Countries in Which We Operate.”

B. Liquidity and Capital Resources

We obtain funds from our operations, as well as from short-term and long-term borrowings from financial institutions. These funds are primarily used to finance our working capital and capital expenditures requirements, and our acquisitions (for further information on capital expenditures, see Item 4. “Information on the Company—B. Business Overview—Capital Expenditure Program”). In addition, during 2009, 2010 and 2011, we had cash inflows of USD1.9 billion in connection with compensation payments for the nationalization of our participation in Sidor. For more information on the Sidor nationalization process, see note 27 to our audited consolidated financial statements included elsewhere in this annual report. We hold money market investments, time deposits and variable-rate or fixed-rate securities from investment grade issuers. During 2009, 2010 and 2011, we significantly decreased our financial indebtedness, from USD3.3 billion at the end of 2008 to USD2.0 billion at the end of 2011, using primarily cash provided by operating activities. For a description of the refinancing of Ternium Mexico’s 2007 syndicated loan facility, see note 24 to our audited consolidated financial statements included elsewhere in this annual report. During the first quarter of 2012, we invested USD2.2 billion in the purchase of Usiminas shares. For further information on the Usiminas shares purchase transaction, see Item 5. “Operating and Financial Review and Prospects—G. Recent Developments — Acquisition of participation in Usiminas.”

Management believes that funds from operations will be sufficient to satisfy our current working capital needs and service our debt in the foreseeable future. Although Ternium believes it has access to the credit markets, it has not negotiated additional credit facilities for these purposes. Management also believes that our liquidity and capital resources give us adequate flexibility to manage our planned capital spending programs and to address short-term changes in business conditions.

The following table shows the changes in our cash and cash equivalents, excluding funds placed in trust, for each of the periods indicated below:

<i>In thousands of U.S. dollars</i>	For the year ended December 31,		
	2011	2010	2009
Net cash provided by operating activities	647,135	806,825	1,161,758
Net cash provided by (used in) investing activities	121,649	(470,128)	791,233
Net cash used in financing activities	(364,570)	(654,118)	(922,588)
Increase (decrease) in cash and cash equivalents	404,214	(317,421)	1,030,403
Effect of exchange rate changes	(25,039)	1,039	(157)
Cash and cash equivalents at the beginning of the year	1,779,416	2,095,798	1,065,552
Cash and cash equivalents at the end of the year (1)	2,158,591	1,779,416	2,095,798

- (1) In addition, at December 31, 2010 and 2011, Ternium had USD848.4 and USD281.7 million of other investments with maturities of more than three months, respectively, and USD12.3 and USD0.2 million in restricted cash, respectively.

Fiscal Year Ended December 31, 2011 compared to Fiscal Year Ended December 31, 2010

Overview

During 2011, Ternium's primary source of funding was net cash provided by operating activities.

Cash and cash equivalents as of December 31, 2011 were USD2.2 billion, a USD379.2 million increase from USD1.8 billion at the end of the previous year. This increase is mainly attributable to net cash provided by operating activities of USD647.1 million and net cash provided by investing activities of USD121.6 million, partially offset by net cash used in financing activities of USD364.6 million.

In addition to cash and cash equivalents, as of December 31, 2011, we held other investments with maturities of more than three months for a total amount of USD281.7 million, decreasing USD566.7 million compared to December 31, 2010.

Operating activities

Net cash provided by operating activities was USD647.1 million in 2011 compared to USD806.8 million in 2010, a year-over-year decrease of USD159.7 million. The main reasons for the reduction were:

- a decrease in net income from continuing operations of USD129.6 million; and
- a negative income tax accruals less payments adjustment of USD255.9 million in 2011, compared to a positive income tax accruals less payments adjustment of USD226.8 million in 2010;
partially offset by
- a positive net foreign exchange results and others adjustment of USD184.8 million in 2011, compared to a negative net foreign exchange results and others adjustment of USD77.6 million in 2010, mainly due to the fluctuation of the Mexican peso versus the U.S. dollar;
- a negative interest income adjustment of the Sidor financial asset of USD11.4 million in 2011, compared to a negative interest income adjustment of the Sidor financial asset of USD61.0 million in 2010; and
- an increase in working capital of USD397.8 million in 2011, compared to an increase in working capital of USD448.0 million in 2010.

The significant variation in working capital during 2011, as indicated above, was mainly attributable to an increase of USD413.3 million in inventory, reflecting higher costs as a result of higher input prices, as well as higher inventory volume of goods in process and raw materials partially offset by lower inventory volume of finished goods, as a result of increased operating activity (as shown in the table below).

	Change in inventory Dec'11 /Dec'10		
	(in millions of USD)		
	Price	Volume	Total
Finished goods	52.1	(10.6)	41.5
Goods in process	96.7	25.7	122.4
Raw materials, supplies and allowances	191.6	57.8	249.4
Total	340.4	72.9	413.3

Investing activities

Net cash provided by investing activities in 2011 was USD121.6 million, compared to net cash used in investing activities of USD470.1 million in 2010. This change was primarily attributable to the following:

- a decrease in net cash used in other investing activities of USD1.4 billion, consisting mainly of financial investments with maturities of more than three months, which decreased USD588.2 million in 2011, compared to an increase of USD820.7 million in 2010; and
- a decrease in net cash used in acquisition of business of USD68.4 million, due to the acquisition of Ferrasa in 2010; partially offset by
- a decrease of USD634.3 million in the proceeds from the Sidor financial asset (from USD767.4 million in 2010 to USD133.1 million in 2011); and
- an increase of USD251.2 million in capital expenditures (from USD350.1 million in 2010 to USD601.3 million in 2011).

Financing activities

Net cash used in financing activities was USD364.6 million in 2011, compared to USD654.1 million in 2010. This change was primarily attributable to the following:

- a decrease in repayments of borrowings, net, of USD554.5 million, consisting of net proceeds from borrowings of USD34.0 million in 2011, compared to net repayment of borrowings of USD520.5 million in 2010; partially offset by
- a repurchase of shares of USD150.0 million in 2011;
- an increase in dividends paid in cash by subsidiary companies of USD102.3 million; and
- an increase in dividends paid in cash to Company's shareholders of USD47.0 million.

Fiscal Year Ended December 31, 2010 compared to Fiscal Year Ended December 31, 2009

Overview

During 2010, Ternium's primary source of funding was net cash provided by operating activities.

Cash and cash equivalents as of December 31, 2010 were USD1.8 billion, a USD316.4 million decrease from USD2.1 billion at the end of the previous year. This decrease is mainly attributable to net cash used in financing activities of USD654.1 million and net cash used in investing activities of USD470.1 million, partially offset by net cash provided by operating activities of USD806.8 million.

In addition to cash and cash equivalents, as of December 31, 2010, we held other investments with maturity of more than three months for a total amount of USD848.4 million, which increased substantially compared to December 31, 2009.

Operating activities

Net cash provided by operating activities was USD806.8 million in 2010 compared to USD1.2 billion in 2009, a decrease of USD354.9 million year-over-year. The main reasons for the reduction were:

- an increase in working capital of USD448.0 million in 2010 following the recovery from the 2008 – 2009 global economic downturn, compared to a decrease in working capital of USD635.2 million in 2009; partially offset by

- an increase in net income from continuing operations of USD440.4 million; and
- a positive income tax accruals less payments adjustment of USD226.8 million in 2010, compared to a negative income tax accruals less payments adjustment of USD49.3 million in 2009.

The significant variation in working capital during 2010, as indicated above, was attributable to:

- an increase of USD497.4 million in inventory, reflecting higher costs as a result of higher input prices, as well as higher inventory volume of finished goods, goods in process and raw materials as a result of increased operating activity (as shown in the table below).

	Change in inventory Dec'10 / Dec'09 (in millions of USD)		
	Price	Volume	Total
Finished goods	56.8	104.1	160.9
Goods in process	116.3	64.3	180.6
Raw materials, supplies and allowances	97.5	58.4	155.9
Total	270.6	226.8	497.4

- an increase in trade and other receivables of USD149.3 million in 2010, mainly due to increased shipments and higher steel prices during the fourth quarter of 2010 compared to the fourth quarter of 2009; and

partially offset by

- an aggregate increase in accounts payable and other liabilities of USD198.7 million, mainly as a result of the higher activity levels in 2010.

Investing activities

Net cash used in investing activities in 2010 was USD470.1 million, compared to net cash provided by investing activities of USD791.2 million in 2009. This change was primarily attributable to the following:

- an increase in net cash used in other investing activities, net, of USD933.6 million, consisting mainly of financial investments with maturities of more than three months, which increased USD801.6 million in 2010 (compared to a decrease of USD43.2 million in 2009);
- a decrease of USD186.2 million in the proceeds from the Sidor financial asset (from USD953.6 million in 2009 to USD767.4 million in 2010); and
- an increase of USD141.5 million in capital expenditures (from USD208.6 million in 2009 to USD350.1 million in 2010).

Financing activities

Net cash used in financing activities was USD654.1 million in 2010, compared to USD922.6 million in 2009. The reduction was mainly due to a lower net repayment of borrowings of USD402.1 million in 2010, partially offset by higher dividend payments of USD138.5 million in the same year.

Principal Sources of Funding

Funding Policies

Management's policy is to maintain a high degree of flexibility in operating and investment activities by maintaining adequate liquidity levels and ensuring access to readily available sources of financing. While Ternium currently does not have committed credit facilities available for borrowing, management believes that it could have access to external borrowing in case of any shortfalls. We obtain financing primarily in U.S. dollars, Argentine pesos and Colombian pesos. Whenever feasible, management bases its financing decisions, including the election of currency denomination, currency and interest rate risk, term and type of the facility, on the intended use of proceeds for the proposed financing and on costs. For further information on our financial risk management, see note 33 to our audited consolidated financial statements included elsewhere in this annual report.

Financial Liabilities

Our financial liabilities consist of loans with financial institutions and some pre-accorded overdraft transactions. As of December 31, 2011, these facilities were mainly denominated in U.S. dollars (68.3% of total financial liabilities), Argentine pesos (23.2% of total financial liabilities, subsequently hedged to the U.S. dollar) and Colombian pesos (6.3% of total financial liabilities). Total financial debt increased from USD1.9 billion as of December 31, 2010, to USD2.0 billion as of December 31, 2011. During 2011, Ternium's bank borrowings (inclusive of principal and interest accrued thereon) increased by USD50.4 million, principally due to the increase in short term borrowings, partially offset by the repayment of principal and interest on borrowings related to prior acquisitions. As of December 2011, current borrowings were 52.3% of total borrowings, none of which corresponded to borrowings with related parties.

The following table shows Ternium's financial liabilities as of December 31 of each of the last three years:

<i>In thousands of U.S. dollars</i>	2011	2010	2009
Borrowings with related parties	—	—	—
Bank borrowings (1)	1,990,045	1,939,657	2,326,729
Total borrowings	1,990,045	1,939,657	2,326,729

(1) Net of debt issuance costs

In addition, as of December 31, 2011:

- Ternium's subsidiary Tenigal had a USD200 million committed term loan facility, to finance its capital expenditure requirements, that had not been yet disbursed; and
- Ternium had received a commitment for a USD700 million syndicated term loan facility for the purchase of Usiminas shares. For further information on the Usiminas shares purchase transaction, see Item 5. "Operating and Financial Review and Prospects—G. Recent Developments—Acquisition of participation in Usiminas."

The weighted average interest rates at December 31, 2011, 2010 and 2009 shown below were calculated using the rates set for each instrument in its corresponding currency and weighted using the U.S. dollar-equivalent outstanding principal amount of those instruments at December 31, 2011, 2010 and 2009, respectively, after giving effect to any derivative financial instruments used to mitigate interest rate and currency risk.

	2011	2010	2009
Bank borrowings	3.42%	3.29%	3.04%

As of December 31, 2011, the maturities of our financial liabilities was as follows:

<i>In thousands of U.S. dollars</i> At December 31, 2011	1 year Or less	1 - 2 years	2 - 3 Years	3 - 4 Years	4 - 5 Years	Over 5 Years	Total
Borrowings (1)(2)	1,041,550	401,791	422,554	24,506	99,644	—	1,990,045
Total borrowings	1,041,550	401,791	422,554	24,506	99,644	—	1,990,045

- (1) Borrowings are bank borrowings with third parties. See "—B. Liquidity and Capital Resources—Principal Sources of Funding—Financial Liabilities."
 (2) Net of debt issuance costs.

For a description of the refinancing of Ternium Mexico's 2007 syndicated loan facility, see note 24 to our audited consolidated financial statements included elsewhere in this annual report.

For information on our derivative financial instruments, see Item 11. “Quantitative and Qualitative Disclosures About Market Risk” and note 23 to our audited consolidated financial statements included elsewhere in this annual report.

Most Significant Borrowings

Our most significant borrowings as of December 31, 2011 were those incurred under Ternium Mexico’s syndicated loan facility in relation to the Grupo Imsa transaction in July 2007.

In Millions of U.S. dollars

<u>Date</u>	<u>Borrower</u>	<u>Type</u>	<u>Original principal amount</u>	<u>Outstanding principal amount as of December 31, 2011</u>	<u>Maturity</u>
July 2007	Ternium Mexico	Syndicated loan	3,485.0	1,292.0(1)	July 2014

- (1) On February 1, 2008, we completed the sale of our interests in Steelscape, Inc., ASC Profiles Inc., Varco Pruden Buildings Inc. and Metl-Span LLC to BlueScope Steel North America Corporation, a subsidiary of BlueScope Steel Limited, for a total consideration of USD727 million. On February 28, 2008, we applied USD700.0 million of the proceeds of such sale to partially prepay loans under the syndicated loan agreement. Beginning in January 26, 2009 and until July 26, 2011 we paid six semi-annual installments of USD249 million each. On April 6, 2011, Ternium Mexico partially refinanced the final installment, extending its maturity from July 2012 to July 2014. For a description of the refinancing, see note 24 to our audited consolidated financial statements included elsewhere in this annual report.

The main covenants in our syndicated loan agreement are limitations on liens and encumbrances, limitations on the sale or other dispositions of certain material assets, and compliance with financial ratios (e.g., leverage ratio and interest coverage ratio).

As of December 31, 2011, we were in compliance with all covenants under our loan agreements. For further information on our financial liabilities, borrowings and commitments, see notes 24, 25 and 33 1.1) to our audited consolidated financial statements included elsewhere in this annual report.

For information on Ternium’s capital expenditures, see Item 4. “Information on the Company—B. Business Overview—Capital Expenditure Program.”

C. Research and Development, Patents and Licenses, Etc.

See Item 4. “Information on the Company—B. Business Overview—Research and Development; Product Development.”

D. Trend Information

See “—Overview.”

E. Off-Balance Sheet Arrangements

Ternium does not use “off-balance sheet arrangements” as such term is defined by applicable SEC rules. However, as described above, Ternium has various off-balance sheet commitments to purchase raw materials, energy (electricity and steam for the production of electricity), supplies (oxygen, nitrogen and argon) and production equipment. Off-balance sheet commitments are discussed in note 25(ii) to our audited consolidated financial statements included elsewhere in this annual report.

F. Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2011, and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

<i>In millions of U.S. dollars</i>	<u>Contractual Obligations</u>	<u>Payments Due by Period as of December 31, 2011</u>				
		<u>Total</u>	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>After 5 Years</u>
	Borrowings (1)	1,990.0	1,041.6	824.3	124.2	—
	Estimated interest payments (2)	194.8	91.3	76.6	27.0	—
	Purchase Obligations (3)	2,499.9	605.3	666.8	338.3	889.5
	Total Contractual Obligations	4,684.7	1,738.1	1,567.7	489.4	889.5

- (1) Borrowings are bank borrowings with third parties. See “—B. Liquidity and Capital Resources—Principal Sources of Funding—Financial Liabilities.”
- (2) Variable rates used in the projection are the ones settled in the current interest period and are considered to be fixed over the years.
- (3) Purchase obligations include mainly electric power, raw materials, oxygen, equipment and steam. Some of these purchase obligations are currently under re-negotiation (see Item 4. “Information on the Company—B. Business Overview—Raw Materials, Energy and Other Inputs—Argentina—Other Inputs” regarding relationship between Siderar and Air Liquide).

In addition, the net fair value of derivative financial instruments as of December 31, 2011 represented a USD29.9 million liability. For information on our derivative financial instruments, see Item 11. “Quantitative and Qualitative Disclosures About Market Risk” and note 23 to our audited consolidated financial statements included elsewhere in this annual report.

G. Recent Developments

Acquisition of participation in Usiminas

On November 27, 2011, the Company’s wholly-owned Luxembourg subsidiary Ternium Investments, together with Siderar (and Siderar’s wholly-owned Uruguayan subsidiary Prosid), and TenarisConfab, entered into share purchase agreements with Camargo Corrêa, Votorantim and CEU for the acquisition of 139.7 million ordinary shares of Usiminas, representing 27.7% (out of which 22.7% corresponds to Ternium) of Usiminas’ voting capital, at a price of BRL36 (approximately USD19.0) per ordinary share. Ternium Investments and Siderar financed their BRL4.1 billion share (approximately USD2.2 billion) with cash on hand and, in the case of Ternium Investments, a USD700 million syndicated term loan facility.

Upon closing of the transaction on January 16, 2012, Ternium Investments, Siderar and TenarisConfab joined Usiminas’ existing control group through the acquisition of 84.7, 30.0, and 25.0 million ordinary shares, respectively. In addition, Nippon Steel acquired from CEU 8.5 million ordinary shares. In addition, Ternium Investments, Siderar and Prosid entered into an amended and restated Usiminas shareholders’ agreement with Nippon Steel, Mitsubishi, Metal One and CEU, governing Ternium Investments, Siderar (and Prosid) and TenarisConfab’s rights within the Usiminas control group; most decisions in that control group are subject to the approval of a 65% majority of the control group shares. As a result of these transactions, the control group, which holds 322.7 million ordinary shares representing the majority of Usiminas’ voting rights, is now formed as follows: Nippon Group 46.1%; Ternium/Tenaris Group, 43.3% (out of which 35.6% corresponds to Ternium); and CEU, 10.6%. The rights of Ternium Investments, Siderar (and Prosid) and TenarisConfab within the Ternium/Tenaris Group are governed under a separate shareholders’ agreement.

Following the closing of the transaction, at the request of the T/T Group, Messrs. Daniel Novegil, Roberto Vidigal and Alcides Morgante were appointed as members of Usiminas’ board of directors, together with their alternates, to replace the board members nominated by Camargo Correa and Votorantim. In addition, Usiminas’ board of directors appointed Julián Eguren, previously a senior executive with Ternium, as chief executive officer (Diretor-Presidente) of Usiminas.

With strategically located facilities near the main consumers of steel in Brazil and iron ore mines in the Serra Azul region, Usiminas is organized under four main business units: Mining, Steel, Steel Processing and Capital Goods. In 2011, Usiminas had net sales of BRL11.9 billion (approximately USD7.1 billion).

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Board of Directors

The Company's articles of association provide for a board of directors consisting of a minimum of five members (when the shares of the Company are listed on a regulated market, as they currently are) and a maximum of fifteen. The Company's current board of directors is composed of nine directors, three of whom are independent directors. The board of directors is vested with the broadest powers to act on behalf of the Company and accomplish or authorize all acts and transactions of management and disposals that are within its corporate purpose and which are not specifically reserved in the articles of association or by applicable law to the general shareholders' meeting.

The board of directors is required to meet as often as required by the interests of the Company and at least four times per year. A majority of the members of the board of directors in office present or represented at each board of directors meeting constitutes a quorum, and resolutions may be adopted by the vote of a majority of the directors present or represented. In case of a tie, the chairman is entitled to cast the deciding vote.

Directors are elected at the annual ordinary general shareholders' meeting to serve one-year renewable terms, as determined by the general shareholders' meeting. The general shareholders' meeting also determines the directors' compensation. The general shareholders' meeting may dismiss all or any one member of the board of directors at any time, with or without cause, by resolution passed by a simple majority vote.

On January 9, 2006, Tenaris and a wholly-owned subsidiary of San Faustin entered into a shareholders' agreement, pursuant to which such San Faustin subsidiary is required to take all actions in its power to cause one of the members of the Company's board of directors to be nominated by Tenaris and any directors nominated by Tenaris only be removed pursuant to written instructions by Tenaris. Tenaris and San Faustin's subsidiary also agreed to cause any vacancies on the board of directors to be filled with new directors nominated by either Tenaris or the San Faustin subsidiary, as applicable. On April 27, 2007, the San Faustin subsidiary assigned all of its rights and obligations under the shareholders' agreement to Techint. The shareholders' agreement will remain in effect so long as each of the parties holds at least 5% of the shares of the Company or until it is terminated by either Tenaris or Techint pursuant to its terms. Carlos A. Condorelli was nominated by Tenaris and appointed as a director pursuant to this agreement.

Within the limits of applicable law, the board of directors of the Company may delegate to one or more persons, whether or not members of the board of directors, the Company's day-to-day management and the authority to represent the Company, provided that such delegation shall be subject to prior authorization by the general shareholders' meeting. On September 14, 2005, following the requisite authorization at the general shareholders' meeting, the board of directors delegated such day-to-day management and authority to Daniel A. Novegil. On June 1, 2011, the Company's annual general shareholders' meeting re-elected Ubaldo Aguirre, Roberto Bonatti, Carlos Condorelli, Pedro Pablo Kuczynski, Adrian Lajous Vargas, Bruno Marchettini, Gianfelice Mario Rocca, Paolo Rocca and Daniel Agustín Novegil as members of the board of directors to serve until the next annual shareholders' meeting, which will be held in May 2012. The board of directors subsequently re-appointed Paolo Rocca as its chairman and Daniel Novegil as chief executive officer of the Company.

The following table sets forth the current members of the board of directors of the Company, their respective offices on the board, their principal occupation, their years of service as board members and their age.

Name	Position	Principal Occupation	Years as director	Age at December 31, 2011
Paolo Rocca (1)	Chairman	Chairman and CEO of Tenaris, director and vice president of San Faustin	7	59
Ubaldo Jose Aguirre	Director	Managing director of AGM/R S.A. and Aguirre y Gonzalez S.A.	6	63
Roberto Bonatti (1)	Director	President of San Faustin	7	62
Carlos Condorelli	Director	Director of Tenaris	6	60
Adrián Lajous Vargas	Director	President of Petrométrica, S.C.	6	68
Bruno Marchettini	Director	Director of San Faustin and senior advisor in technological matters for the Techint group	6	70
Daniel Agustín Novegil	Director	CEO of the Company	7	59
Gianfelice Mario Rocca (1)	Director	Chairman of the board of directors of San Faustin, director of Tenaris and president of Humanitas Group	6	63
Pedro Pablo Kuczynski	Director	Senior advisor & partner of The Rohatyn Group	5	73

(1) Paolo Rocca and Gianfelice Rocca are brothers, and Roberto Bonatti is Paolo and Gianfelice Rocca's first cousin.

Paolo Rocca. Mr. Rocca has served as chairman of the Board since 2005. He is also chairman and chief executive officer of Tenaris. In addition, he is a member of the board of directors and vice president of San Faustin and a director of Techint Financial Corporation N.V. Mr. Rocca currently serves as the chairman of Tubos de Acero de México S.A. and is member of the International Advisory Committee of NYSE Euronext (New York Stock Exchange). Mr. Rocca is an Italian citizen.

Ubaldo Aguirre. Mr. Aguirre has served on the Board since 2006. He is a managing director of AGM/R S.A. and Aguirre y Gonzalez S.A., both Argentine investment banking firms, and also serves as a member of the board of directors and member of the audit committee of Holcim Argentina S.A., a subsidiary of Holcim, the Swiss cement producer. Since 2005, he also serves as chairman of the board of directors of Permasur S.A., and since 2000 as member of the board of directors of URS Argentina S.A. Mr. Aguirre formerly served as director and chairman of the audit committee of Siderar. Mr. Aguirre began his career at the World Bank in Washington, D.C. In addition, Mr. Aguirre has been a member of the boards of each of Argentina's Central Bank —where he was responsible for that country's external borrowing program and financial negotiations— Banco de la Nación Argentina and Banco Nacional de Desarrollo. He also served as the Republic of Argentina's financial representative for Europe in Geneva and negotiator on behalf of the Republic of Argentina with the Paris Club. Mr. Aguirre is an Argentine citizen.

Roberto Bonatti. Mr. Bonatti has served as a director of the Company since 2005. He is a grandson of Agostino Rocca, founder of the Techint group, a group of companies controlled by San Faustin. Throughout his career in the Techint group he has been involved specifically in the engineering and construction and corporate sectors. He was first employed by the Techint group in 1976, as deputy resident engineer in Venezuela. In 1984, he became a director of San Faustin, and since 2001 he has served as its president. In addition, Mr. Bonatti currently serves as president of Techint Compañía Técnica Internacional S.A.C.I. and Tecpetrol S.A. He is also a member of the board of directors of Tenaris and Siderca S.A.I.C. Mr. Bonatti is an Italian citizen.

Carlos Condorelli. Mr. Condorelli has served as a director of the Company since 2005. He is currently a member of the board of directors of Tenaris. He began his career within the Techint group in 1975 as an analyst in the accounting and administration department of Siderar. He has held several positions within Tenaris and other Techint group companies, including finance and administration director of Tubos de Acero de México, S.A. and president of the board of directors of Empresa Distribuidora La Plata S.A., an Argentine utilities company. Mr. Condorelli is an Argentine citizen.

Adrián Lajous Vargas. Mr. Lajous has served as a director of the Company since 2006. Mr. Lajous currently serves as chairman of the Oxford Institute for Energy Studies, president of Petrométrica, S.C. and non-executive director of Schlumberger, Ltd. and Trinity Industries Inc. Mr. Lajous began his career teaching economics at El Colegio de México and in 1977 was appointed director general for energy at Mexico's Ministry of Energy. Mr. Lajous joined Pemex in 1983, where he held a succession of key executive positions including executive coordinator for international trade, corporate director of planning, corporate director of operations and director of refining and marketing. From 1994 until 1999, he served as chief executive officer of Pemex and chairman of the boards of the Pemex Group of operating companies. Mr. Lajous is a Mexican citizen.

Bruno Marchettini. Mr. Marchettini has served as a director of the Company since 2006. Mr. Marchettini has retired from executive positions and is presently engaged as a senior advisor to the Techint group in steel technological matters. Mr. Marchettini is a member of the board of directors of San Faustin. Mr. Marchettini is an Italian citizen.

Daniel Agustín Novegil. Mr. Novegil has served as a director and chief executive officer of the Company since 2005. Mr. Novegil joined Propulsora Siderurgica in 1978 and was appointed as its general director in 1991. In 1993, following the merger of the privatized company Somisa with Propulsora, he was appointed managing director of Siderar. In 1998, after the acquisition of Sidor, Mr. Novegil was appointed chairman and chief executive officer of Sidor. In March 2003, Mr. Novegil was designated executive vice-president of the Techint Flat and Long Steel Division, with executive responsibilities over Siderar and Sidor. He became president of Siderar in May 2005. Mr. Novegil is an Argentine citizen.

Gianfelice Mario Rocca. Mr. Rocca has served as a director of the Company since 2006. He is a grandson of Agostino Rocca. He is chairman of the board of directors of San Faustin, a member of the board of directors of Tenaris, president of the Humanitas Group, honorary president of the board of directors of Techint Compagnia Tecnica Internazionale S.p.A. and president of the board of directors of Tenova S.p.A. In addition, he sits on the board of directors or executive committees of several companies, including Allianz S.p.A and Buzzi Unicem. He is vice president of Confindustria, the leading association of Italian industrialists. He is a member of the Advisory Board of Allianz Group, of the European Advisory Board of the Harvard Business School and of the Trilateral Commission. Mr. Rocca is an Italian citizen.

Pedro Pablo Kuczynski. Mr. Kuczynski has served as a member of the Board since 2007. He was Prime Minister of Peru in 2005-2006 and prior to that he was the Minister of Economy and Finance from 2001. He was the Republic of Peru's Minister of Energy and Mines in 1980-82. He was president until 2001 of a private equity firm he founded in 1992 after spending ten years as Chairman of First Boston International (currently Credit Suisse) in New York. Since 2007, he is Senior Advisor to and Partner at the Rohatyn Group, a firm specializing in emerging markets. He ran a bauxite mining company affiliated with Alcoa between 1977 and 1980. He began his career at the World Bank in 1961 and was in the 1970s head of its Policy Planning Division, Chief Economist for Latin America and Chief Economist of IFC. He was born in Peru in 1938 and educated in Peru and at Oxford and Princeton. Mr. Kuczynski is a U.S. and Peruvian national.

Director Liability

Under Luxembourg law, a director may be liable to the Company for any damage caused by management errors, such as wrongful acts committed during the execution of the mandate granted to them by the Company, and to the Company, its shareholders and third parties in the event that the Company, its shareholders, or third parties suffer a loss due to an infringement of either the Luxembourg Company Law or the Company's articles of association. A shareholder may in certain circumstances have rights to damages if a duty owed by the directors is breached.

Under Luxembourg law, any director having a conflict of interest in respect of a transaction submitted for approval to the board of directors may not take part in the deliberations concerning such transaction and must inform the board of such conflict. Subject to certain exceptions, transactions in which any directors may have had an interest conflicting with that of the Company must be reported at the next shareholders' meeting following any such transaction.

The general shareholders' meeting may dismiss all or any one member of the board of directors at any time, with or without cause, by resolution passed by a simple majority vote, irrespective of the number of shares present or represented at the meeting.

A director will not be liable for acts committed in accordance with a resolution if, notwithstanding his presence at the meeting at which such a resolution was adopted, such director advised the board of directors that he opposed the resolution and caused a record of his statement of opposition to be included in the minutes of the meeting.

Causes of action against directors for damages may be initiated by the Company upon a resolution of the shareholders passed by a simple majority vote, irrespective of the number of shares present or represented at the meeting. Causes of action against directors who misappropriate corporate assets (for example, by using corporate assets for their own benefit) or commit a breach of trust (for example, by breaching their fiduciary duties to the Company) may be brought by any shareholder for personal losses different from those of the Company. In general, claims must be brought within five years from the occurrence of an action for which liability may apply, or in the case of fraud, from the date the fraud is discovered.

It is customary in Luxembourg that the shareholders expressly discharge the members of the board of directors from any liability arising out of or in connection with the exercise of their mandate when approving the annual accounts of the Company at the annual shareholders' meeting. However, such discharge will not release the directors from liability for any damage caused by wrongful acts committed during the execution of their mandate or due to an infringement of either the Luxembourg Company Law or the Company's articles of association.

Auditors

The Company's articles of association require the appointment of at least one independent auditor chosen from among the members of the Luxembourg Institute of Independent Auditors. Auditors are appointed at the general shareholders' meeting, on the audit committee's recommendation, through a resolution passed by a simple majority vote. Shareholders may determine the number and the term of office of the auditors at the ordinary general shareholders' meeting, provided however that an auditor's term shall not exceed one year and that any auditor may be reappointed or dismissed by the general shareholders' meeting at any time, with or without cause. Luxembourg law does not allow directors to serve concurrently as independent auditors.

Our independent auditor for the fiscal year ended December 31, 2011 was PricewaterhouseCoopers S.à.r.l., *Réviseur d'entreprises agréé*, in connection with all of our annual accounts and financial statements. Our independent auditors are appointed annually for one-year terms at the annual shareholders' meeting.

Senior Management

The following table sets forth certain information concerning our senior management:

Name	Age at December 31, 2011	Position
Daniel Novegil	59	Chief Executive Officer; Director
Pablo Brizzio	41	Chief Financial Officer
Máximo Vedoya	41	Mexico Area Manager
Martín Berardi	54	Siderar Executive Vice President
Juan Pablo Trípodí	39	International Area Manager
Oscar Montero Martínez	51	Planning and Operations General Director
Luis Andreozzi	61	Engineering and Environment Director
Miguel Angel Ponte	64	Human Resources Director
Roberto Demidchuk	50	Chief Information Officer
Rubén Herrera	54	Quality and Product Director

Daniel A. Novegil. See "Board of Directors."

Pablo Brizzio. Mr. Brizzio currently serves as our Chief Financial Officer. He began his career with the Techint group in 1993 in Siderar. Since then, he has held several positions within the Techint group. He served as finance director of Ternium from 2005 to 2007 and in 2009, and in 2008 he served as chief financial officer of Sidor. In 2010, he assumed his position as chief financial officer of the Company. Mr. Brizzio is an Argentine citizen.

Máximo Vedoya. Mr. Vedoya currently serves as our Mexico Area Manager. Since January 2012, he has been the executive vice president of Ternium Mexico. Prior to that, he served as chief executive officer of Ferrasa. He has held several other executive positions since joining the Techint Group in 1992, such as director of Ternium Mexico's international and steel purchase operations, commercial director and export manager of Sidor and commercial planning manager of Siderar. He was also director of Fedemetal (Colombia) and AIMM (Venezuelan association of the metallurgical and mining industry). Mr. Vedoya is an Argentine citizen.

Martín Berardi. Mr. Berardi currently serves as our Siderar Executive Vice President. He began his career with the Techint group in 1980 as a trainee in Propulsora Siderúrgica. He has held several positions within the Techint group including in Propulsora Siderúrgica, Siat S.A.I.C. and Siderca. He served as managing director of Siat (1992-1995), managing director of Tamsa (1995-2000), president and chief executive officer of Sidor (2000-2004) and became managing director of Siderar in October 2004, a position which he held until he assumed his present position at the Company. He was president of the IVES between 2002 and 2004, president of Mercofer between 2006 and 2009, and he has been vice-president of CAA (Iron Argentine Chamber) since 2004 and a member of the board of directors of ITBA (Buenos Aires Institute of Technology) since 2005. Mr. Berardi is an Argentine citizen.

Juan Pablo Trípodi. Mr. Trípodi currently serves as our International Area Manager. He assumed his current position in February 2012. Prior to that, he served as quality director of Siderar. He has held several other executive positions since joining the Techint Group in 1995, such as commercial manager of Siderar and strategic planning manager of Ternium. Mr. Trípodi is an Argentine citizen.

Oscar Montero Martínez. Mr. Montero currently serves as our Planning and Operations General Director. He began his career with the Techint group in 1984 as a commercial analyst in Siderar. Since then, he has held several positions within Siderar in the planning, commercial and procurement areas. In 1998, he assumed the position of strategic planning director of Sidor. Since 2005, he serves as planning and operations general director of the Company. Mr. Montero is an Argentine citizen.

Luis Andreozzi. Mr. Andreozzi currently serves as our Engineering and Environment Director. He began his career with the Techint group in 1968 as a trainee in Siderca. He has held several positions within other Techint group companies, including Techint Engineering Company, or TEING, Siderar and Sidor. Most recently, he served as construction manager of TEING (1986-1992), construction manager of Siderar (1992-1998), engineering and environment general manager of Sidor (1998-2004) and technology manager of the Techint Flat and Long Steel Division, a position he held until he assumed his present position at the Company. Mr. Andreozzi is an Italian citizen.

Miguel Angel Ponte. Mr. Ponte (formerly named Miguel Angel Punte) currently serves as our Human Resources Director. In 1970, Mr. Ponte joined Siderar, where he held several positions within the human resources department. In 1984, he joined Finma S.A., or Finma, an affiliate of the Techint group that provides human resources services to Techint group companies. At Finma, Mr. Ponte served first as human resources manager and later as human resources director until 2005, when he was appointed human resources director of Siderar, a position that he held until he assumed his present position at the Company. Mr. Ponte is an Argentine citizen.

Roberto Demidchuk. Mr. Demidchuk currently serves as our Chief Information Officer. He joined the Techint group in 1986 as a trainee for TEING. Since then he has held several positions in different Techint group companies, including programming manager and procurement manager at Siderar and supply chain director at Ternium. Mr. Demidchuk is an Argentine citizen.

Rubén Herrera. Mr. Herrera currently serves as our Quality and Product Director. He has also been Quality and Product Director of Ternium Mexico since 2007. Since joining the Techint group in 1990, he has held several other executive positions, including Mechanical Metallurgical Department Chief in Siderca's Industrial Research Center, Product Manager of Siderar, and Quality and Product Director of Sidor. Mr. Herrera is an Argentine citizen.

B. Compensation

The compensation of the members of the Company's board of directors is determined at the annual ordinary general shareholders' meeting. Each member of the board of directors received for the year 2011 a fee of USD80,000, and the chairman of the board of directors received an additional fee of USD280,000. The chairman of the audit committee received as additional compensation a fee of USD60,000, while the other members of the audit committee received an additional fee of USD50,000. Under the Company's articles of association, the members of the audit committee are not eligible to participate in any incentive compensation plan for employees of the Company or any of its subsidiaries.

The aggregate cash compensation received by directors and senior management for the year 2011 amounted to USD12.9 million.

In addition, directors and senior management received for the year 2011 824,000 units for a total amount of USD2.4 million, in connection with the employee incentive retention program described in note 4 (n) (3) "Employee liabilities—Other compensation obligations" to our audited consolidated financial statements included elsewhere in this annual report.

There are no service contracts between any director and Ternium that provide for material benefits upon termination of employment.

C. Board Practices

See "—A. Directors and Senior Management."

Audit Committee

On June 1, 2011, the Company's board of directors re-appointed Ubaldo Aguirre, Adrián Lajous and Pedro Pablo Kuczynski as members of its audit committee, with Mr. Aguirre to continue chairing that committee. All three members of the audit committee are independent directors as defined under the Company's articles of association.

Under the Company's articles of association, an independent director is a director who:

- (i) is not employed, and has not been employed in an executive capacity by the Company or any of its subsidiaries within the five years preceding the ordinary general shareholders' meeting at which the candidate for the board of directors was voted upon;
- (ii) does not receive consulting, advisory or other compensatory fees from the Company or any of its subsidiaries (other than fees received as a member of the board of directors of any committee thereof and fees received as a member of the board of directors or other governing body, or any committee thereof, of any of the Company's subsidiaries);
- (iii) is not a person who directly or indirectly controls the Company;
- (iv) does not have, and does not control a business entity that has, a material business relationship with the Company, any of its subsidiaries or a person who directly or indirectly controls the Company, if such material business relationship would reasonably be expected to adversely affect the director's ability to properly discharge his or her duties;
- (v) does not control, and is not and has not been, within the five years preceding the ordinary general shareholders' meeting at which the candidate for the board of directors was voted upon, employed by a present or former internal or external auditor of the Company, any of its subsidiaries or a person who directly or indirectly controls the Company; and
- (vi) is not a spouse, parent, sibling or relative up to the third degree of, and does not share a home with, any of the persons above described.

Under our articles of association and the audit committee charter, the audit committee is required, among other things, to report to the board of directors on its activity and the adequacy of the Company's systems of internal control over financial reporting. In addition, the charter of the audit committee sets forth, among other things, the audit committee's purpose and responsibilities. The audit committee assists the board of directors in its oversight responsibilities with respect to the integrity of the Company's financial statements and is responsible for making recommendations regarding the appointment, dismissal, compensation, retention and oversight of, and assess the independence of the Company's independent auditors (see Item 16.C—"Principal Accountant Fees and Services" for additional information about the audit committee's procedures with respect to our independent auditors). The audit committee also performs other duties imposed upon it by applicable laws and regulations of the regulated market or markets on which the shares of the Company are listed, as well as any other duty entrusted to it by the Company's board of directors.

In addition, the audit committee is required by the Company's articles of association to review "Material Transactions," as such term is defined by the Company's articles of association, to be entered into by the Company or its subsidiaries with "Related Parties," as such term is defined by the Company's articles of association (other than transactions reviewed and approved by the independent members of the board of directors of the Company or through any other procedures that the board of directors may deem substantially equivalent to the foregoing), in order to determine whether their terms are consistent with market conditions or are otherwise fair to the Company and/or its subsidiaries. In the case of Material Transactions entered into by the Company's subsidiaries with Related Parties, the Company's audit committee will review those transactions entered into by those subsidiaries whose boards of directors do not have independent members, or that have not been reviewed and approved by such independent directors or through any other procedures that the board of directors of the Company may deem substantially equivalent to the foregoing.

Under the Company's articles of association, as supplemented by the audit committee's charter:

- a Material Transaction is (i) any transaction with or involving a Related Party (x) with an individual value equal to or greater than ten million U.S. dollars or (y) with an individual value lower than ten million U.S. dollars, when the aggregate sum of any series of transactions reflected in the financial statements of the four fiscal quarters of the Company preceding the date of determination (excluding any transactions that were reviewed and approved by any of the audit committee of the Company, or any of its subsidiaries, the board of directors of the Company, the independent members of the board of directors or other governing body of any subsidiary of the Company, or a majority of the members of the board of directors or similar governing body of any subsidiary of the Company that were not nominated by or at the request of the Company or any entity that directly or indirectly controls or is under common control with the Company) exceeds 1.5% of the Company's consolidated net sales made in the fiscal year preceding the year on which the determination is made; or (ii) any corporate reorganization transaction (including a merger, spin-off or bulk transfer of a business) involving the Company or any of its direct or indirect subsidiaries for the benefit of or involving a Related Party; and
- a Related Party is, in relation to the Company or its direct or indirect subsidiaries, any of the following persons: (i) a member of the board of directors of the Company or of the board of directors or other governing body of any of the Company's subsidiaries; (ii) any member of the board of directors or other governing body of an entity that directly or indirectly controls the Company; (iii) any entity that directly or indirectly controls or is under common control with the Company (other than the Company's subsidiaries); (iv) any entity controlled directly or indirectly by any member of the board of directors of the Company, or of the board of directors or other governing body of any subsidiary of the Company; and (v) any spouses, parents, siblings or relatives up to the third degree of, and any person that shares a home with, any person referred to in (i) or (ii).

The audit committee has the power (to the maximum extent permitted by applicable laws) to request that the Company or relevant subsidiary provide any information necessary for it to review any Material Transaction. A Related Party transaction shall not be entered into unless (i) the circumstances underlying the proposed transaction justify that it be entered into before it can be reviewed by the Company's audit committee or approved by the board of directors and (ii) the Related Party agrees to unwind the transaction if the Company's audit committee or board of directors does not approve it.

The audit committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and has direct access to the Company's internal and external auditors as well as Ternium's management and employees and, subject to applicable laws, its subsidiaries.

D. Employees

The following table shows the number of persons employed by Ternium and its consolidated subsidiaries:

	At December 31,		
	2011	2010	2009
Mexico	9,062	8,575	8,051
Argentina	5,459	5,416	5,281
Colombia	1,444	1,375	—
Other	580	562	547
Total employees (1)	16,545	15,928	13,879

- (1) It does not include 2,536 employees of contractors who performed services at Ternium's facilities at year-end 2011, 2,137 employees at year-end 2010 and 2,092 employees at year-end 2009. Personnel of contractors who performed services at Ternium's facilities at year-end 2011 increased compared to such personnel at year-end 2010 as a result of an increase in the number of employees of contractors working in projects.

At December 31, 2011, the number of persons employed by Ternium was 16,545. During 2011, the aggregate number of employees increased compared to year-end 2010, mainly due to higher activity levels. During 2010, the aggregate number of employees increased compared to year-end 2009, mainly due to the acquisition of Ferrasa and higher activity levels.

Mexico

In Mexico, approximately 61% of Ternium employees are unionized. Of these, approximately 50.5% of Mexico's unionized workers are members of FENASA ("*Federación Nacional de Asociaciones Sindicales Autónomas*"), the national federation of autonomous union associations, and 49.5% are members of FNSI ("*Federación Nacional de Sindicatos Independientes*"), the national federation of independent unions. The unionized employees of Peña Colorada, however, are members of Sindicato de Trabajadores Mineros, Metalúrgicos y Similares de la República Mexicana (Union of Mexican Republic mine, metal and similar workers). The applicable collective bargaining agreements are negotiated every two years and salary adjustments are made on an annual basis. Despite some social and union conflicts, Ternium's Mexican subsidiaries maintain good relations with their labor force in Mexico and have never experienced a strike or work stoppage related to labor conflicts.

Under Mexican law, companies are required to pay to their employees an annual benefit of 10% of their taxable income (profit sharing program), calculated similarly to income tax. Under Mexican law, Ternium Mexico is required to pay social security and tax contributions as follows: the company's social security contributions are equal to 20.4% of the minimum salary plus additional contributions of around 20% over the employees' total salary (subject to a cap); Ternium Mexico must also withhold an additional percentage for social security contributions (equal to 2.8%) from salaries up to a certain cap.

Under Mexican labor laws, when an employee is dismissed without cause or for a cause that is challenged by the employee, an employee (other than trust employees and those with less than one year of service) may choose to demand to be reinstated in his or her employment or to be paid severance which is equal to three months salary, plus accrued benefits, such as vacations, thirteenth month salary, and seniority bonus ("*prima de antigüedad*") equal to twenty four days of regional minimum salary per each year of service. In the former case, if the Conciliation and Arbitration Board determines that even though dismissal was not properly grounded but reinstatement is not possible, employer must pay a dismissed employee back wages accrued during trial, severance equal to three months salary, plus accrued benefits, such as vacations, thirteenth month salary, seniority bonus ("*prima de antigüedad*") equal to twenty four days of regional minimum salary per each year of service and additional compensation equal to twenty days per each year of service.

In Mexico, Ternium has defined benefit and defined contribution plans which are granted to employees depending on their commencement date, whether they are covered or not by a collective bargaining agreement and other factors. Defined benefit employee retirement plans (pensions and seniority premiums) are based primarily on years of service, present age and remuneration at the date of retirement. The formal retirement plans are congruent with and complementary to the retirement benefits established by the Mexican Institute of Social Security. In addition, some high level employees benefit from a plan to cover health-care expenses of retired employees. The defined contribution plans provide a benefit equivalent to the capital accumulated with the company's contributions, which are provided as a match of employees' contributions to the plan. The plan provides vested rights according to the years of service and cause of retirement. For further information see Note 4. (n) "Accounting policies—Employee liabilities" to our consolidated financial statements included elsewhere in this annual report.

Argentina

Most of Siderar's employees are members of the Argentine metalworkers union (the *Unión Obrera Metalúrgica de la República Argentina*, or UOM) and are covered by a collective agreement that includes all workers in the Argentine steel industry. The employees are also covered by certain complementary collective agreements between Siderar and the UOM that define specific issues related to each or all plants, such as working structures, performance related compensation, productivity, production quantity and quality and Siderar's results-related compensation. These agreements are subject to periodic modification and are updated in relation to competitiveness, quality, safety and efficiency goals and to reflect inflation adjustments.

As part of the privatization process in 1992, 20% of Siderar's shares were sold to former employees of the acquired state-owned company Somisa under the *Programa de Propiedad Participada* (the "Employee Stock Ownership Plan"). As of March 31, 2012 this participation decreased to 2.56% as a result of Siderar's shares being sold in the market overtime. For further information, see Item 4. "Information on the Company—C. Organizational Structure—Subsidiaries—Siderar."

Many foremen of Siderar are affiliated with the *Asociación de Supervisores de Industria Metalmeccánica de la República Argentina* ("ASIMRA"), the union of supervisors of different activities in the metal manufacturing industry. ASIMRA-affiliated employees are subject to an agreement signed with Siderar that establishes regulations relating to salaries, working organization, absences, vacations, benefits and labor relations. These agreements are subject to periodic modification and are updated in relation to the requirements of the production processes.

In the last five years, nominal salaries in local currency increased substantially, reflecting the economic situation of the country and inflation, and were the result of collective agreements entered into with the labor authorities' involvement. Negotiations on salaries between the employers' entity representing steel companies in the collective bargaining — including Siderar— and the steelworkers unions are made on an annual basis.

We believe that Siderar maintains good relations with its unions. In early 2009, following a decrease in the level of activity since the last quarter of 2008 due to the global economic downturn, Siderar downsized contractor and subcontractor activities and temporary personnel, triggering adverse reactions from the construction workers' union and the steelworkers' union. Later in 2009, during the negotiations between Siderar and the steelworkers' union regarding the annual bonuses related to results, the unions called for work stoppages and other measures. These events have not had a significant impact on Siderar's operations.

Under Argentine law, Siderar is required to pay an amount equal to up to 23% of its employees' base salaries towards the social security system. Siderar must also withhold an additional percentage from salaries for contribution to such funds up to a certain amount. Part of those contributions finances a state-controlled pension system. There are no mandatory company-supported pension plans.

Under Argentine labor laws, when an employee is dismissed without cause, an employer must pay him or her severance equal to one month of its best, monthly and regular salary per each year of service or fraction of more than three months, subject to certain floors and caps. In addition, Siderar implemented an unfunded benefit plan for certain senior officers. The plan is designed to provide certain benefits (in addition to those contemplated under applicable Argentine labor laws) in case of termination of the employment relationship due to certain specified events, including retirement.

Colombia

Presently, Ferrasa's employees are non-unionized workers. We believe that Ferrasa maintains good relations with its employees. The measures that Ferrasa has taken in order to make it more competitive have not resulted in significant labor unrest.

Under Colombian labor laws, employers are required to pay its workers a monthly minimum wage, which is increased by the government on an annual basis in relation to the inflation rate in the country during the previous year. In addition, labor laws provide for the payment of transportation assistance and the supply of uniforms to those employees earning less than two minimum monthly salaries.

Under Colombian law, Ferrasa is required to pay an amount equal to 20.5% of its employees' base salaries towards the social security system. Ferrasa must also withhold 8.5% from salaries for contribution to such funds. Those contributions finance a state-controlled pension system. There are no mandatory company-supported pension plans.

Under Colombian labor laws, when an employee is dismissed without cause, an employer must pay him or her severance equivalent to thirty days of wage for the first year of employment and twenty days of wage per year of service thereafter if the worker earns less than ten minimum monthly wages, or twenty days of wage for the first year of employment plus fifteen days of wage per year of service thereafter if the worker earns ten minimum monthly wages or more.

E. Share Ownership

To our knowledge, the total number of shares of the Company (including in the form of ADSs) owned by our directors and executive officers as of March 31, 2012 was 816,560, which represents 0.04% of our issued and outstanding shares. The following table provides information regarding share ownership by our officers and directors.

<u>Director or Officer</u>	<u>Number of Shares Held</u>
Adrián Lajous	740,560
Martín Berardi	76,000
Total	816,560

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table shows the beneficial ownership of our securities (in the form of shares or ADSs) by (1) the Company's major shareholders (persons or entities that own beneficially 5% or more of the Company's shares), (2) non-affiliated public shareholders, and (3) the Company's directors and senior management as a group. The information below is based on the most recent information available to the Company.

<u>Identity of Person or Group</u>	<u>Number</u>	<u>Percent</u>
Techint Holdings S.à r.l. and subsidiaries (1)	1,243,433,112	62.02%
Tenaris (1)	229,713,194	11.46%
Ternium (2)	41,666,666	2.08%
Directors and Senior Management as a group	816,560	0.04%
Public	489,113,910	24.40%
Total	<u>2,004,743,442</u>	<u>100.00%</u>

- (1) Each of Techint Holdings S.à r.l. (Techint), formerly known as I.I.I. Industrial Investments Inc. and Tenaris were controlled by San Faustin S.A. (San Faustin), formerly known as San Faustin NV. Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin (RP STAK) holds shares in San Faustin sufficient in number to control San Faustin and has the ability to influence matters affecting, or submitted to a vote of, the shareholders of San Faustin. Techint transferred its domicile from the Cayman Islands to Luxembourg and San Faustin also transferred its domicile from Curacao to Luxembourg. In connection with San Faustin's 2011 redomiciliation, San Faustin's controlling entity Rocca & Partners S.A. organized a Dutch private foundation (Stichting) under the name of Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin (RP STAK). RP STAK holds shares in San Faustin sufficient in number to control San Faustin. No person or group of persons controls RP STAK.
- (2) Ternium holds its own shares through its wholly-owned subsidiary Ternium International Inc.

On January 31, 2011, Ternium entered into a transaction and registration rights agreement with its former shareholder Usiminas and 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 USD150 million and USD100 million, respectively. In connection with the sale of Ternium's shares by Usiminas, Ternium collected a USD10.2 million fee and was reimbursed 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 and Usiminas no longer owns any Ternium shares. Also, upon completion of the transaction, the two members of Company's board of directors nominated by Usiminas resigned from the Company's board.

As of March 31, 2012, 48,993,037 ADSs (representing 489,930,370 shares, or 24% of all outstanding shares of the Company) were registered in the name of three record holders resident in the United States, as informed by The Bank of New York Mellon.

The voting rights of our principal shareholders do not differ from the voting rights of other shareholders. We are not aware of any arrangement which may at a later date result in a change of control of the Company.

B. Related Party Transactions

Ternium is a party to several related party transactions as described below. Material related party transactions are subject to the review of the audit committee of the Company's board of directors and the requirements of Luxembourg law. For further detail on the approval process for related party transactions, see Item 6. "Directors, Senior Management and Employees—C. Board Practices—Audit Committee."

Purchases of Raw Materials

In the ordinary course of business, Ternium buys raw materials and other production inputs from subsidiaries of Tenaris. These purchases are made on similar terms and conditions as those for purchases made by the Ternium companies from unrelated third parties. These transactions include:

- purchase of ferrous scrap and other raw material, which amounted to USD27.9 million in 2011, USD29.5 million in 2010 and USD14.3 million in 2009; and
- purchase of steam and operational services from the Argentine electric power generating facility of Siderca for Siderar in San Nicolás. These purchases amounted to USD14.0 million in 2011, USD14.1 million in 2010 and USD13.6 million in 2009.

Sales of Steel Products and Raw Materials

In the ordinary course of business, Ternium sells flat steel products, steel bars and other raw materials to subsidiaries of Tenaris. These transactions include:

- sales of flat steel products to be used in the production of welded pipes and accessories, which amounted to USD86.6 million in 2011, USD126.5 million in 2010 and USD24.7 million in 2009;
- sales of metal building components for a new rolling mill, which amounted to USD2.8 million in 2011, USD18.7 million in 2010 and USD4.4 million in 2009;
- sales of pig iron, DRI, scrap, iron ore pellets and other raw materials to be used in the production of seamless pipes, which amounted to USD2.3 million in 2011, USD20.1 million in 2010 and USD8.9 million in 2009; and
- sales of steel round bars for Tenaris facilities in Mexico, which amounted to USD77.9 million in 2011.

In certain circumstances, Ternium sells steel products to other companies in the Techint group. These sales amounted to USD0.4 million in 2011, USD2.5 million in 2010 and USD1.0 million in 2009.

All these sales are made on similar terms and conditions as those for sales made by Ternium to unrelated third parties.

Purchase Agency Services

Lomond Holdings, in which the Company has a 50% share ownership and Tenaris has the remaining 50% share ownership, through its network of companies under the brand "Exiros," provides purchase agency services to us, and to Tenaris' subsidiaries. In connection with Exiros' services, Ternium paid fees amounting to USD31.3 million in 2011, USD28.9 million in 2010 and USD23.6 million in 2009.

Supply of Natural Gas

Siderar has natural gas supply agreements with Tecpetrol and Energy Consulting Services, and natural gas transportation agreements with TGN and Litoral Gas. Tecpetrol is a company controlled by San Faustin, engaged in oil and gas exploration and production and has rights to various oil and gas fields in Argentina and elsewhere in Latin America. TGN operates two major pipelines in Argentina connecting the major gas basins of Neuquén and Noroeste-Bolivia to the major consumption centers in Argentina. Litoral Gas is a company that distributes gas in the Province of Santa Fe and in the northeastern section of the Province of Buenos Aires. Energy Consulting Services is a company engaged in energy and management consulting, representing one of the major and most reliable natural gas traders in Argentina. San Faustin holds significant but non-controlling interests in TGN, Litoral Gas and Energy Consulting Services.

Tecpetrol supplies natural gas at prices and on terms and conditions that are equivalent to those charged by Siderar's other suppliers of natural gas. Tecpetrol's sales to Siderar amounted to USD9.6 million in 2011, USD4.3 million in 2010 and USD2.4 million in 2009.

TGN charges Siderar a price to transport its natural gas supplies that is equivalent, on a comparable basis, to prices paid by other industrial users. The Argentine government regulates the framework under which TGN operates and prices its services. TGN's sales to Ternium amounted to USD1.8 million in 2011, USD1.8 million in 2010 and USD2.0 million in 2009.

Litoral Gas distributes gas to Siderar's northern plants. Litoral Gas' sales to Ternium totaled USD1.1 million in 2011, USD1.1 million in 2010 and USD1.3 million in 2009.

Energy Consulting Services provided Siderar with natural gas. Energy Consulting Services sales amounted to USD3.0 million in 2009.

Provision of Engineering and Labor Services

Ternium contracts with certain companies controlled by San Faustin specialized in supplying engineering services, construction services, labor and supervision services, for civil and electromechanical works, and cleaning, general maintenance and handling of by-products services. Fees accrued for these services amounted to USD124.8 million in 2011, USD104.5 million in 2010 and USD87.1 million in 2009.

Sales and Purchases of Other Products and Services

Ternium entered into other transactions with companies controlled by San Faustin. The most important ones include:

- purchases of plant equipment and spare parts, and technical assistance from Tenova S.p.A. (formerly Techint Compagnia Tecnica Internazionale) and from other related companies, which amounted to USD5.8 million in 2011, USD6.5 million in 2010 and USD0.3 million in 2009; and
- purchases of steel products from Tenaris' subsidiaries, which amounted to USD1.9 million in 2011 and USD0.5 million in 2010.

Administrative Services

Finma S.A., Arhsa S.A. and Techinst S.A., a group of companies controlled by San Faustin in which the Company has a 33% share ownership and other affiliates of San Faustin have the remaining share ownership, provide administrative and legal support services to San Faustin's affiliates in Argentina, including Argentine affiliates of Ternium. Fees accrued for these services amounted to USD11.5 million in 2011, USD10.0 million in 2010 and USD7.8 million in 2009.

Other Transactions

Ternium sold welded steel pipes to Tenaris as part of orders to a Tenaris customer for an amount of USD0.7 million in 2011, USD4.5 million in 2010 and USD1.9 million in 2009. In the ordinary course of business, from time to time, Ternium carries out other transactions and enters into other arrangements with Techint group companies, none of which are believed to be material.

C. Interest of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See Item 18 and pages F-1 through F-56 for our audited consolidated financial statements.

Legal Proceedings

Outstanding Legal Proceedings

The following legal proceedings were outstanding as of the date of this report:

Tax matters relating to Ternium Mexico

On January 26, 2012, the Mexican tax authorities notified Ternium Mexico and its subsidiary Acerus S.A. de C.V., or Acerus, 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 assessed 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 MXN4,124 million (approximately USD321 million) at March 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 the consolidated financial statements included in this annual report.

Tax matters relating to Siderar

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 income tax due on a nominal tax basis plus fines and interest in fiscal years 1995 to 1999 amounting to approximately USD18.7 million as of December 31, 2011. Siderar appealed these assessments before the National Tax Court. On April 13, 2005, Siderar was notified of a ruling issued by the National Tax Court reducing the assessments made by the AFIP for fiscal years 1995 – 1996. The ruling was appealed both by Siderar and the AFIP. On June 10, 2010, Siderar was notified of a ruling issued by the Court of Appeals in federal administrative law which mainly resulted in favor of Siderar. The ruling was appealed both by Siderar and the AFIP. Based on the above, Siderar recognized a provision amounting to USD2.0 million as of December 31, 2011 as management considers there could be a potential cash outflow.

Previously Reported Legal Proceedings

The following previously reported legal proceeding was terminated, settled or otherwise disposed of during the year covered by this report through to the date of this annual report:

Siderar

As of March 31, 2011, 25.97% of Siderar's equity was held by the ANSeS, Argentina's governmental social security agency. ANSeS became a significant shareholder of Siderar in the last quarter of 2008 as a result of the nationalization of Argentina's private pension system. Investments held by the private pension funds were subject to certain restrictions, including a limit preventing them to exercise more than 5% of any company's voting rights (regardless of their share participation in any such company), and the act of Congress ordering the transfer of assets from the private pension funds to ANSeS provided that all limitations applicable to the pension funds would continue to apply to ANSeS. However, on April 13, 2011, the Argentine Executive Branch issued Decree 441/2011, which purported to abrogate the 5% limit on voting rights. If ANSeS were to exercise its voting rights in excess of the 5% limit, ANSeS would have been entitled to appoint up to three out of eleven members of Siderar's board of directors and one out of three members of Siderar's surveillance committee. Ternium maintained that Decree 441/2011 was unconstitutional based on, among other reasons, the absence of the urgency grounds that must be met for an act of Congress to be amended by a decree of the Executive Branch.

On April 15, 2011, Siderar's annual general shareholders' meeting resolved, among other things, to approve a dividend payment of ARP1.5 billion (USD370 million) to be made available to shareholders (including Ternium) beginning on May 6, 2011. At that meeting, Ternium objected to the exercise by ANSeS of voting rights in excess of the 5% limit; however, ANSeS was allowed to record its vote as though the 5% restriction did not apply. Although the ANSeS representative voted against the dividend payment and most of other resolutions proposed by Siderar's board of directors, ANSeS did not prevail in any vote, even computing its votes without giving effect to the voting cap. Following the dividend approval, the annual shareholders' meeting was suspended until May 11, 2011.

After the meeting, the *Comisión Nacional de Valores* ("CNV"), Argentina's securities regulator, declared Siderar's shareholders' meeting (including the resolution approving the USD370 million dividend) void for "administrative purposes." Siderar challenged in court the CNV resolution voiding Siderar's shareholders' meeting and Ternium took legal action against Decree 441/2011.

On May 2, 2011, Siderar received notice of a preliminary injunction issued at ANSeS's request by a commercial court in the City of Buenos Aires, suspending the execution of certain resolutions taken by Siderar's shareholders' meeting (including the allocation of results for fiscal year 2010), and ordering Siderar to refrain from disposing, in whole or in part, of certain reserves and retained earnings accounts recorded in its net equity, except for the purpose of paying dividends. On May 5, 2011, the commercial court clarified that Siderar was prevented from distributing dividends out of its results or reserves for the fiscal year 2010 and was solely allowed to make distributions out of results or reserves corresponding to fiscal years prior to 2010. Siderar subsequently informed the market that, as a result of that court decision, it was not permitted to make on May 11, 2011, the dividend payment approved by its April 15, 2011 shareholders' meeting, and filed an appeal against the court decisions in accordance with applicable law.

On May 6, 2011, the CNV issued a resolution requesting Siderar to convene a new shareholders' meeting. But on May 11, 2011, at Ternium's request, the Commercial Court of Appeals of the City of Buenos Aires authorized Siderar to maintain its annual shareholders' meeting suspended for 60 days. While Siderar filed an appeal against such CNV resolution, Siderar's board of directors convened a new general shareholders' meeting for July 21, 2011.

On May 27, 2011, a federal prosecutor requested a federal criminal court in the City of Buenos Aires to investigate whether the members of Siderar's board of directors should be subject to criminal penalties as a result of Siderar's failure to provide additional information on the allocation of Siderar's ARP6.5 billion (or USD1.5 billion) special reserve for future dividends or to distribute a higher amount of dividends out of the special reserve. The special reserve, which increased significantly since 2003, had not previously been objected to or challenged by Siderar's shareholders or any regulatory authority. Ternium believed that the prosecutor's allegations were unsupported.

In addition, on June 2, 2011, the CNV instituted administrative proceedings against the members of Siderar's board of directors and supervisory committee. Those proceedings were intended to determine if those persons breached their legal duties by preventing ANSeS from exercising its voting rights in excess of the 5% limit at the April 15, 2011 shareholders' meeting. CNV finally acquitted the members of Siderar's board of directors and supervisory committee and issued a warning to Siderar. Siderar filed an appeal against such decision, which is currently to be resolved by the Commercial Court of Appeals of the City of Buenos Aires.

Siderar and ANSeS subsequently agreed to solve the issues under dispute. At a new general meeting held on July 21, 2011, the shareholders (including ANSeS) approved payment of a dividend of ARP1.5 billion (approximately USD360 million), payable out of Siderar's 2010 results. That dividend payment was identical to (but not cumulative with) the payment approved on April 15, 2011. Payment of the dividend was finally made available to shareholders (including Ternium) on September 7, 2011, after receipt by Siderar of notice of a court decision revoking the preliminary injunction issued at ANSeS' request in May 2011. The meeting also decided on the composition of Siderar's board of directors and surveillance committee; Ternium appointed the majority of the members of each of the board of directors and the surveillance committee, while ANSeS appointed three out of eleven members of the board of directors and one out of three members of the surveillance committee.

On November 10, 2011, a new shareholders' meeting (including ANSeS) resolved to reallocate ARP4,169,625,252 booked as special reserve for future dividends in Siderar's shareholders' equity by a capital increase and the issuance of 4,169,625,252 new shares with a nominal value of ARP1.00 per share, which were distributed among shareholders as a stock dividend.

All above referenced legal actions, proceedings and appeals were terminated and/or settled.

Dividend Policy

We do not have, and have no current plans to establish, a formal dividend policy governing the amount and payment of dividends or other distributions. The amount and payment of dividends will be determined by a simple majority vote at a general shareholders' meeting, typically, but not necessarily, based on the recommendation of the Company's board of directors. All shares of the Company's share capital rank *pari passu* with respect to the payment of dividends.

The following table shows the dividends approved by the Company's shareholders since its incorporation:

Shareholders' meeting date	Approved dividend			Dividend payment date
	Amount (USD million)	Per share (USD)	Per ADS (USD)	
June 6, 2007	100.2	0.05	0.50	June 12, 2007
June 4, 2008	100.2	0.05	0.50	June 12, 2008
June 3, 2009	—	—	—	n/a
June 2, 2010	100.2	0.05	0.50	June 10, 2010
June 1, 2011	150.4	0.075	0.75	June 9, 2011

We conduct all of our operations through subsidiaries and, accordingly, our main source of cash to pay dividends is the dividends received from our subsidiaries. See Item 3. "Key Information—D. Risk Factors—Risks Relating to the Structure of the Company—As a holding company, the Company's ability to pay cash dividends depends on the results of operations and financial condition of its subsidiaries and could be restricted by legal, contractual or other limitations." These dividend payments will likely depend on our subsidiaries' results of operations, financial condition, cash and capital requirements, future growth prospects and other factors deemed significant by their respective boards of directors, as well as on any applicable legal restrictions. See Item 3. "Key Information—D. Risk Factors—Risks Relating to the Countries in Which We Operate—Argentina" and Item 10. "Additional Information—B. Memorandum and Articles of Association—Dividends" for a discussion of the current restrictions on the payment of dividends.

Pursuant to our articles of association, the board of directors has the power to distribute interim dividends in accordance with applicable Luxembourg law, but dividend payments must be approved by our shareholders at the annual general meeting, subject to the approval of our annual accounts. Dividends may be lawfully declared and paid if our net profits and distributable reserves are sufficient under Luxembourg law.

Under Luxembourg law, at least 5% of our net profits per year must be allocated to the creation of a legal reserve until such reserve has reached an amount equal to 10% of our issued share capital. If the legal reserve later falls below the 10% threshold, at least 5% of net profits again must be allocated toward the reserve. The Company's legal reserve represented 10% of its share capital as of December 31, 2011. The legal reserve is not available for distribution.

B. Significant Changes

Except as otherwise disclosed in this annual report, there has been no undisclosed significant change since the date of the annual financial statements.

Item 9. The Offer and Listing

A. Offer and Listing Details

The Company's ADSs are listed on the New York Stock Exchange, or NYSE, under the symbol "TX." Trading on the NYSE began on February 1, 2006. As of March 31, 2012, a total of 2,004,743,442 shares were registered in the Company's shareholder register.

As of March 31, 2012, a total of 489,930,470 shares were registered on behalf of Euroclear and Clearstream, mostly related to the Company's ADR program. On March 30, 2012, the closing price for the Company's ADSs reported by the NYSE was USD23.68.

New York Stock Exchange

As of March 31, 2012, a total of 48,993,037 ADSs were registered of record. Each ADS represents 10 shares of the Company's share capital. The Bank of New York Mellon acts as the Company's depository for issuing ADRs evidencing the ADSs. The following tables set forth, for the periods indicated, the high and low daily quoted prices for the Company's shares, in the form of ADSs, as reported by the NYSE.

<u>Five Most Recent Full Financial Years</u>	<u>Price per ADS</u>	
	<u>High</u>	<u>Low</u>
2007	41.23	24.01
2008	45.18	4.65
2009	35.61	5.76
2010	43.07	29.16
2011	43.26	15.54

<u>Full Financial Quarters since 2010</u>	<u>Price per ADS</u>	
	<u>High</u>	<u>Low</u>
First quarter 2010	41.34	29.16
Second quarter 2010	43.05	29.78
Third quarter 2010	37.94	30.87
Fourth quarter 2010	43.07	32.55
First quarter 2011	43.26	33.78
Second quarter 2011	36.61	28.46
Third quarter 2011	31.08	20.21
Fourth quarter 2011	26.20	15.54
First quarter 2012	24.86	18.65

<u>Last Six Months</u>	<u>Price per ADS</u>	
	<u>High</u>	<u>Low</u>
October 2011	26.20	19.90
November 2011	26.06	15.54
December 2011	18.65	16.73
January 2012	23.25	18.65
February 2012	23.97	21.64
March, 2012	24.86	22.53

B. Plan of Distribution

Not applicable.

C. Markets

See "—A. Offer and Listing Details."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

General

The following is a summary of certain rights of holders of the Company's shares. These rights are set out in the Company's articles of association or are provided by applicable Luxembourg law, and may differ from those typically provided to shareholders of U.S. companies under the corporation laws of some states of the United States of America. This summary is not exhaustive and does not contain all information that may be important to you. For more complete information, you should read the Company's articles of association, which are attached as an exhibit to this annual report.

The Company is a public limited liability company (*société anonyme*) organized under the laws of Luxembourg. Its object and purpose, as set forth in Article 2 of its articles of association, is the taking of interests, in any form, in corporations or other business entities, and the administration, management, control and development thereof. The Company is registered under the number B98 668 in the *Registre du Commerce et des Sociétés*.

The Company's authorized share capital is fixed by the Company's articles of association, as amended from time to time, with the approval of shareholders at an extraordinary general shareholders' meeting. The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. The general extraordinary meeting of shareholders held on June 2, 2010, renewed the validity of the Company's authorized share capital until July 15, 2015. As of March 31, 2012, there were 2,004,743,442 shares issued. All issued shares are fully paid.

The Company's articles of association authorized the board of directors or any delegate(s) duly appointed by the board of directors, to issue shares within the limits of its authorized share capital against contributions in cash, contributions in kind or by way of incorporation of available reserves, at such times and on such terms and conditions as the board of directors or its delegates may determine. The extraordinary general meeting of shareholders held on June 2, 2010 renewed this authorization until July 15, 2015.

The Company's shareholders have authorized the board of directors to waive, suppress or limit any pre-emptive subscription rights of shareholders provided for by law to the extent it deems such waiver, suppression or limitation advisable for any issue or issues of shares within the authorized share capital. However, if and from the date the Company's shares are listed on a regulated market (and only for as long as they are so listed), any issuance of shares for cash within the limits of the authorized share capital shall be subject to the pre-emptive subscription rights of the then existing shareholders (as set out in the articles of association), except in the following cases (in which cases no pre-emptive rights shall apply):

- (a) any issuance of shares for, within, in conjunction with or related to, an initial public offering of the Company's shares on one or more regulated markets (in one or more instances);
- (b) any issuance of shares against a contribution other than in cash;
- (c) any issuance of shares upon conversion of convertible bonds or other instruments convertible into shares; provided, however, that the pre-emptive subscription rights of the then existing shareholders shall apply by provision of the Company's articles of association in connection with any issuance of convertible bonds or other instruments convertible into shares for cash; and
- (d) any issuance of shares (including by way of free shares or at a discount), up to an amount of 1.5% of the issued share capital of the Company, to directors, officers, agents or employees of the Company, its direct or indirect subsidiaries, or its Affiliates (as such term is defined in the Company's articles of association), including without limitation the direct issue of shares upon the exercise of options, rights convertible into shares, or similar instruments convertible or exchangeable into shares issued for the purpose of, or in relation to, compensation or incentive for any such persons.

Dividends

Subject to applicable law, all shares (including shares underlying ADSs) are entitled to participate equally in dividends when, as and if declared by the shareholders at the ordinary general shareholders' meeting, out of funds legally available for such purposes. Under Luxembourg law, claims for dividends will lapse five years after the date such dividends are declared. However, we may elect to pay a declared dividend after such period. The shareholders may, at the ordinary general shareholders' meeting, which every shareholder has the right to attend in person or by proxy, declare a dividend under Article 21 of the Company's articles of association.

Under Article 21 of the articles of association, the Company's board of directors has the power to distribute interim dividends in accordance with the conditions that apply to commercial companies set forth in particular in Section 72-2 of the Luxembourg law of August 10, 1915, on commercial companies.

Pursuant to Luxembourg law, at least 5% of our net profits per year must be allocated to the creation of a legal reserve until such reserve has reached an amount equal to 10% of our issued share capital. If the legal reserve later falls below the 10% threshold, at least 5% (or such lower amount required to reach the 10% threshold) of net profits again must be allocated toward the reserve. The Company's legal reserve represented 10% of its share capital as of December 31, 2011. The legal reserve is not available for distribution.

Voting Rights; Shareholders' Meetings; Election of Directors

Each share entitles the holder to one vote at the Company's general shareholders' meetings. Shareholder action by written consent is not permitted, but proxy voting is permitted. Notices of general shareholders' meetings are governed by the provisions of Luxembourg law and the Company's articles of association. Notices of such meetings must be published twice, at least at eight-day intervals, the second notice appearing at least eight days prior to the meeting, in the Luxembourg Official Gazette and in a leading newspaper having general circulation in Luxembourg. If an extraordinary general shareholders' meeting is adjourned for lack of a quorum, notices must be published twice, in the Luxembourg Official Gazette and two Luxembourg newspapers, at 15-day intervals, the second notice appearing at least 15 days prior to the meeting. In case the Company's shares are listed on a foreign regulated market, notices of general shareholders' meetings shall also be published in accordance with the publicity requirements of such regulated market. No attendance quorum is required at annual ordinary general shareholders' meetings and resolutions are adopted by a simple majority vote of the shares present or represented and voted at the meeting. An extraordinary general shareholders' meeting must have a quorum of at least 50% of the issued and outstanding shares. If a quorum is not reached, such meeting may be reconvened at a later date with no quorum requirements by means of the appropriate notification procedures provided for by Luxembourg company law. In both cases, Luxembourg company law and the Company's articles of association require that any resolution of an extraordinary general shareholders' meeting be adopted by a two-thirds majority vote of the shares present or represented. If a proposed resolution consists of changing the Company's nationality or of increasing the shareholders' commitments, the unanimous consent of all shareholders is required. Directors are elected at annual ordinary general shareholders' meetings. Cumulative voting is not permitted. As the Company's articles of association do not provide for staggered terms, directors are elected for a maximum of one year and may be reappointed or removed at any time, with or without cause, by resolution passed by a simple majority vote of the shares present or represented and voted. In the case of a vacancy occurring in the board of directors, the remaining directors shall have the right to temporarily fill such vacancy by the affirmative vote of a majority of the remaining directors. The term of a temporary director elected to fill a vacancy shall expire at the end of the term of office of the replaced director; provided however that the next shareholders' meeting shall be called upon to proceed with the definitive election of any temporary member of the board of directors so elected.

The Company's articles of association provide that annual ordinary general shareholders' meetings, at which its annual financial statements are approved and the members of its board of directors are appointed, must take place in Luxembourg on the first Wednesday of every May at 2:30 p.m., Luxembourg time. If that day is a legal or banking holiday in Luxembourg, the meeting shall be held on the following business day.

Any shareholder who holds one or more shares of the Company on the fifth calendar day preceding the general shareholders' meeting (the "Record Date") shall be admitted to a general shareholders' meeting. Those shareholders who have sold their shares between the Record Date and the date of the general shareholders' meeting may not attend or be represented at the meeting.

In the case of shares held through fungible securities accounts, each shareholder may exercise all rights attached to his shares and, in particular, may participate in and vote at shareholders' meetings of the Company upon presentation of a certificate issued by the financial institution or professional depository holding the shares, evidencing such deposit and certifying the number of shares recorded in the relevant account on the Record Date. Such certificate must be filed at least five days before the meeting with the Company at its registered address or at the address stated in the convening notice or, in case the shares of the Company are listed on a regulated market, with an agent of the Company located in the country of the listing and designated in the convening notice. In case any such holder wishes to vote by proxy, the holder shall have to present a completed proxy form together with the certificate previously referred, by the same date and time and at the same addresses.

The board of directors and the shareholders at the shareholders' meeting may, if they deem so advisable, reduce these periods of time for all shareholders and admit all shareholders (or their proxies) who have filed the appropriate documents to the general shareholders' meeting, irrespective of these time limits.

Holders of ADSs only have those rights that are expressly granted to them in the deposit agreement dated as of January 31, 2006 among the Company, The Bank of New York Mellon (formerly The Bank of New York), as depository, and all owners and beneficial owners from time to time of ADRs of the Company. ADS holders may not attend or directly exercise voting rights in shareholders' meetings, but may instruct the depository on how to exercise the voting rights for the shares which underlie their ADSs.

Access to Corporate Records

Luxembourg law and the Company's articles of association do not generally provide for shareholder access to corporate records. Shareholders may inspect the annual accounts and auditors' reports at the Company's registered office during the fifteen-day period prior to a general shareholders' meeting.

Appraisal Rights

In case the shares of the Company are listed on one or more regulated markets, and in the event the shareholders, in a general meeting, approve any of the following:

- the delisting of the Company's shares from all regulated markets where the Company's shares are listed at that time, excluding a delisting made pursuant to an offer to all of the Company's shareholders made by a business entity subject to common control with the Company, whereby such business entity offers to issue, in exchange for the Company's shares, shares to be listed on the same regulated market(s) on which the Company's shares are listed;
- a merger in which the Company is not the surviving entity (unless the shares or other equity securities of such entity are listed on the New York or London stock exchanges);
- a sale, lease, exchange or other disposition of all or substantially all of the Company's assets;
- an amendment to the Company's articles of association that has the effect of materially changing its corporate purpose;
- the relocation of the Company's domicile outside the Grand Duchy of Luxembourg; or
- amendments to the Company's articles of association that restrict the rights of its shareholders (excluding any amendments in relation with, or to, the authorized share capital and/or the waiver or suppression of any preferential subscription rights relating thereto);

dissenting or absent shareholders have the right to have their shares repurchased by the Company at (i) the average market value of the shares over the 90 calendar days preceding the applicable general shareholders' meeting or (ii) in the event that the Company's shares are not traded on any regulated market, the amount that results from applying the proportion of the Company's equity that the shares being sold represent over the Company's net worth as determined in its last consolidated financial statements approved by the shareholders or in its last interim consolidated financial statements approved by the board of directors, whichever is more recent. Shareholders who voted in favor of the relevant resolution are not entitled to exercise this right.

Dissenting or absent shareholders must present their claim within one month following the date of the applicable general shareholders' meeting and supply the Company with evidence of their shareholding at the time of such meeting. The Company must (to the extent permitted by applicable laws and regulations and in compliance therewith) repurchase its shares within six months following the date of the applicable general shareholders' meeting. If delisting from one or more, but not all, of the regulated markets where the Company's shares are listed is approved by the shareholders' meeting, only dissenting or absent shareholders with shares held through participants in the local clearing system for that market or those markets can exercise this appraisal right if:

- they held the shares as of the date of the announcement by the Company of its intention to delist or as of the date of publication of the first convening notice for the general shareholders' meeting that approved the delisting;
- they present their claim within one month following the date of the general shareholders' meeting and supply evidence of their shareholding as of the date of the Company's announcement or the publication of the first convening notice to the meeting; and
- the delisting is not being made pursuant to an offer to all of the Company's shareholders made by a business entity subject to common control with the Company, whereby such business entity offers to issue, in exchange for the Company's shares, shares to be listed on the same regulated market(s) on which such dissenting or absent shareholders hold their shares through participants in the local clearing system for that market or markets.

In the event a shareholder exercises its appraisal right, applicable Luxembourg law provisions shall apply.

Distribution of Assets on Winding-up

In the event of the Company's liquidation, dissolution or winding-up, the net assets remaining after allowing for the payment of all debts, charges and expenses shall be paid out to holders of the Company's shares in proportion to their respective holdings.

Transferability and Form

The Company's articles of association do not impose restrictions on the transfer of its shares. The shares are issuable in registered form only.

Pursuant to the Company's articles of association, the ownership of registered shares is evidenced by the inscription of the name of the shareholder, the number of shares held by such shareholder and the amount paid on each share in the Company's shareholders' register. In addition, the Company's articles of association provide that shares may be held through fungible securities accounts with financial institutions or other professional depositories. Shares held through fungible securities accounts have the same rights and obligations as shares recorded in the Company's shareholders' register.

Shares held through fungible securities accounts may be transferred in accordance with customary procedures for the transfer of securities in book-entry form. Shares that are not held through fungible securities accounts may be transferred by a written statement of transfer signed by both the transferor and the transferee or their respective duly appointed attorney-in-fact and recorded in the Company's shareholders' register. The transfer of shares may also be made in accordance with the provisions of Article 1690 of the Luxembourg Civil Code. As evidence of the transfer of registered shares, the Company may also accept any correspondence or other documents evidencing the agreement between transferor and transferee as to the transfer of registered shares.

BNP Paribas Securities Services, Luxembourg Branch, maintains the Company's shareholders' register.

Repurchase of Company Shares

The Company may repurchase its own shares in the cases and subject to the conditions set by the Luxembourg law of August 10, 1915, as amended, and, in the case of acquisitions of shares or ADSs made through the NYSE, with any applicable laws and regulations of such market. See Item 16.E "Purchases of Equity Securities by the Issuer and Affiliated Purchasers" for further information on the authorization granted on June 2, 2010, by the Company's annual general shareholders' meeting to the Company or its subsidiaries to repurchase the Company's shares, including shares represented by ADRs.

Limitation on Securities Ownership

There are no limitations currently imposed by Luxembourg law or the articles of association on the rights of non-resident shareholders to hold or vote the Company's shares.

Change in Control

None of our outstanding securities has any special control rights. The Company's articles of association do not contain any provision that would have the effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company. In addition, the Company does not know of any significant agreements or other arrangements to which the Company is a party and which take effect, alter or terminate in the event of a change of control of the Company.

There are no rights associated with the Company's shares other than those described above.

C. Material Contracts

For a summary of any material contract entered into by us outside of the ordinary course of business during the last two years, see Item 4. "Information on the Company—B. Business Overview—Raw Materials, Energy and Other Inputs." For a summary of the notes evidencing CVG's indebtedness to the Company in connection with the Sidor nationalization process, see note 27 to our audited consolidated financial statements included elsewhere in this annual report.

D. Exchange Controls

Many of the countries which are important markets for us or in which we have substantial assets have a history of substantial government intervention in currency markets, volatile exchange rates and government-imposed currency controls. These include Mexico and Argentina. Currently, only Argentina has exchange controls or limitations on capital flows—including requirements for the repatriation of export proceeds—in place.

Mexico

Between November 1991 and December 1994, the Mexican Central Bank maintained the exchange rate between the U.S. dollar and the Mexican peso within a predetermined range through intervention in the foreign exchange market. The Mexican Central Bank intervened in the foreign exchange market as the exchange rate reached either the minimum or the maximum of the predetermined range in order to reduce day-to-day fluctuations in the exchange rate. On December 20, 1994, the Mexican government modified the predetermined range within which the Mexican peso was permitted to float by increasing the maximum Mexican peso price of the U.S. dollar by MXN0.53, which implied an effective 15% devaluation of the Mexican peso from December 19 to December 21, 1994. On December 22, 1994, the Mexican government suspended intervention by the Mexican Central Bank in the foreign exchange market and allowed the Mexican peso to float freely against the U.S. dollar. Factors that contributed to this decision included the size of Mexico's current account deficit, a decline in the Mexican Central Bank's foreign exchange reserves, rising interest rates for other currencies (especially the U.S. dollar) and reduced confidence in the Mexican economy on the part of investors due to political uncertainty associated with events in the state of Chiapas and presidential and congressional elections in that year. The value of the Mexican peso suffered a steep deterioration against the U.S. dollar, declining by 43% from December 19, 1994 to December 31, 1994. The Mexican government has since allowed the Mexican peso to float freely against the U.S. dollar. Since September 2008 until March 2009, the value of the Mexican peso against the U.S. dollar declined rapidly mainly as a consequence of the global economic downturn. Between March 2009 and June 2011, the Mexican peso partly recovered its losses mainly reflecting the subsequent recovery of economic activity. During the second half of 2011 the value of the Mexican peso against the U.S. dollar declined rapidly mainly as a consequence of the European crisis. The Mexican peso suffered a 25% devaluation with respect to the U.S. dollar in 2008, it appreciated 4% in 2009 and 5% in 2010, and it depreciated 13% in 2011.

Historically, the Mexican economy has suffered balance of payment deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert Mexican pesos to U.S. dollars and the terms of NAFTA—to which Mexico is a signatory—generally prohibit exchange controls, the Mexican government could institute a restrictive exchange control policy in the future.

For additional information regarding factors affecting the value of the Mexican peso, see Item 3. “Key Information—D. Risk Factors—Risks Relating to the Countries in Which We Operate—Mexico.”

Argentina

Since 2002, the Argentine government has maintained a “dirty” float of the peso. In addition, following the enactment of the Public Emergency and Foreign Exchange System Reform Law No. 25,562 in January 2002, several rules and regulations have been introduced to reduce volatility in the ARP/USD exchange rate. Below is a summary of the principal limitations on the transfer of foreign currency in and out of Argentina:

- the proceeds of certain foreign financial debt incurred by Argentine residents (including private Argentine entities) as well as certain inflows for the purpose of investments in the capital markets must remain in Argentina for at least 365 calendar days and, with certain exceptions, 30% of the amount of off-shore proceeds must be deposited in a non-transferable, non-interest bearing account with an Argentine bank. This deposit must be held for a period of 365 calendar days and may not be used as collateral in any credit transaction;
- outflows from proceeds of investments in capital markets are restricted and subject to certain requirements, such as, in certain cases, the maintenance of the investment for a specific period of time;
- inflows and outflows of foreign currency through the local exchange market, and indebtedness transactions by local residents that may result in a foreign currency payment to non-residents, must be registered with the Argentine Central Bank;
- funds from export revenues or financial loans received that are credited in foreign currency overseas must be converted into local currency and credited to a local banking account within a specific period of time;
- acquisitions to make investments in foreign currency must be cleared in advance by the federal tax authority. The grounds on which transactions are cleared or rejected are not specified in the regulations nor have been disclosed by the federal tax authority; and
- all payments of import of goods (despite its materiality) and services (above a specified threshold) must be cleared by the federal tax authority and other competent authorities, such as the Secretary of Commerce. The criteria followed to authorize or object a transaction are not determined in the applicable regulations.

Regulations issued by the Argentine Central Bank establish specific exceptions pursuant to which some of these requirements may not apply to foreign trade, export finance-related transactions and certain medium term financial loans (subject to compliance with certain requirements), nor to the primary placement of publicly traded securities listed in one or more regulated markets.

Increasingly since 2008, the Argentine government has imposed new restrictions on foreign exchange outflows, including through certain transactions on securities traded locally. Also, in October 2008, the time periods for the repatriation of export revenues credited in foreign currency overseas were, in practice, substantially shortened.

For additional information regarding factors affecting the value of the Argentine peso, see Item 3. “Key Information—D. Risk Factors—Risks Relating to the Countries in Which We Operate—Argentina.”

The market exchange rate of the Argentine peso against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market and is indirectly influenced by Argentine governmental actions carried out through certain public bodies, including the Argentine Central Bank. See Item 3. “Key Information—D. Risk Factors—Risks Relating to our Business— Changes in exchange rates or any limitation in the Ternium companies’ ability to hedge against exchange rate fluctuations could adversely affect Ternium’s business and results.”

E. Taxation

The following discussion of the material Luxembourg and United States federal income tax consequences of an investment in the Company's ADSs is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This discussion does not address all possible tax consequences relating to an investment in the Company's ADSs, such as the tax consequences under United States state and local tax laws.

Grand Duchy of Luxembourg

This section describes the material Luxembourg tax consequences of owning or disposing of ADSs.

You should consult your own tax advisor regarding the Luxembourg tax consequences of owning and disposing of ADSs in your particular circumstances.

As used herein, a "Luxembourg individual" means an individual resident in Luxembourg who is subject to personal income tax (impôt sur le revenu) on his or her worldwide income from Luxembourg or foreign sources, and a "Luxembourg corporate holder" means a company (that is, a fully taxable collectivité within the meaning of Article 159 of the Luxembourg Income Tax Law) resident in Luxembourg subject to corporate income tax (impôt sur le revenu des collectivités) on its worldwide income from Luxembourg or foreign sources. For the purposes of this summary, Luxembourg individuals and Luxembourg corporate holders are collectively referred to as "Luxembourg Holders." A "non-Luxembourg Holder" means any investor in ADSs of the Company other than a Luxembourg Holder.

Corporate reorganization

The Company was established as a Luxembourg *société anonyme holding* 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 income tax and Luxembourg 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.

In light of the impending termination of Luxembourg's 1929 holding company regime, in the fourth quarter of 2010, the Company carried out a multi-step corporate reorganization, which included, among other transactions, the contribution of all of the Company's assets and liabilities to a wholly-owned, newly-incorporated Luxembourg subsidiary and the restructuring of indirect holdings in certain subsidiaries. The reorganization was completed in December 2010, and resulted in a non-taxable revaluation of the accounting value (under Luxembourg GAAP) of the Company's assets.

Following the completion of the corporate reorganization, and upon its conversion into an ordinary Luxembourg holding company, the Company recorded a special reserve for tax purposes in a significant amount. 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. See note 1 to our audited consolidated financial statements included elsewhere in this annual report.

Tax regime applicable to realized capital gains

Luxembourg Holders

Luxembourg resident individual holders

Capital gains realized by Luxembourg resident individuals who do not hold their ADSs as part of a commercial or industrial business and who hold no more than 10% of the share capital of the Company will only be taxable if they are realized on a sale of ADSs that takes place within the first six months following their acquisition.

If such ADSs are held as part of a commercial or industrial business, capital gains would be taxable in the same manner as income from such business.

Capital gains realized by Luxembourg resident individuals holding (together with his/her spouse and underage children) directly or indirectly more than 10% of the capital of the Company³ will be taxable at a special rate, but after a holding period of six months. Within the six month period, standard rates apply.

Luxembourg resident corporate holders

Capital gains realized upon the disposal of ADSs by a fully taxable resident corporate holder will in principle be subject to corporate income tax and municipal business tax. The combined applicable rate (including an unemployment fund contribution) is 28.80% for the fiscal year ending 2011 for a corporate holder established in Luxembourg-City. An exemption from such taxes may be available to the holder pursuant to Article 1 of the Grand Ducal Decree dated December 21st, 2001 in combination with article 166 of the Luxembourg Income Tax Law subject to the fulfillment of the conditions set forth therein.

Non-Luxembourg Holders

An individual who is a non-Luxembourg Holder of ADSs (and who does not have a permanent establishment, a permanent representative or a fixed place of business in Luxembourg) will only be subject to Luxembourg taxation on capital gains arising upon disposal of such ADSs if such holder has (together with his or her spouse and underage children) directly or indirectly held more than 10% of the capital of the Company at any time during the past five years, and either (i) such holder has been a resident of Luxembourg for tax purposes for at least 15 years and has become a non-resident within the last five years preceding the realization of the gain, subject to any applicable tax treaty, or (ii) the disposal of ADSs occurs within six months from their acquisition (or prior to their actual acquisition), subject to any applicable tax treaty.

A corporate non-Luxembourg Holder (that is, a *collectivité* within the meaning of Article 159 of the Luxembourg Income Tax Law), which has a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which ADSs are attributable, will bear Luxembourg corporate income tax and municipal business tax on a gain realized on a disposal of such ADSs as set forth above for a Luxembourg corporate holder. However, gains realized on the sale of the ADSs may benefit from the full exemption provided for by Article 1 of the Grand Ducal Decree dated December 21st, 2001 in combination with Article 166 of the Luxembourg Income Tax Law subject in each case to fulfillment of the conditions set out therein.

A corporate non-Luxembourg Holder, which has no permanent establishment in Luxembourg to which the ADSs are attributable, will bear corporate income tax on a gain realized on a disposal of such ADSs under the same conditions applicable to an individual non-Luxembourg Holder, as set out above.

Tax regime applicable to distributions

Withholding tax

Distributions imputed for tax purposes to newly accumulated profits of the Company (on an unconsolidated basis) are subject to a withholding tax of 15% computed on the gross amount distributed. The rate of the withholding tax may be reduced pursuant to double tax treaty existing between Luxembourg and the country of residence of the relevant holder, subject to the fulfillment of the conditions set forth therein.

³ Or if the Luxembourg resident individuals have received the shares for no consideration within the last 5 years and that the former holder held at least 10% in the capital of the company at any moment during said five years.

Nevertheless, no withholding tax applies if the distribution is made to (i) a Luxembourg resident corporate holder (that is, a fully taxable collectivité within the meaning of Article 159 of the Luxembourg Income Tax Law), (ii) an undertaking of collective character which is resident of a Member State of the European Union and is referred to by article 2 of the European Union Council Directive of November 30th, 2011 concerning the common fiscal regime applicable to parent and subsidiary companies of different member states (2011/96/UE), (iii) a corporation or a cooperative company resident in Norway, Iceland or Liechtenstein and subject to a tax comparable to corporate income tax as provided by the Luxembourg Income Tax Law, (iv) a company resident in Switzerland which is subject to corporate income tax in Switzerland without benefiting from an exemption, (v) an undertaking with a collective character subject to a tax comparable to corporate income tax as provided by the Luxembourg Income Tax Law which is resident in a country that has concluded a double tax treaty with Luxembourg and (vi) a Luxembourg permanent establishment of one of the above-mentioned categories (except (iv)), provided each time that at the date of payment, the holder holds or commits to hold directly (or through a vehicle regarded as tax transparent from a Luxembourg tax perspective), during an uninterrupted period of at least twelve months, ADSs representing at least 10% of the share capital of the Company or acquired for an acquisition price of at least EUR 1,200,000.

Luxembourg Holders

With the exception of Luxembourg corporate holders benefitting from the exemption referred to above, Luxembourg individual holders, and Luxembourg corporate holders subject to Luxembourg corporate tax, must include the distributions paid on the ADSs in their taxable income, 50% of the amount of such dividends being exempt from tax. The applicable withholding tax can, under certain conditions, entitle the relevant Luxembourg Holder to a tax credit.

Net wealth tax

Luxembourg Holders

Luxembourg net wealth tax will not be levied on a Luxembourg Holder with respect to the ADSs held unless (i) the Luxembourg Holder is a legal entity subject to net wealth tax in Luxembourg; or (ii) the ADSs are attributable to an enterprise or part thereof which is carried on through a permanent establishment, a fixed place of business or a permanent representative in Luxembourg.

Net wealth tax is levied annually at the rate of 0.5% on the net wealth of enterprises resident in Luxembourg, as determined for net wealth tax purposes. The ADSs may be exempt from net wealth tax subject to the conditions set forth by Paragraph 60 of the Law of October 16, 1934 on the valuation of assets (*Bewertungsgesetz*), as amended.

Non-Luxembourg Holders

Luxembourg net wealth tax will not be levied on a non-Luxembourg Holder with respect to the ADSs held unless the ADSs are attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

Stamp and registration taxes

No registration tax or stamp duty will be payable by a holder of ADSs in Luxembourg solely upon the disposal of ADSs by sale or exchange.

Estate and gift taxes

No estate or inheritance tax is levied on the transfer of ADSs upon the death of a holder of ADSs in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes and no gift tax is levied upon a gift of ADSs if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

Where a holder of ADSs is a resident of Luxembourg for tax purposes at the time of his death, the ADSs are included in its taxable estate for inheritance tax or estate tax purposes.

United States federal income taxation

This section describes the material U.S. federal income tax consequences of owning ADSs. It applies to you only if you hold your ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,

- a bank,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- a person who invests through a pass-through entity, including a partnership,
- a life insurance company,
- a person liable for alternative minimum tax,
- a former citizen of long-term resident of the United States,
- a person that actually or constructively owns 10% or more of our voting stock (including ADSs),
- a person that holds ADSs as part of a straddle or a hedging or conversion transaction,
- a person that purchases or sells ADSs as part of a wash sale for tax purposes, or
- a U.S. holder (as defined below) whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

If a partnership holds the ADSs, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Each such partner holding the ADSs is urged to consult his, her or its own tax advisor.

You are a U.S. holder if you are a beneficial owner of ADSs and you are, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to U.S. federal income tax regardless of its source, *or*
- a trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

You should consult your own tax advisor regarding the U.S. federal, state and local and other tax consequences of owning and disposing of ADSs in your particular circumstances.

This discussion addresses only U.S. federal income taxation.

In general, and taking into account the earlier assumptions, for U.S. federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the Shares represented by those ADRs. Exchanges of Shares for ADRs, and ADRs for Shares, generally will not be subject to U.S. federal income tax.

Taxation of dividends

U.S. Holders. Under the U.S. federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, if you are a U.S. holder, the gross amount of any distribution we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the ADSs generally will be qualified dividend income but there can be no assurance in this regard.

You must generally include any Luxembourg tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when the depository receives the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the ADSs and thereafter as capital gain. However, we do not expect to keep earnings and profits in accordance with U.S. federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

The amount of any dividend paid in foreign currency will equal the U.S. dollar value of the foreign currency received calculated by reference to the exchange rate in effect on the date the dividend is received by the depository, regardless of whether the foreign currency is converted into U.S. dollars. If the foreign currency received as a dividend is converted into U.S. dollars on the date of receipt, you generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If the foreign currency received as a dividend is not converted into U.S. dollars on the date of receipt, you will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the foreign currency will generally be treated as ordinary income or loss from sources within the United States.

For foreign tax credit purposes, dividends will be income from sources outside the United States and will generally constitute “passive category income” for purposes of computing the foreign tax credit. In certain circumstances, if you have held ADSs for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for foreign taxes imposed on dividends that we pay.

Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent a refund of the tax withheld is available to you under Luxembourg law or under any applicable treaty, the amount of tax withheld that is refundable will not be eligible for credit against your U.S. federal income tax liability. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Taxation of capital gains

U.S. Holders. Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your ADSs, you will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Additional U.S. Federal Income Tax Considerations

PFIC rules. Based on the Company's expected income and assets, the ADSs should not be treated as stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If we were to be treated as a PFIC, unless a U.S. holder is permitted to elect and does elect to be taxed annually on a mark-to-market basis with respect to the ADSs, gain realized on the sale or other disposition of your ADSs would in general not be treated as capital gain. Instead, if you are a U.S. holder, you would be treated as if you had realized such gain and certain "excess distributions" ratably over your holding period for the ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, your ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your ADSs. Dividends that you receive from us and that are not treated as excess distributions will not be eligible for the special tax rates applicable to qualified dividend income if we are treated as a PFIC with respect to you either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are required to file annual and special reports and other information with the SEC. You may read and copy any documents filed by the Company at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at <http://www.sec.gov> which contains reports and other information regarding registrants that file electronically with the SEC.

We are subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, as applied to foreign private issuers (the "Exchange Act"). Because we are a foreign private issuer, the SEC's rules do not require us to deliver proxy statements or to file quarterly reports. In addition, our "insiders" are not subject to the SEC's rules that prohibit short-swing trading. We prepare quarterly and annual reports containing consolidated financial statements in accordance with IFRS. Our annual consolidated financial statements are certified by an independent accounting firm. We submit quarterly financial information to the SEC on Form 6-K simultaneously with or promptly following the publication of that information in Luxembourg or any other jurisdiction in which the Company's securities are listed, and will file annual reports on Form 20-F within the time period required by the SEC, which is currently four months from the end of the fiscal year on December 31. These quarterly and annual reports may be reviewed at the SEC's Public Reference Room. Reports and other information filed electronically with the SEC are also available at the SEC's website.

As a foreign private issuer under the Securities Act, we are not subject to the proxy rules of Section 14 of the Exchange Act or the insider short-swing profit reporting requirements of Section 16 of the Exchange Act.

We have appointed The Bank of New York Mellon to act as depositary for our ADSs. During the time the deposit agreement remains in force, we will furnish the depositary with:

- our annual reports; and
- summaries of all notices of general meetings of shareholders and other reports and communications that are made generally available to our shareholders.

The depositary will, as provided in the deposit agreement, if we so request, arrange for the mailing of summaries in English of the reports and communications to all record holders of our ADSs. Any record holder of ADSs may read the reports, notices, or summaries thereof, and communications at the depositary's office located at 480 Washington Blvd., Jersey City, New Jersey 07310.

Whenever a reference is made in this annual report to a contract or other document, please be aware that such reference is not necessarily complete and that you should refer to the exhibits that are a part of this annual report for a copy of the contract or other document. You may review a copy of the annual report at the SEC's public reference room in Washington, D.C.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

The multinational nature of our transactions, operations and customer base expose us to the risk of changes in interest rates, foreign currency exchange rates and commodity prices. We selectively manage these exposures through the use of derivative instruments to mitigate market risk. Otherwise, we do not use derivative financial instruments for other purposes. In addition, in the ordinary course of business Ternium also faces risks with respect to financial instruments that are either non-financial or non-quantifiable. Such risks principally include country risk and credit risk and are not presented in the following analysis. For additional information about our financial risk management, see note 33 to our audited consolidated financial statements included elsewhere in this annual report.

The following tables provide a breakdown of Ternium's debt instruments at December 31, 2011, which included fixed and variable interest rate obligations detailed maturity date. The following information should be read together with note 33 "Financial Risk Management" to our audited consolidated financial statements included elsewhere in this annual report.

At December 31, 2011		Expected maturity in the year ending December 31,						
<i>In thousands of U.S. Dollars</i>		2012	2013	2014 (3)	2015	2016	Thereafter	Total
Non-current Debt								
Fixed Rate								
Floating Rate			401,791	422,554	24,506	99,644	—	948,495
Current Debt								
Fixed Rate		484,996						484,996
Floating Rate		556,554						556,554
Total (1) (2)		1,041,550	401,791	422,554	24,506	99,644	—	1,990,045

- (1) Borrowings are primarily bank borrowings with third parties. See Item 5. "Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Principal Sources of Funding—Financial Liabilities."
- (2) As most borrowings are subject to floating rates that approximate market rates, with contractual repricing that occurs every one, three or six months, the fair value of each borrowing approximates its carrying amount and is not disclosed separately.
- (3) In April 2011, we successfully negotiated an extension of maturities under Ternium Mexico's 2007 syndicated loan facility. Pursuant to this agreement, USD803 million originally maturing in July 2012 will be paid by Ternium Mexico in four equal semiannual installments commencing on January 2013 and ending on July 2014.

The weighted average interest rate of Ternium's debt was 3.42% at December 31, 2011. This figure, which incorporates instruments denominated mainly in U.S. dollars and also includes the effect of derivative financial instruments, was 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, 2011.

Total Debt by Currency as of December 31, 2011

<i>In thousands of U.S. Dollars</i>	
USD	1,359,485
ARP	461,413
COP	125,300
Other	43,847
Total	1,990,045

Interest Rate Exposure Risk

Interest rate movements create a degree of risk by affecting the amount of Ternium's interest payments and the value of Ternium's floating-rate debt. Most of Ternium's long-term borrowings are at variable rates that are partially fixed through swaps and options. Ternium's total variable interest rate debt amounted to USD1.5 billion (76% of total borrowings) for the year ended December 31, 2011.

Interest Rate Derivative Contracts

As of December 31, 2011, most of the Company's long-term borrowings were at floating rates.

Ternium Mexico entered into derivative instruments to manage the impact of the floating interest rate changes on its financial debt.

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 USD140 million, in an average range of 4.19% to 6.00%. These agreements expired 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 ("KI") level of 2.5%. As of December 31, 2011, the notional amount outstanding was USD396 million. These agreements are due in July 2012. As of December 31, 2011, these contracts were accounted for under the hedge accounting method and generated a pre-tax reserve in equity for USD9.6 million loss.

As of December 31, 2011, Ternium Mexico was a party to interest rate collar and knock-in swaps agreements as detailed in the table below:

<u>At December 31, 2011</u>	<u>Total</u>	<u>Fair Value</u>
Interest rate collars Ternium Mexico		
Contract amount (in USD million)	140	(1.3)
Average fixed pay range	4.19%—6.00%	
Knock-in swap agreements		
Contract amount (in USD million)	396	(18.0)
Average swap level and knock-in level	2.50%—5.22%	

Foreign Exchange Exposure Risk

A significant portion of Ternium's business is carried out in currencies other than the U.S. dollar, Ternium's reporting currency. As a result of this foreign currency exposure, exchange rate fluctuations impact Ternium's results as reported in its income statement in the form of both translation risk and transaction risk. Translation risk is the risk that Ternium's consolidated financial statements for a particular period or as of a certain date may be affected by changes in the prevailing rates of the various functional currencies of the reporting subsidiaries against the U.S. dollar. Transaction risk is the risk that the value of transactions executed in currencies other than the subsidiary's functional currency may vary according to currency fluctuations.

The following table shows a breakdown of Ternium's assessed financial position exposure to currency risk as of December 31, 2011. These balances include intercompany positions where the intervening parties have different functional currencies.

<u>USD million</u> <u>Exposure to</u>	<u>Functional Currency</u>			
	<u>USD</u>	<u>MXN</u>	<u>ARP</u>	<u>COP</u>
U.S. dollar (USD)	(n/a)	(1,708.2)	214.0	(93.1)
EU euro (EUR)	6.3	(3.5)	13.5	—
Other currencies	(0.1)	—	—	—

We estimate that if the Mexican peso, Argentine peso and Colombian peso (“COP”) had devaluated by 1% against the U.S. dollar with all other variables held constant, total pre-tax income for the year would have been USD16.3 million lower, as a result of foreign exchange gains/losses on translation of U.S. dollar-denominated financial position, mainly trade receivables, borrowings and trade payables. This effect would have been offset by the change in the currency translation adjustment recorded in equity.

Considering the same variation of the currencies against the U.S. dollar of all net investments in foreign operations amounting to USD3.8 billion, the currency translation adjustment included in total equity would have been USD37.2 million lower, arising from the adjustment on translation of the equity related to the Mexican peso, the Argentine peso and the Colombian peso.

Effective as from January 1, 2012, the functional currency for the Company’s Mexican subsidiaries is the U.S. dollars. For further information on the change in functional currency of Mexican subsidiaries, see Item 5. “Operating and Financial Review and Prospects—Overview — Change in functional currency of Mexican subsidiaries.”

Foreign Exchange Derivative Contracts

Ternium aims to manage the negative impact of fluctuations in the value of other currencies with respect to the U.S. dollar. However, the fact that some subsidiaries have measurement currencies other than the U.S. dollar may, at times, distort the result of these efforts as reported under IFRS.

Ternium operates and sells its products in different countries, and as a result is exposed to foreign exchange rate volatility. Ternium’s subsidiaries may use derivative contracts in order to hedge their exposure to exchange rate risk derived from their trade and financial operations.

During 2011, Prosid entered into several non-deliverable forward agreements to manage the exchange rate exposure generated by Siderar’s debt in Argentine pesos against the U.S. dollar. The notional amount hedged as of December 31, 2011 was ARP2.1 billion with an average forward price of ARP4.67 per U.S. dollar.

Furthermore, during 2011, Ferrasa has been hedging the exposure of certain trade receivables denominated in its local currency through non-deliverable forward agreements. As of December 31, 2011, the agreements’ aggregate notional amount was COP34.4 billion at an exchange rate of COP1,923 per U.S. dollar.

On December 14, 2011, Ternium Mexico entered into a non-deliverable forward agreement over an aggregate notional amount of MXN627.5 million, at an exchange rate of MXN13.94 per U.S. dollar, to manage its operating exposure in MXN. This agreement was due on January 19, 2012.

During December 2011 and in connection with the purchase of Usiminas shares (for further information on the Usiminas shares purchase transaction, see Item 5. “Operating and Financial Review and Prospects—G. Recent Developments — Acquisition of participation in Usiminas”), both Ternium Investments, through its Zug branch, and Prosid entered into several non-deliverable forward and forward exchange collar agreements to manage the exchange rate exposure generated by the share purchase agreement in Brazilian Reais against the U.S. dollar. The notional amount hedged as of December 31, 2011 by Ternium Investments and Prosid was BRL2.9 billion and BRL1.0 billion, respectively. These agreements were due in January 2012 and have been accounted for as cash flow hedges. As of December 31, 2011, the after-tax cash flow hedge reserve related to these agreements amounted to USD8.2 million.

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

<u>Currencies</u>	<u>Contract</u>	<u>Notional amount USD Billion</u>	<u>Fair Value USD Thousand</u>
BRL/USD	ND forward	BRL3.9	(8,902)
ARP/USD	Forward	ARP2.1	(1,653)
MXN/USD	Forward	MXN0.6	(83)
COP/USD	ND forward	COP34.4	50
			(10,588)

Commodities Exposure Risk

Ternium's subsidiaries use certain commodities and raw materials that are subject to price volatility caused by supply and weather conditions, political situations, financial variables and other unpredictable factors. As a result, they are exposed to volatility in the price of these commodities and raw materials. Ternium's policy is to manage this risk by partially fixing the underlying price or limiting its volatility for a defined period.

Natural Gas

As discussed in Item 4. "Information on the Company—B. Business Overview—Raw Materials, Energy and Other Inputs," Siderar covers its needs for the supply of natural gas at market prices. On the other hand, Ternium Mexico purchases all of its natural gas from Pemex Gas and three distributors. Natural gas prices for Ternium Mexico are determined based on the average of the quoted prices of several indexes plus transportation and service costs depending on the areas or cities or pursuant to the methodology approved by the Energy Regulatory Commission for prices applicable to an area as the case may be. Those prices are related to market prices of natural gas in the United States and are, therefore, subject to price volatility caused by natural gas demand conditions in United States, including U.S. weather conditions, natural gas supply conditions in the United States and other factors that are outside Ternium Mexico's control and which are generally unpredictable. Ternium Mexico constantly monitors the natural gas markets to manage this exposure.

Commodities Derivative Contracts

Until August 2009, Ternium Mexico has entered into derivative structures to manage the impact of the fluctuation of natural gas price over its cost. Since August 2009, Ternium Mexico has not covered its natural gas price exposure with derivative instruments.

Other Commodities and raw materials

In the past, management has used commodity derivative instruments to cover fluctuations in the market prices of certain raw materials used in the production processes, such as zinc, aluminum and tin. While these markets are monitored periodically, during 2009, 2010 and 2011 Ternium had not hedged any commodity positions other than those of natural gas until August 2009.

Item 12. Description of Securities Other Than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

According to our deposit agreement, holders of ADSs may have to pay to the Depositary, either directly or indirectly, fees or charges up to the amounts set forth below:

- A fee of USD5.00 (or less) per 100 ADSs (or portion of 100 ADSs) for: issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property; and cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates.
- A fee of USD0.02 (or less) per ADS for any cash distribution to ADS registered holders.

- As necessary, charges for: taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or share underlying an ADS (*e.g.*, share transfer taxes, stamp duty or withholding taxes); and any charges incurred by the depositary or its agents for servicing the deposited securities.
- Registration or transfer fees for transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw shares.
- Expenses of the Depositary for: cable, telex and facsimile transmissions; and conversion of foreign currency.
- A fee equivalent to the fee that would be payable if securities distributed to ADS holders had been shares and the shares had been deposited for issuance of ADSs for distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS registered holders.
- As necessary, charges for any costs incurred by the Depositary or its agents for servicing the deposited securities.

The Depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for Depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Fees payable by the Depositary to the Company

Fees incurred in 2011. In 2011, Ternium received no fees or other direct and indirect payment from the Depositary in connection with the deposited securities.

Fees to be paid in the future. Upon any listing of the Company's shares in a non-U.S. stock exchange allowing for cross border activity, the Depositary has agreed to reimburse the Company for expenses incurred related to the administration and maintenance of the ADS program, including investor relations expenses, annual NYSE listing fees and other program related expenses. There are limits on the amount of expenses for which the Depositary will reimburse the Company. The Depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADSs. The Company does not expect to receive any reimbursement from the Depositary in the near future.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-5(e) under the Exchange Act as of December 31, 2011). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2011, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at a reasonable assurance level.

Management's report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934). Ternium's internal control over financial reporting was designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of its financial statements for external purposes in accordance with IFRS.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or omissions. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted its assessment of the effectiveness of Ternium's internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management has concluded that Ternium's internal control over financial reporting, as of December 31, 2011, is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The effectiveness of Ternium's internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers S.à.r.l., *Réviseur d'entreprises agréé*, an independent registered public accounting firm, as stated in their report included herein. See "Report of Independent Registered Public Accounting Firm."

Attestation Report of Registered Public Accounting Firm

See pages F-1 and F-2 of the audited consolidated financial statements.

Change in Internal Control over Financial Reporting

During the period covered by this report, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

On June 1, 2011, our board of directors determined that none of the independent members of the audit committee, meets the attributes defined in Item 16A of Form 20-F for "audit committee financial experts." We do not have an audit committee financial expert because we have concluded that the membership of the audit committee as a whole has sufficient recent and relevant financial experience to properly discharge its functions. In addition, the audit committee, from time to time as it deems necessary, engages persons that meet all of the attributes of an "audit committee financial expert" as consultants.

Item 16B. Code of Ethics

We have adopted a code of ethics that applies specifically to our principal executive officers, and principal financial and accounting officer and controller, as well as persons performing similar functions. We have also adopted a code of conduct that applies to all company employees, including contractors, subcontractors and suppliers.

The text of our code of ethics for senior financial officers and code of conduct for employees is posted on our web site at: <http://www.ternium.com/en/ir/governance>.

Item 16C. Principal Accountant Fees and Services

Fees Paid to the Company's Principal Accountant

In 2011, PricewaterhouseCoopers S.à.r.l., *Réviseur d'entreprises agréé*, an independent registered public accounting firm (“PwC Luxembourg”) served as the principal external auditor for the Company. Fees paid to PwC Luxembourg and other PwC member firms in 2011 and 2010 are detailed below:

<i>In thousands of U.S. dollars</i>	<u>For the year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Audit Fees	3,281	2,457
Audit-Related Fees	447	449
Tax Fees	24	232
All Other Fees	24	6
Total	3,776	3,144

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the consolidated financial statements of the Company and the statutory financial statements of the Company and its subsidiaries.

Audit-Related Fees

Audit-related fees are typically services that are reasonably related to the performance of the audit or review of the consolidated financial statements and are not reported under the audit fee item above. This item includes fees for attestation services on financial information of the Company and its subsidiaries included in their annual reports that are filed with their respective regulators.

Tax Fees

Tax fees were paid for tax compliance and tax advice professional services.

All Other Fees

Fees disclosed in the table above under “All Other Fees” consisted primarily of fees paid for consulting services provided in connection with diagnostic analysis of internal control related to inventory management, manufacturing and sales orders.

Audit Committee's Pre-approval Policies and Procedures

The Company's audit committee is responsible for, among other things, the oversight of the Company's independent auditors. The audit committee has adopted a policy of pre-approval of audit and permissible non-audit services provided by its independent auditors in its charter.

Under the policy, the audit committee makes its recommendations through the board of Directors to the shareholders' meeting concerning the continuing appointment or termination of the Company's independent auditors. On a yearly basis, the audit committee reviews together with management and the independent auditor, the audit plan, audit related services and other non-audit services and approves the related fees. Any changes to the approved fees must be reviewed and approved by the audit committee. In addition, the audit committee delegated to its Chairman the authority to consider and approve, on behalf of the Audit Committee, additional non-audit services that were not recognized at the time of engagement, which must be reported to the other members of the audit committee at its next meeting. No services outside the scope of the audit committee's approval can be undertaken by the independent auditor.

During 2011, the audit committee did not approve any fees pursuant to the *de minimis* exception to the pre-approval requirement provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On June 2, 2010, the Company's annual general shareholders' meeting resolved to cancel the authorization granted to the Company and to the Company's subsidiaries to acquire, from time to time, shares, including shares represented by ADRs, granted by the general meeting of shareholders held on June 3, 2009, and to grant a new authorization to the Company and to the Company's subsidiaries to purchase, acquire or receive, from time to time shares of the Company, including shares represented by ADRs, on the following terms and conditions:

- The acquisitions of shares may be made in one or more transactions as the Board of Directors of the Company or the board of directors or other governing body of the relevant entity, as applicable, considers advisable. The number of shares acquired as a block may amount to the maximum permitted amount of purchases;
- The maximum number of shares, including shares represented by ADRs, acquired pursuant to this authorization may not exceed 10% of the Company's issued and outstanding shares or, in the case of acquisitions made through a stock exchange in which the shares or ADRs are traded, such lower amount as may not be exceeded pursuant to any applicable laws or regulations of such market;
- The purchase price per ADR to be paid in cash may not exceed 125% (excluding transaction costs and expenses), nor may it be lower than 75% (excluding transaction costs and expenses), in each case of the average of the closing prices of the ADRs on the New York Stock Exchange during the five trading days in which transactions in the ADRs were recorded in the New York Stock Exchange preceding (but excluding) the day on which the ADRs are purchased. In the case of purchases of shares other than in the form of ADRs, the maximum and minimum per share purchase prices shall be equal to the prices that would have applied in case of an ADR purchase pursuant to the formula above divided by the number of underlying shares represented by an ADR at the time of the relevant purchase. Such maximum and minimum purchase prices shall also apply to over-the-counter or off-market transactions. Compliance with maximum and minimum purchase price requirements in any and all acquisitions made pursuant to this authorization (including, without limitation, acquisitions carried out through the use of derivative financial instruments or option strategies) shall be determined on and as of the date on which the relevant transaction is entered into, irrespective of the date on which the transaction is to be settled;
- The above maximum and minimum purchase prices shall, in the event of a change in the par value of the shares, a capital increase by means of a capitalization of reserves, a distribution of shares under compensation or similar programs, a stock split or reverse stock split, a distribution of reserves or any other assets, the redemption of capital, or any other transaction impacting the Company's equity be adapted automatically, so that the impact of any such transaction on the value of the shares shall be reflected;
- The acquisitions of shares may not have the effect of reducing the Company's net assets below the sum of the Company's share capital plus its undistributable reserves;
- Only fully paid-up shares may be acquired pursuant to this authorization;
- The acquisitions of shares may be carried out for any purpose, as may be permitted under applicable laws and regulations, including, without limitation, to reduce the share capital of the Company, to offer such shares to third parties in the context of corporate mergers or acquisitions of other entities or participating interests therein, for distribution to the Company's or the Company's subsidiaries' directors, officers or employees or to meet obligations arising from convertible debt instruments;
- The acquisitions of shares may be carried out by any and all means, as may be permitted under applicable laws and regulations, including through any stock exchange in which the shares or other securities representing shares are traded, through public offers to all shareholders of the Company to buy shares, through the use of derivative financial instruments or option strategies, or in over the counter or off-market transactions or in any other manner;

- The acquisitions of shares may be carried out at any time and from time to time during the duration of the authorization, including during a tender offer period, as may be permitted under applicable laws and regulations;
- The authorization granted to acquire shares shall be valid for such maximum period as may be provided for under applicable Luxembourg law as in effect from time to time (such maximum period being, as of to date, five years);
- The acquisitions of shares shall be made at such times and on such other terms and conditions as may be determined by the Board of Directors of the Company or the board of directors or other governing body of the relevant Company subsidiary, provided that any such purchase shall comply with Article 49-2 et.seq. of the Luxembourg law of August 10, 1915 on commercial companies, as amended (or any successor law) and, in the case of acquisitions of shares made through a stock exchange in which the shares or other securities representing shares are traded, with any applicable laws and regulations of such market.

On January 31, 2011, Ternium entered into a transaction and registration rights agreement with its former shareholder Usiminas and 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 USD150 million and USD100 million, respectively. In connection with the sale of Ternium's shares by Usiminas, Ternium collected a USD10.2 million fee and was reimbursed for all expenses relating to the offering and concurrent purchase.

In the future, we may, on the terms and subject to the conditions above referenced, initiate a share capital repurchase or similar program or engage in other transactions pursuant to which we would repurchase, directly or indirectly, the Company's ordinary shares, ADSs or both. In addition, we or our subsidiaries may enter into transactions involving sales or purchases of derivatives or other instruments (either settled in cash or through physical delivery of securities) with returns linked to the Company's ordinary shares, ADSs or both. The timing and amount of repurchase transactions under any such program, or sales or purchases of derivatives or other instruments, would depend on market conditions as well as other corporate and regulatory considerations.

Item 16F. Change in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

Our corporate governance practices are governed by Luxembourg law (particularly the law of August 10th, 1915 on commercial companies) and our articles of association. As a Luxembourg company listed on the NYSE, we are not required to comply with all of the corporate governance listing standards of the NYSE. We, however, believe that our corporate governance practices meet or exceed, in all material respects, the corporate governance standards that are generally required for controlled companies by the NYSE but the following is a summary of the significant ways that our corporate governance practices differ from the corporate governance standards required for controlled companies by the NYSE (provided that our corporate governance practices may differ in non-material ways from the standards required by the NYSE that are not detailed here):

Non-management Directors' Meetings

Under NYSE standards, non-management directors must meet at regularly scheduled executive sessions without management present and, if such group includes directors who are not independent, a meeting should be scheduled once per year including only independent directors. Neither Luxembourg law nor our articles of association require the holding of such meetings and we do not have a set policy for these meetings. Our articles of association provide, however, that the board shall meet as often as required by the interests of the Company and at least four times a year, upon notice by the chairperson or by any two directors.

In addition, NYSE-listed companies are required to provide a method for interested parties to communicate directly with the non-management directors as a group. While we do not have such a method, we have set up a compliance line for investors and other interested parties to communicate their concerns to members of our audit committee (which, as already stated, are independent).

Audit Committee

Under NYSE standards, listed U.S. companies are required to have an audit committee composed of independent directors that satisfies the requirements of Rule 10A-3 promulgated under the Exchange Act. Our articles of association currently require us to have an audit committee composed of three members, of which at least two must be independent (as defined in our articles of association) and our audit committee complies with such requirements. In accordance with NYSE standards, we have an audit committee entirely composed of independent directors.

Under NYSE standards, all audit committee members of listed U.S. companies are required to be financially literate or must acquire such financial knowledge within a reasonable period and at least one of its members shall have experience in accounting or financial administration. In addition, if a member of the audit committee is simultaneously a member of the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its members may serve, then in each case the board must determine whether the simultaneous service would prevent such member from effectively serving on the listed company's audit committee and shall publicly disclose its decision. No comparable provisions on audit committee membership exist under Luxembourg law or our articles of association.

Standards for Evaluating Director Independence

Under NYSE standards, the board is required, on a case by case basis, to express an opinion with regard to the independence or lack of independence of each individual director. Neither Luxembourg law nor our articles of association require the board to express such an opinion. In addition, the definition of "independent" under the rules of the NYSE differs in some non-material respects from the definition contained in our articles of association.

Audit Committee Responsibilities

Pursuant to our articles of association, the audit committee shall assist the board of directors in fulfilling its oversight responsibilities relating to the integrity of the Company's financial statements, including periodically reporting to the Board of Directors on its activity and the adequacy of the Company's system of internal controls over financial reporting. As per the audit committee charter, as amended, the audit committee shall make recommendations for the appointment, compensation, retention and oversight of, and consider the independence of, the Company's external auditors. The audit committee is required to review material transactions (as defined by the articles of association) between us or our subsidiaries with related parties and also perform the other duties entrusted to it by the board.

The NYSE requires certain matters to be set forth in the audit committee charter of U.S. listed companies. Our audit committee charter provides for many of the responsibilities that are expected from such bodies under the NYSE standard; however, due to our equity structure and holding company nature, the charter does not contain all such responsibilities, including provisions related to setting hiring policies for employees or former employees of independent auditors, discussion of risk assessment and risk management policies, and an annual performance evaluation of the audit committee.

Shareholder Voting on Equity Compensation Plans

Under NYSE standards, shareholders must be given the opportunity to vote on equity-compensation plans and material revisions thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans. We do not currently offer equity-based compensation to our directors, executive officers or employees, and therefore do not have a policy on this matter.

Disclosure of Corporate Governance Guidelines

NYSE-listed companies must adopt and disclose corporate governance guidelines. Neither Luxembourg law nor our articles of association require the adoption or disclosure of corporate governance guidelines. Our board of directors follows corporate governance guidelines consistent with our equity structure and holding company nature, but we have not codified them and therefore do not disclose them on our website.

Code of Business Conduct and Ethics

Under NYSE standards, listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Neither Luxembourg law nor our articles of association require the adoption or disclosure of such a code of conduct. We have adopted a code of conduct that applies to all directors, officers and employees, which is posted on our website and complies with the NYSE's requirements, except that it does not require the disclosure of waivers of the code for directors and officers. In addition, we have adopted a supplementary code of ethics for senior financial officers which is also posted on our website.

Chief Executive Officer Certification

A chief executive officer of a U.S. company listed on the NYSE must annually certify that he or she is not aware of any violation by the company of NYSE corporate governance standards. In accordance with NYSE rules applicable to foreign private issuers, our chief executive officer is not required to provide the NYSE with this annual compliance certification. However, in accordance with NYSE rules applicable to all listed companies, our chief executive officer must promptly notify the NYSE in writing after any of our executive officers becomes aware of any noncompliance with any applicable provision of the NYSE's corporate governance standards. In addition, we must submit an executed written affirmation annually and an interim written affirmation each time a change occurs to the board or the audit committee.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

We have responded to Item 18 in lieu of responding to this Item.

Item 18. Financial Statements

See pages F-1 through F-56 of this annual report.

Item 19. Exhibits

Exhibit Number	Description
1.1	Updated and Consolidated Articles of Association of Ternium S.A., dated as of June 2, 2012*
2.1	Deposit Agreement entered into between Ternium S.A. and The Bank of New York**
4.1	Shareholders' Agreement, dated January 9, 2006, between Tenaris S.A. and Inversora Siderurgica Limited***
4.2	Promissory Notes (<i>pagarés</i>) numbered 1 to 7 issued by CVG on May 7, 2009****
4.3	Loan Agreement, dated July 12, 2007, between Hylsa, S.A. de C.V., Calyon New York branch, as Administrative Agent, and the banks named therein as Lenders. Refinancing Agreement, dated April 6, 2011, between Ternium Mexico, Credit Agricole Corporate and Investment Bank, acting as Administrative Agent, and certain banks parties to the Loan Agreement, dated July 12, 2007
4.4	Amended and Restated Shareholders Agreement, dated January 16, 2012, between Caixa dos Empregados da Usiminas, Confab Industrial S.A., Metal One Corporation, Mitsubishi Corporation do Brasil, S.A., Nippon Steel Corporation, Nippon Usiminas Co., Ltd., Prosid Investments S.C.A., Siderar S.A.I.C., and Ternium Investments S.à.r.l.
8.1	List of subsidiaries of Ternium S.A.
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit Number	Description
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of PricewaterhouseCoopers S.ár.l., Réviseur d' entreprises agréé, Independent Registered Public Accounting Firm
15.2	Consent of Price Waterhouse & Co. S.R.L., Independent Registered Public Accounting Firm
*	Incorporated by reference to the Annual Report on Form 20-F, filed by Ternium S.A. on June 30, 2010 (File No. 001-32734).
**	Incorporated by reference to the Registration Statement on Form F-6, filed by Ternium S.A. on January 11, 2006 (File No. 333-130952).
***	Incorporated by reference to the F-1 Registration Statement filed by Ternium S.A. on January 27, 2006 (File No. 333-130950).
****	Incorporated by reference to the Annual Report on Form 20-F, filed by Ternium S.A. on June 30, 2009 (File No. 001-32734).

SIGNATURES

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

April 25, 2012

TERNIUM S.A.

By /s/ Pablo Brizzio

Name: Pablo Brizzio

Title: Chief Financial Officer

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TERNIUM S.A.

CONSOLIDATED FINANCIAL STATEMENTS

**As of December 31, 2011 and 2010 and
for the years ended December 31, 2011, 2010 and 2009**

29, Avenue de la Porte-Neuve, 3rd floor

L - 2227

R.C.S. Luxembourg : B 98 668

TERNIUM S.A.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Ternium S.A.

In our opinion, the accompanying consolidated statement of financial position as of December 31, 2011 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the period ended December 31, 2011 present fairly, in all material respects, the financial position of Ternium S.A. and its subsidiaries at 31 December 2011, and the results of their operations and their cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of 31 December 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in “Management’s report on internal control over financial reporting” appearing under Item 15. Our responsibility is to express opinions on these financial statements and on the Company’s internal control over financial reporting based on our integrated audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

*PricewaterhouseCoopers S.à r.l., 400 Route d’Esch, B.P. 1443, L-1014 Luxembourg
T: +352 494848 1, F: +352 494848 2900, www.pwc.lu*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°00123693)
R.C.S. Luxembourg B 65 477—Capital social EUR 516 950—TVA LU17564447*

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers S.à r.l.
Represented by

Luxembourg, April 25, 2012

/s/ Mervyn R. Martins
Mervyn R. Martins



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Ternium S.A.

In our opinion, the consolidated statement of financial position as of December 31, 2010 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the two years in the period ended December 31, 2010 present fairly, in all material respects, the financial position of Ternium S.A. and its subsidiaries at December 31, 2010, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Buenos Aires, Argentina

June 30, 2011

PRICE WATERHOUSE & CO. S.R.L.

by /s/ Daniel A. López Lado (Partner)

Daniel A. López Lado

Price Waterhouse & Co. S.R.L., Bouchard 557, piso 8º, C1106ABG—Ciudad de Buenos Aires

T: +(54.11) 4850.0000, F: +(54.11) 4850.1800, www.pwc.com/ar

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TERNIUM S.A.
Consolidated financial statements
as of December 31, 2011 and 2010 and
for the years ended December 31, 2011, 2010 and 2009
(All amounts in USD thousands)

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended December 31,		
		2011	2010	2009
Continuing operations				
Net sales		9,157,198	7,382,004	4,958,983
Cost of sales	6	(7,094,252)	(5,665,254)	(4,110,370)
Gross profit		2,062,946	1,716,750	848,613
Selling, general and administrative expenses	7	(786,161)	(665,306)	(531,530)
Other operating (expenses) income, net	9	(11,566)	2,493	(20,700)
Operating income		1,265,219	1,053,937	296,383
Interest expense		(100,712)	(72,969)	(105,810)
Interest income		28,689	27,347	21,141
Interest income – Sidor financial asset	27	11,390	61,012	135,952
Other financial (expenses) income, net	10	(239,997)	115,112	81,639
Equity in earnings of associated companies	14	1,293	1,688	1,110
Income before income tax expense		965,882	1,186,127	430,415
Income tax expense	11	(315,974)	(406,657)	(91,314)
Income from continuing operations		649,908	779,470	339,101
Discontinued operations				
Income from discontinued operations	27	—	—	428,023
Profit for the year		649,908	779,470	767,124
Attributable to:				
Equity holders of the Company	26	513,541	622,076	717,400
Non-controlling interest		136,367	157,394	49,724
		649,908	779,470	767,124
Weighted average number of shares outstanding	26	1,968,327,917	2,004,743,442	2,004,743,442
Basic and diluted earnings per share (expressed in USD per share) for profit:				
- From continuing operations attributable to the equity holders of the Company		0.26	0.31	0.15
- From discontinued operations attributable to the equity holders of the Company		—	—	0.21
- For the year attributable to the equity holders of the Company		0.26	0.31	0.36

The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
Consolidated financial statements
as of December 31, 2011 and 2010 and
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(All amounts in USD thousands)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Profit for the year	649,908	779,470	767,124
Other comprehensive income:			
Currency translation adjustment	(433,633)	35,915	(93,922)
Changes in the fair value of derivatives classified as cash flow hedges	14,134	14,729	35,881
Income tax relating to cash flow hedges	(6,701)	(4,419)	(9,112)
Other comprehensive (loss) income for the year, net of tax	(426,200)	46,225	(67,153)
Total comprehensive income for the year	<u>223,708</u>	<u>825,695</u>	<u>699,971</u>
Attributable to:			
Equity holders of the Company	172,863	684,635	698,789
Non-controlling interest	50,845	141,060	1,182
	<u>223,708</u>	<u>825,695</u>	<u>699,971</u>

The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
Consolidated financial statements
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	December 31, 2011		December 31, 2010	
ASSETS					
Non-current assets					
Property, plant and equipment, net	12	4,032,675		4,262,896	
Intangible assets, net	13	986,072		1,129,348	
Investments in associated companies	14	9,311		8,212	
Sidor financial asset	27	—		74,549	
Other investments	15	14,087		35,575	
Deferred tax assets	21	8,101		12,387	
Receivables, net	16	124,201		56,471	
Trade receivables, net	17	7,526	5,181,973	—	5,579,438
Current assets					
Receivables	16	105,591		94,573	
Derivative financial instruments	23	50		212	
Inventories, net	18	2,137,024		1,953,390	
Trade receivables, net	17	735,002		663,502	
Sidor financial asset	27	136,294		183,439	
Other investments	19	281,676		848,400	
Cash and cash equivalents	19	2,158,591	5,554,228	1,779,416	5,522,932
Non-current assets classified as held for sale			10,373		9,961
			5,564,601		5,532,893
Total assets			<u>10,746,574</u>		<u>11,112,331</u>
EQUITY					
Capital and reserves attributable to the company's equity holders			5,756,372		5,880,740
Non-controlling interest			1,084,827		1,135,361
Total equity			6,841,199		7,016,101
LIABILITIES					
Non-current liabilities					
Provisions	20	15,340		16,144	
Deferred income tax	21	748,999		877,742	
Other liabilities	22	200,845		201,312	
Trade payables		21,096		—	
Derivative financial instruments	23	—		18,822	
Borrowings	24	948,495	1,934,775	1,426,574	2,540,594
Current liabilities					
Current tax liabilities		106,625		294,902	
Other liabilities	22	114,776		123,610	
Trade payables		677,747		588,086	
Derivative financial instruments	23	29,902		35,955	
Borrowings	24	1,041,550	1,970,600	513,083	1,555,636
Total liabilities			3,905,375		4,096,230
Total equity and liabilities			<u>10,746,574</u>		<u>11,112,331</u>

The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Company's equity holders (1)						Retained earnings	Total	Non-controlling interest	Total Equity
	Capital stock (2)	Treasury shares (3)	Initial public offering expenses (23,295)	Reserves (4)	Capital stock issue discount (5)	Currency translation adjustment (517,432)				
Balance at January 1, 2011	2,004,743	—	(23,295)	1,635,126	(2,324,866)	(517,432)	5,106,464	5,880,740	1,135,361	7,016,101
Profit for the year							513,541	513,541	136,367	649,908
Other comprehensive income (loss) for the year										
Currency translation adjustment						(346,921)		(346,921)	(86,712)	(433,633)
Cash flow hedges, net of tax				6,243				6,243	1,190	7,433
Total comprehensive income for the year				6,243		(346,921)	513,541	172,863	50,845	223,708
Repurchase of own shares to Usiminas (3)		(150,000)						(150,000)		(150,000)
Dividends paid in cash (6)				(99,329)			(47,902)	(147,231)		(147,231)
Dividends paid in cash by subsidiary companies									(140,579)	(140,579)
Contributions from non-controlling shareholders in consolidated subsidiaries									39,200	39,200
Balance at December 31, 2011	2,004,743	(150,000)	(23,295)	1,542,040	(2,324,866)	(864,353)	5,572,103	5,756,372	1,084,827	6,841,199

- (1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 25 (iii).
- (2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of December 31, 2011, there were 2,004,743,442 shares issued. All issued shares are fully paid.
- (3) See Note 30.
- (4) Include legal reserve under Luxembourg law for USD 200.5 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD (14.9) million and reserves related to the acquisition of non-controlling interest in subsidiaries according to IAS 27 for USD (58.5) million.
- (5) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.
- (6) Represents USD 0.075 per share (USD 0.75 per ADS).

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 financial statements may not be wholly distributable. See Note 25 (iii). The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
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as of December 31, 2011 and 2010 and
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Company's equity holders (1)							Non-controlling interest	Total Equity
	Capital stock (2)	Initial public offering expenses	Reserves (3)	Capital stock issue discount (4)	Currency translation adjustment	Retained earnings	Total		
Balance at January 1, 2010	2,004,743	(23,295)	1,726,216	(2,324,866)	(570,844)	4,484,388	5,296,342	964,897	6,261,239
Profit for the year						622,076	622,076	157,394	779,470
Other comprehensive income (loss) for the year:									
Currency translation adjustment					53,412		53,412	(17,497)	35,915
Cash flow hedges, net of tax			9,147				9,147	1,163	10,310
Total comprehensive income for the year			9,147		53,412	622,076	684,635	141,060	825,695
Dividends paid in cash (5)			(100,237)				(100,237)		(100,237)
Dividends paid in cash by subsidiary companies								(38,304)	(38,304)
Contributions from non-controlling shareholders in consolidated subsidiaries								4,900	4,900
Acquisition of business (See Note 3)								62,808	62,808
Balance at December 31, 2010	2,004,743	(23,295)	1,635,126	(2,324,866)	(517,432)	5,106,464	5,880,740	1,135,361	7,016,101

- (1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 25 (iii).
- (2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of December 31, 2010, there were 2,004,743,442 shares issued. All issued shares are fully paid.
- (3) Include legal reserve under Luxembourg law for USD 200.5 million, distributable reserves under Luxembourg law for USD 101.4 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD (22.4) million and reserves related to the acquisition of non-controlling interest in subsidiaries according to IAS 27 for USD (58.5) million.
- (4) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.
- (5) Represents USD 0.05 per share (USD 0.50 per ADS).

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 financial statements may not be wholly distributable. See Note 25 (iii). The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the Company's equity holders (1)

	Capital stock (2)	Initial public offering expenses	Reserves	Capital stock issue discount (3)	Currency translation adjustment	Retained earnings	Total	Non- controlling interest	Total Equity
Balance at January 1, 2009	<u>2,004,743</u>	<u>(23,295)</u>	<u>1,702,285</u>	<u>(2,324,866)</u>	<u>(528,485)</u>	<u>3,766,988</u>	<u>4,597,370</u>	<u>964,094</u>	<u>5,561,464</u>
Profit for the year						717,400	717,400	49,724	767,124
Other comprehensive income (loss) for the year									
Currency translation adjustment					(42,359)		(42,359)	(51,563)	(93,922)
Cash flow hedges, net of tax			23,748				23,748	3,021	26,769
Total comprehensive income (loss) for the year			23,748		(42,359)	717,400	698,789	1,182	699,971
Acquisition of non-controlling interest (4)			183				183	(379)	(196)
Balance at December 31, 2009	<u>2,004,743</u>	<u>(23,295)</u>	<u>1,726,216</u>	<u>(2,324,866)</u>	<u>(570,844)</u>	<u>4,484,388</u>	<u>5,296,342</u>	<u>964,897</u>	<u>6,261,239</u>

- (1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 25 (iii).
- (2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of December 31, 2009, there were 2,004,743,442 shares issued. All issued shares are fully paid.
- (3) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.
- (4) On February 5, 2009, Ternium Internacional España S.L.U. acquired from its related company Siderca S.A.I.C., 53,452 shares of Siderar S.A.I.C., representing 0.015% of that company's share capital, for an aggregate purchase price of USD 196 thousand. After this acquisition, Ternium increased its ownership in Siderar to 60.94%.

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 being recorded directly in equity.

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 financial statements may not be wholly distributable. See Note 25 (iii). The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended December 31,		
		2011	2010	2009
Cash flows from operating activities				
Income from continuing operations:		649,908	779,470	339,101
Adjustments for:				
Depreciation and amortization	12 & 13	405,842	383,300	385,105
Income tax accruals less payments	31 (b)	(255,945)	226,820	(49,342)
Equity in earnings of associated companies	14	(1,293)	(1,688)	(1,110)
Interest accruals less payments	31 (b)	43,047	(59)	10,706
Impairment charge	25 (ii)	—	—	27,022
Changes in provisions	20	29,932	5,543	4,614
Changes in working capital	31 (b)	(397,806)	(447,973)	635,179
Interest income – Sidor financial asset	27 (i)	(11,390)	(61,012)	(135,952)
Net foreign exchange results and others		184,840	(77,576)	(53,565)
Net cash provided by operating activities		647,135	806,825	1,161,758
Cash flows from investing activities				
Capital expenditures	12 & 13	(601,343)	(350,124)	(208,590)
Acquisition of business:				
Purchase consideration	3	—	(75,000)	(196)
Cash acquired	3	—	6,593	—
Decrease (Increase) in other investments	15 & 19	588,212	(820,672)	43,163
Proceeds from the sale of property, plant and equipment		1,696	1,693	3,245
Proceeds from Sidor financial asset	27	133,084	767,382	953,611
Dividends received from associated companies	14	—	302	—
Contributions in associated companies	14	—	(302)	—
Net cash provided by (used in) investing activities		121,649	(470,128)	791,233
Cash flows from financing activities				
Dividends paid in cash to company's shareholders		(147,231)	(100,237)	—
Dividends paid in cash by subsidiary companies		(140,579)	(38,304)	—
Contributions from non-controlling shareholders in consolidated subsidiaries		39,200	4,900	—
Repurchase of treasury shares	30	(150,000)	—	—
Proceeds from borrowings		666,180	35,441	219,037
Repayments of borrowings		(632,140)	(555,918)	(1,141,625)
Net cash used in financing activities		(364,570)	(654,118)	(922,588)
Increase (Decrease) in cash and cash equivalents		404,214	(317,421)	1,030,403
Movement in cash and cash equivalents				
At January 1,		1,779,416	2,095,798	1,065,552
Effect of exchange rate changes		(25,039)	1,039	(157)
Increase (Decrease) in cash and cash equivalents		404,214	(317,421)	1,030,403
Cash and cash equivalents at December 31, (1)	19	2,158,591	1,779,416	2,095,798

(1) In addition, the Company had restricted cash for USD 248 and USD 12,343 as of December 31, 2011 and 2010, respectively. As of December 31, 2009, there were no restricted cash. Additionally, the Company had other investments with a maturity of more than three months for USD 281,676 and USD 848,400 at December 31, 2011 and 2010, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
Notes to the Consolidated Financial Statements

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

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 USD1.00 per share. As of December 31, 2011, 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. On January 31, 2011, the Company filed with the SEC a registration statement on form F-3 relating to sales of equity and debt securities.

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 USD4.0 billion. However, for the purpose of these consolidated financial statements, the assets contributed by Ternium to its wholly-owned subsidiary Ternium Investments were recorded based on their historical carrying amounts in accordance with IFRS, with no impact on the financial statements.

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, 2011 and 2010, this special tax reserve amounted to USD 7.7 billion and USD 7.9 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.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) issued and effective or issued and early adopted as at the time of preparing these statements (February 2012), as issued by the International Accounting Standards Board, and adopted by the European Union. These consolidated financial statements are presented in thousands of United States dollars (“USD”), except otherwise indicated.

Elimination of all material intercompany transactions and balances between the Company and their respective subsidiaries have been made in consolidation.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Certain comparative amounts have been reclassified to conform to changes in presentation in the current period. These reclassifications do not have a material effect on the Company’s consolidated financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on February 22, 2012.

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

2 Basis of presentation (continued)

Detailed below are the companies whose financial statements have been included in these consolidated financial statements.

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2011	2010	2009
Ternium S.A.	Luxembourg	Holding	100.00%	100.00%	100.00%
Ternium Investments S.à.r.l. (1)	Luxembourg	Holding	100.00%	100.00%	—
Ternium Solutions A.G. (2)	Switzerland	Services	100.00%	—	—
Ternium Brasil S.A. (3)	Brazil	Holding	100.00%	100.00%	100.00%
Siderúrgica do Norte Fluminense S.A. (4)	Brazil	Manufacturing and selling of steel products	100.00%	100.00%	—
Ylopa—Servicos de Consultadoria Lda. (5)	Portugal	Holding	—	94.38%	94.38%
Consorcio Siderurgia Amazonia S.L.U. (6)	Spain	Holding	94.38%	94.38%	94.38%
Secor- Servicios Corporativos S.A. (6)	Venezuela	Holding	94.38%	94.38%	94.38%
Ternium Internacional España S.L.U. (3)	Spain	Marketing of steel products	100.00%	100.00%	100.00%
Siderar S.A.I.C. (7)	Argentina	Manufacturing and selling of flat steel products	60.94%	60.94%	60.94%
Impeco S.A. (8)	Argentina	Manufacturing of pipe products	60.97%	60.97%	60.97%
Prosid Investments S.C.A. (8)	Uruguay	Holding	60.94%	60.94%	60.94%
Inversiones Basilea S.A. (9)	Chile	Purchase and sale of real estate and other	60.94%	60.94%	60.94%
Ternium Mexico S.A. de C.V. (10)	Mexico	Holding	88.72%	88.72%	88.71%
Hylsa S.A. de C.V. (11)	Mexico	Manufacturing and selling of steel products	88.72%	88.72%	88.71%
Las Encinas S.A. de C.V. (11)	Mexico	Exploration, exploitation and pelletizing of iron ore	88.72%	88.72%	88.71%
Ferropak Comercial S.A. de C.V. (11)	Mexico	Scrap services company	88.72%	88.72%	88.71%
Ferropak Servicios S.A. de C.V. (11)	Mexico	Services	88.72%	88.72%	88.71%
Galvacer America Inc (11)	USA	Distributing company	88.72%	88.72%	88.71%
Galvamet America Corp (11)	USA	Manufacturing and selling of insulated panel products	88.72%	88.72%	88.71%
Transamerica E. & I. Trading Corp (11)	USA	Scrap services company	88.72%	88.72%	88.71%
Técnica Industrial S.A. de C.V. (11)	Mexico	Services	88.72%	88.72%	88.71%
Sefimsa S.A. de C.V. (11)	Mexico	Financial Services	88.72%	88.72%	88.71%
Ecore Holding S. de R.L. de C.V. (11)	Mexico	Holding	88.72%	88.72%	88.71%
Neotec L.L.C. (11)	USA	Holding	88.72%	88.72%	88.71%
Treasury Services S.A. de C.V. (11)	Mexico	Financial Services	88.72%	88.72%	88.71%
APM, S.A. de C.V. (11)	Mexico	Manufacturing and selling of steel products	88.72%	88.72%	88.71%
Acedor, S.A. de C.V. (11)	Mexico	Holding	88.72%	88.72%	88.71%

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

2 Basis of presentation (continued)

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2011	2010	2009
Empresas Stabilit S.A. de C.V. (12)	Mexico	Holding	—	88.72%	88.71%
Acerus S.A. de C.V. (11)	Mexico	Manufacturing and selling of steel products	88.72%	88.72%	88.71%
Imsa Monclova S.A. de C.V. (11)	Mexico	Services	88.72%	88.72%	88.71%
Ternium Internacional Guatemala S.A. (13)	Guatemala	Selling of steel products	99.98%	88.72%	88.71%
Corporativo Grupo Imsa S.A. de C.V. (11)	Mexico	Services	88.72%	88.72%	88.71%
Ternium USA Inc. (11)	USA	Manufacturing and selling of steel products	88.72%	88.72%	88.71%
Consortio Minero Benito Juarez Peña Colorada S.A.de C.V. (14)	Mexico	Exploration, exploitation and pelletizing of iron ore	44.36%	44.36%	44.36%
Peña Colorada Servicios S.A. de C.V. (14)	Mexico	Services	44.36%	44.36%	44.36%
Servicios Integrales Nova de Monterrey S.A. de C.V. (15)	Mexico	Medical and Social Services	66.09%	66.09%	66.09%
Ternium Guatemala S.A. (16)	Guatemala	Manufacturing and selling of steel products	—	88.72%	88.71%
Ternium Internacional Nicaragua S.A.	Nicaragua	Manufacturing and selling of steel products	99.38%	88.18%	88.18%
Ternium Internacional Honduras S.A. de C.V.	Honduras	Manufacturing and selling of steel products	99.18%	88.01%	88.00%
Ternium Internacional El Salvador, S.A. de C.V.	El Salvador	Manufacturing and selling of steel products	99.91%	88.66%	88.65%
Ternium Internacional Costa Rica S.A.	Costa Rica	Manufacturing and selling of steel products	99.98%	88.72%	88.71%
Ferrasa S.A.S. (17)	Colombia	Manufacturing and selling of steel products	54.00%	54.00%	—
Perfilamos del Cauca S.A.S. (17)	Colombia	Manufacturing and selling of steel products	54.00%	54.00%	—
Figuraciones S.A.S. (17)	Colombia	Manufacturing and selling of steel products	54.00%	54.00%	—
Siderúrgica de Caldas S.A.S. (17)	Colombia	Manufacturing and selling of steel products	54.00%	54.00%	—
Procesadora de Materiales Industriales S.A.	Colombia	Scrap services company	32.40%	32.40%	—
Recolectora Industrial de Colombia S.A. (18)	Colombia	Scrap services company	—	28.70%	—
Desechos Industriales de Colombia S.A. (18)	Colombia	Scrap services company	—	29.70%	—
Tenigal S. de R.L. de C.V. (19)	Mexico	Manufacturing and selling of steel products	51.00%	51.00%	—
Ternium Investments Switzerland AG (3)	Switzerland	Holding	100.00%	100.00%	—
Ternium Internacional S.A. (20)	Uruguay	Holding and marketing of steel products	100.00%	100.00%	100.00%
Ternium Internacional Ecuador S.A. (21)	Ecuador	Marketing of steel products	100.00%	100.00%	100.00%

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

2 Basis of presentation (continued)

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2011	2010	2009
Ternium International USA Corporation (21)	USA	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internationaal B.V. (21)	Netherlands	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internacional Perú S.A. (21)	Peru	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internacional de Colombia S.A.S. (formerly Ternium Internacional de Colombia S.A.) (21)	Colombia	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Procurement S.A. (20)	Uruguay	Procurement services	100.00%	100.00%	100.00%
Ternium International Inc. (20)	Panama	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Engineering & Services S.A. (22)	Uruguay	Engineering and other services	100.00%	100.00%	100.00%
Ternium Ingeniería y Servicios de Argentina S.A.	Argentina	Engineering and other services	100.00%	100.00%	100.00%
Ternium Ingeniería y Servicios de Mexico S.A. de C.V.	Mexico	Engineering and other services	100.00%	100.00%	100.00%
Ternium Treasury Services S.A. (20)	Uruguay	Financial Services	100.00%	100.00%	100.00%
Ternium Treasury Services B.V. (20)	Netherlands	Financial Services	100.00%	100.00%	100.00%
Ferrasa Panamá, S.A. (23)	Panama	Manufacturing and selling of steel products	54.00%	54.00%	—
Aceros Transformados de Panamá, S.A. (23)	Panama	Manufacturing and selling of steel products	54.00%	54.00%	—
Ternium Investments S.A. (formerly Dirken Company S.A.) (24)	Uruguay	Holding	—	—	100.00%

- (1) Incorporated in the fourth quarter of 2010.
- (2) Indirectly through Ternium Investments S.à.r.l. Total voting rights held: 100.00%. Incorporated in the first quarter of 2011.
- (3) Indirectly through Ternium Investments S.à.r.l. Total voting rights held: 100.00%.
- (4) Indirectly through Ternium Brasil S.A. Total voting rights held: 100.00%. Incorporated during 2010.
- (5) This company was dissolved as of December 27, 2011.
- (6) Since December 27, 2011, indirectly through Ternium Investments S.à.r.l. (85.62%) and Prosid Investments S.C.A. (8.76%). Total voting rights held: 100.00%. Before that, indirectly through Ylopa – Servicios de Consultoría Lda.
- (7) Indirectly through Ternium Internacional España S.L.U. Total voting rights held: 60.94%.
- (8) Indirectly through Siderar S.A.I.C and Ternium Internacional S.A. Total voting rights held 100.00%.
- (9) Indirectly through Siderar S.A.I.C. Total voting rights held 100.00%.
- (10) Indirectly through Siderar S.A.I.C., Inversiones Basilea S.A. and Ternium Internacional España S.L.U. Total voting rights held 99.93%.
- (11) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 100.00%.
- (12) Merged with Ternium Mexico S.A. de C.V. during the fourth quarter of 2011.
- (13) Indirectly through Ternium Internacional España S.L.U. Total voting rights held: 100%.
- (14) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 50.00%. Consolidated under the proportionate consolidation method.
- (15) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 74.50%.
- (16) This company was merged with Ternium Internacional Guatemala, S.A. during the first quarter of 2011.
- (17) Indirectly through Ternium Internacional España S.L.U. Total voting rights held: 54.00%. Incorporated during 2010. (See note 3).
- (18) These companies were sold during the second quarter of 2011.
- (19) Indirectly through Ternium Internacional España S.L.U. Total voting rights held: 51.00%. Incorporated during 2010. (See note 29).
- (20) Indirectly through Ternium Investments Switzerland AG. Total voting rights held: 100.00%.
- (21) Indirectly through Ternium Internacional S.A. Total voting rights held 100.00%.
- (22) Indirectly through Ternium Internacional Inc. Total voting rights held 100.00%.
- (23) Indirectly through Ternium Treasury Services S.A. Total voting rights held: 54.00%. Incorporated during 2010. (See note 3).
- (24) This company was dissolved as of December 6, 2010.

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

3 Acquisition of business

Ferrasa S.A.S and Ferrasa Panamá S.A.

On August 25, 2010, Ternium completed the acquisition of a 54% ownership interest in Ferrasa S.A.S., a company organized under the laws of Colombia (“Ferrasa”) through a capital contribution in the amount of USD 74.5 million. Ferrasa has a 100% ownership interest in Sidecaldas S.A.S. (“Sidecaldas”), Figuraciones S.A.S. (“Figuraciones”) and Perfilamos del Cauca S.A.S. (“Perfilamos”), all of which are also Colombian companies. Ternium has also completed the acquisition of a 54% ownership interest in Ferrasa Panamá S.A. (“Ferrasa Panamá”) and its subsidiary Aceros Transformados de Panamá S.A. (“Aceros”) for USD 0.5 million. On the mentioned date the Company obtained control over the assets and liabilities of the acquired companies.

Ferrasa is a long and flat steel products processor and distributor. Sidecaldas is a scrap-based long steel making and rolling facility, with an annual production capacity of approximately 140,000 tons. Figuraciones and Perfilamos manufacture welded steel tubes, profiles and beams. These companies have combined annual sales of approximately 300,000 tons, of which approximately 70% are long products and 30% are flat and tubular products, used mainly in the construction sector. Ferrasa Panamá is a long steel products processor and distributor based in Panama, with annual sales of approximately 8,000 tons.

The former controlling shareholders have an option to sell to Ternium, at any time, all or part of their remaining 46% interest in each of Ferrasa and Ferrasa Panamá, and Ternium has an option to purchase all or part of that remaining interest from the former controlling shareholders, at any time after the second anniversary of the closing.

Ferrasa and Ferrasa Panamá contributed revenues of USD 128.0 million and a net loss of USD 1.5 million (net of USD 1.3 million corresponding to non-controlling interests) in the period from August 25, 2010 to December 31, 2010. The fair value and book value of assets and liabilities arising from the transaction are as follows:

	<u>Fair value</u>
Property, plant and equipment	140,118
Previously recognized goodwill	—
Customer relationships	15,403
Trademarks	4,407
Other contractual rights	4,064
Other intangible assets	42
Inventories	76,771
Cash and cash equivalents	6,593
Deferred tax assets	7,832
Borrowings	(134,120)
Other assets and liabilities, net	15,141
Non-controlling interest in subsidiaries	(236)
Net	136,015
Non-controlling interest	(62,572)
Goodwill	1,557
Total Purchase Consideration	75,000

The Company accounts for the acquired businesses using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of the acquired intangible assets and property, plant and equipment as well as the liabilities assumed at the date of the acquisition. Moreover the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Company’s future results of operations. The valuations are based on information available at the acquisition date.

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

3 Acquisition of business (continued)

Significant judgments and assumptions made regarding the purchase price allocation in the course of the acquisition of Ferrasa and Ferrasa Panamá, included the following:

For valuation of customer relationship the excess earnings method was used, which is based on calculating the present value of the future cash flows of the future economic benefits during the remaining useful life attributable to the customer base. Customer relationships are being amortized over an estimated useful life of 10 years.

For the valuation of brands, the relief-from-royalty method was applied, both with the value that a third party would have paid for these trademarks. The expected amortization of these assets is determined on the basis of the expected benefit the asset provides the entity (e.g. expected decline in value). For valuation of the other contractual rights, the postulated loss of income method was used. Both intangible assets are being amortized over an estimated useful life of 10 years.

The valuation of acquired intangible assets is to a great extent based on anticipated cash flows. Nevertheless it is possible that actual outcomes could vary significantly from such estimated future cash flows.

For property, plant and equipment, fair values were derived from expert appraisals.

The valuation of inventories at the date of acquisition was based on the corresponding selling price less estimated costs of completion or estimated costs to make the sale.

The excess of the purchase price for Ferrasa and Ferrasa Panamá over the estimated fair values of the net assets acquired is recorded as goodwill amounting to USD 1.6 million as of August 25, 2010. Goodwill derives mainly from the fair value of the going concern element of the acquiree.

The Company has chosen to recognize the non-controlling interest at its proportionate share in net identifiable assets acquired.

Acquisition related costs are included in the income statement.

Pro forma data for the acquisitions

Had the Ferrasa transaction been consummated on January 1, 2010, unaudited pro forma net sales and net loss totaling USD 336 million and USD 4 million, respectively, would have been included in Ternium's financial statements for the year ended December 31, 2010. These pro forma results were prepared based on unaudited accounting records maintained prior to such transaction and adjusted by depreciation and amortization of tangible and intangible assets and interest expense of the borrowing incurred for the transaction as described above.

4 Accounting policies

These Consolidated Financial Statements have been prepared following the same accounting policies used in the preparation of the audited Consolidated Financial Statements for the year ended December 31, 2010.

The following is a summary of the principal accounting policies followed in the preparation of these consolidated financial statements:

(a) Group accounting

(1) Subsidiary companies and transactions with non-controlling interests

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date. Indemnification assets are recognized at the same time that the Company recognizes the indemnified item and measures them on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. The Company measures the value of a reacquired right recognized as an intangible asset on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals in determining its fair value.

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

4 Accounting policies (continued)

On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

The measurement period is the earlier of the date that the acquirer receives the information that it is looking for or cannot obtain the information and one year after the acquisition date. Where the accounting for a business combination is not complete by the end of the reporting period in which the business combination occurred provisional amounts are reported.

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. However, the fact that the functional currency of some subsidiaries is their respective local currency, generates some financial gains (losses) arising from intercompany transactions, that are included in the consolidated income statement under Other financial expenses, net.

(2) Joint ventures

The Company reports its interests in jointly controlled entities using proportionate consolidation. The Company's share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined on a line-by-line basis with similar items in the Company's financial statements.

Where the Company transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Company's interest in the joint venture.

(3) Associated companies

Associated companies are entities in which Ternium generally has between 20% and 50% of the voting rights, or over which Ternium has significant influence, but which it does not control. Investments in associated companies are accounted for using the equity method of accounting. Under this method the Company's share of the post-acquisition profits or losses of an associated company is recognized in the income statement and its share of post-acquisition changes in reserves is recognized in reserves. The cumulative post-acquisition changes are adjusted against the cost of the investment. Unrealized gains on transactions among the Company and its associated companies are eliminated to the extent of the Company's interest in such associated company; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When the Company's share of losses in an associated company equals or exceeds its interest in such associate, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of such associated company.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(b) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries and associated companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional and presentation currency of the Company is the U.S. dollar. Although Ternium is located in Luxembourg, it operates in several countries with different currencies. The USD is the currency that best reflects the economic substance of the underlying events and circumstances relevant to Ternium as a whole.

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

4 Accounting policies (continued)

(2) Subsidiary companies

The results and financial position of all the group entities (none of which operates in a hyperinflationary economy) that have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rate of each statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting translation differences are recognized within other comprehensive income.

In the case of a sale or other disposition of any such subsidiary, any accumulated translation differences would be recognized in the income statement as part of the gain or loss on sale.

(3) Transactions in currencies other than the functional currency

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured.

At the end of each reporting period: (i) monetary items denominated in currencies other than the functional currency are translated using the closing rates, (ii) non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rates prevailing at the date of the transactions; and (iii) non-monetary items that are measured at fair value in a currency other than the functional currency are translated using the exchange rates prevailing at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recorded as gains and losses from foreign exchange and included in "Other financial income (expenses), net" in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the "fair value gain or loss," while translation differences on non-monetary financial assets such as equities classified as available for sale are included in the "available for sale reserve" in equity. Ternium had no such assets or liabilities for any of the periods presented.

(c) Financial instruments

Non derivative financial instruments

Non derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Ternium non derivative financial instruments are classified into the following categories:

- Financial instruments at fair value through profit or loss: comprises mainly cash and cash equivalents and investments in debt securities held for trading;
- Held-to-maturity instruments: measured at amortized cost using the effective interest method less impairment losses. As of December 31, 2011 and 2010, there are no instruments classified under this category;
- Loans and receivables: measured at amortized cost using the effective interest method less impairment losses;
- Available-for-sale ("AFS") financial assets: gains and losses arising from changes in fair value are recognized within other comprehensive income ("OCI") with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in OCI is included in the income statement for the period. As of December 31, 2011 and 2010, there are no instruments classified under this category;
- Other financial liabilities: measured at amortized cost using the effective interest method.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets and liabilities are recognized and derecognized on the settlement date.

Financial assets are initially measured at fair value, net of transaction costs, except for those financial assets classified as financial assets at fair value through profit or loss.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

4 Accounting policies (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists.

For loans and receivables category and for held-to-maturity investments, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Derivative financial instruments

Information about accounting for derivative financial instruments and hedging activities is included in Note 33 “Financial Risk management”.

(d) Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment are recognized at historical acquisition or construction cost less accumulated depreciation and accumulated impairment (if applicable), except for land, which is carried at acquisition cost less accumulated impairment (if applicable). There are no material residual values for property, plant and equipment items.

Major overhaul and rebuilding expenditures are recognized as a separate asset when future economic benefits are expected from the item, and the cost can be measured reliably.

Ordinary maintenance expenses on manufacturing properties are recorded as cost of products sold in the period in which they are incurred.

Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Depreciation method is reviewed at each year end. Depreciation is calculated using the straight-line method to amortize the cost of each asset to its residual value over its estimated useful life as follows:

Land	No Depreciation
Buildings and improvements	10-45 years
Production equipment	5-20 years
Vehicles, furniture and fixtures and other equipment	5-10 years

Property, plant and equipment used in mining activities are depreciated over its useful life or over the remaining life of the mine if shorter and there is no alternative use possible.

The assets’ useful lives are reviewed, and adjusted if appropriate, at each year end.

Gains and losses on disposals are determined by comparing the proceeds with the corresponding carrying amounts and are included in the income statement.

If the carrying amount of an asset were greater than its estimated recoverable amount, it would be written down to its recoverable amount. (see Note 4 (f) “Impairment”).

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

4 Accounting policies (continued)

(e) Intangible assets

(1) Information system projects

Generally, costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. However, costs directly related to the acquisition and implementation of information systems are recognized as intangible assets if they have a probable economic benefit exceeding the cost beyond one year and comply with the recognition criteria of IAS 38.

Information system projects recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 3 years. Amortization charges are included in cost of sales, selling, general and administrative expenses.

(2) Mining concessions

Mining license was recognized as a separate intangible asset upon the acquisition of the investment in Mexico and comprises the right to exploit the mines and is recognized at its fair value at acquisition date less accumulated amortization.

These mining concessions were granted for a 50-year period; following the expiration of the initial concession term, the concessions are renewable for an additional 50- year term in accordance with, and subject to the procedures set forth in, applicable Mexican mining law.

Amortization charge is calculated by using the unit-of-production method, on the basis of actual mineral extracted in each period compared to the estimated mineral reserves, and is included in cost of sales. Any change in the estimation of reserves is accounted for prospectively. The resulting amortization rate for the years ended December 31, 2011 and 2010, is approximately 9% per year.

(3) Exploration costs

Exploration and evaluation costs are measured at cost. Costs directly associated with exploration activities and leasehold acquisition costs are capitalized until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense. If it is determined that commercial discovery has been achieved, costs incurred are reclassified into Property, Plant and Equipment or Intangible Assets according to the nature of the expenditure and amortization starts. Exploration costs are tested for impairment annually. No impairment losses have been recorded for any of the years presented.

(4) Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of Ternium's participation in acquired companies' net assets at the acquisition date. Under IFRS 3 (revised), goodwill is considered to have an indefinite life and not amortized, but is subject to annual impairment testing.

Goodwill is allocated to Cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those cash-generating units expected to benefit from the business combination which generated the goodwill being tested.

As of December 31, 2011, the carrying amount of goodwill allocated to the Mexico CGU was USD 662.3 million, while the carrying amount of goodwill allocated to other CGUs totaled USD 1.5 million.

(5) Research and development

Research expenditures are recognized as expenses as incurred. Development costs are recorded as cost of sales in the income statement as incurred because they do not fulfill the criteria for capitalization. Research and development expenditures for the years ended December 31, 2011, 2010 and 2009 totaled USD 8.8 million, USD 5.7 million and USD 6.0 million, respectively.

(6) Customer relationships acquired in a business combination

In accordance with IFRS 3 (revised) and IAS 38, Ternium has recognized the value of customer relationships separately from goodwill in connection with the acquisitions of Grupo Imsa and Ferrasa S.A.S.

Customer relationships are amortized using the straight-line method over a useful life of approximately 10 years.

(7) Trademarks acquired in a business combination

In accordance with IFRS 3 and IAS 38, Ternium has recognized the value of trademarks separately from goodwill in connection with the acquisitions of Grupo Imsa and Ferrasa S.A.S.

Trademarks are amortized using the straight-line method over a useful life of between 5 to 10 years.

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

4 Accounting policies (continued)

(f) Impairment

Assets that have an indefinite useful life (including goodwill) are not subject to amortization and are tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization and investments in affiliates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and the value in use.

To carry out these tests, assets are grouped at the lowest levels for which there are separately identifiable cash flows (each, a CGU). When evaluating long-lived assets for potential impairment, the Company estimates the recoverable amount based on the value in use of the corresponding CGU. The value in use of each CGU is determined on the basis of the present value of net future cash flows which will be generated by the assets tested.

Determining the present value of future cash flows involves highly sensitive estimates and assumptions specific to the nature of each CGU's activities, including estimates and assumptions relating to amount and timing of projected future cash flows, expected changes in market prices, expected changes in the demand of Ternium products and services, selected discount rate and selected tax rate.

Ternium uses cash flow projections for the next five years based on past performance and expectations of market development; thereafter, it uses a perpetuity rate with no growth increase. Application of the discounted cash flow (DCF) method to determine the value in use of a CGU begins with a forecast of all expected future net cash flows. Variables considered in forecasts include the gross domestic product (GDP) growth rates of the country under study and their correlation with steel demand, level of steel prices and estimated raw material costs as observed in industry reports.

Cash flows are discounted at post-tax rates that reflect specific country and currency risks associated with the cash flow projections. The discount rates used are based on Ternium's weighted average cost of capital (WACC), which is considered to be a good indicator of cost of capital. As of December 31, 2011, the discount rate used to test goodwill allocated to Mexico CGU for impairment was 11.4%.

As a result of the above factors, actual cash flows and values could vary significantly from the forecasted future cash flows and related values derived using discounting techniques. Based on the information currently available, however, Ternium believes that it is not reasonably possible that the variation would cause the carrying amount to exceed the recoverable amount of the CGUs.

At December 31, 2009, an impairment provision over the agreement with Corus recognized as intangible assets, was recorded for the amount of USD 27.0 million. See note 25 (ii). At December 31, 2011 and 2010, no impairment provisions were recorded.

(g) Other investments

Other investments consist primarily of investments in financial debt instruments and equity investments where the Company holds less than 20% of the outstanding equity and does not exert significant influence.

All purchases and sales of investments are recognized on the settlement date, which is not significantly different from the trade date, which is the date that Ternium commits to purchase or sell the investment.

Income from financial instruments is recognized in Other financial income (expenses), net in the income statement. The fair value of quoted investments are based on current bid prices. If the market for a financial investment is not active or the securities are not listed, the Company estimates the fair value by using standard valuation techniques. Dividends from investments in equity instruments are recognized in the income statement when the Company's right to receive payments is established.

(h) Inventories

Inventories are stated at the lower of cost (calculated using the first-in-first-out "FIFO" method) or net realizable value. The cost of finished goods and goods in process comprises raw materials, direct labor, depreciation, other direct costs and related production overhead costs. It excludes borrowing costs. Goods acquired in transit at year end are valued at supplier's invoice cost.

The cost of iron ore produced in our mines comprises all direct costs necessary to extract and convert stockpiled inventories into raw materials, including stripping costs, depreciation of fixed assets related to the mining activity and amortization of mine exploration costs for those under-production mines.

The Company assesses the recoverability of its inventories considering their selling prices, if the inventories are damaged, or if they have become wholly or partially obsolete (see note 4 (x) (4)).

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

4 Accounting policies (continued)

(i) Trade receivables and other receivables

Trade and other receivables are carried at face value less an allowance for doubtful accounts, if applicable. This amount does not differ significantly from fair value.

A provision for impairment is established when there is objective evidence that a financial asset or group of assets is impaired. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about a loss event, such as a significant financial difficulty of the obligor or a breach of contract. The amount of the impairment is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognized in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents and highly liquid short-term securities are carried at fair market value or at a historical cost which approximates fair market value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash, bank current accounts and short-term highly liquid investments (original maturity of three months or less at date of acquisition) and overdrafts.

In the consolidated statement of financial position, bank overdrafts are included in borrowings within current liabilities.

(k) Non current assets (disposal groups) classified as held for sale

Non-current assets (disposal groups) are classified as assets held for sale, complying with the recognition criteria of IFRS 5, 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 continuing use.

The carrying value of non-current assets classified as held for sale, at December 31, 2011 and 2010 totals USD 10.4 million and USD 10.0 million, respectively, which corresponds principally to land and other real estate items. Sale is expected to be completed within a one-year period.

(l) Borrowings

Borrowings are recognized initially for an amount equal to the proceeds received. In subsequent periods, borrowings are stated at amortized cost; any difference between proceeds and the redemption value is recognized in the income statement over the period of the borrowings.

Capitalized costs for issue of debt are amortized over the life of their respective debt.

(m) Income taxes – current and deferred

The current income tax charge is calculated on the basis of the tax laws in force in the countries in which Ternium and its subsidiaries operate. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation could be subject to interpretation. A liability is recorded for tax benefits that were taken in the applicable tax return but have not been recognized for financial reporting.

Deferred income taxes are calculated using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The principal temporary differences arise on fixed assets, intangible assets, inventories valuation and provisions for pensions. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at year end. Under IFRS, deferred income tax assets (liabilities) are classified as non-current assets (liabilities).

Deferred tax assets are recognized to the extent it is probable that future taxable income will be available to offset temporary differences.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Under Mexican law, Ternium's subsidiaries are required to pay their employees an annual benefit which is determined as a percentage of taxable profit for the year.

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

4 Accounting policies (continued)

(n) Employee liabilities

(1) Pension obligations

The Company has defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at year end, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually (at year end) by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

Mexico

Ternium Mexico has defined benefit and defined contribution plans.

The valuation of the liabilities for the defined benefit employee retirement plans (pensions and seniority premiums) covers all employees and is based primarily on their years of service, their present age and their remuneration at the date of retirement. The cost of the employee retirement plans (pension, health-care expenses and seniority premiums) is recognized as an expense in the year in which services are rendered in accordance with actuarial studies made by independent actuaries. The formal retirement plans are congruent with and complementary to the retirement benefits established by the Mexican Institute of Social Security. Additionally, the Company has established a plan to cover health-care expenses of retired employees. The Company has established irrevocable trust funds for the payment of pensions and seniority premiums, as well as for health-care expenses.

The defined contribution plans provides a benefit equivalent to the capital accumulated with the company's contributions, which are provided as a match of employees' contributions to the plan. The plan provides vested rights according to the years of service and the cause of retirement.

Argentina

Siderar implemented an unfunded defined benefit employee retirement plan for certain senior officers. The plan is designed to provide certain benefits to those officers (additional to those contemplated under applicable Argentine labor laws) in case of terminations of the employment relationship due to certain specified events, including retirement. Benefits provided by the plan are denominated in U.S. Dollars and are calculated based on a seven-year salary average.

(2) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(3) Other compensation obligations

Employee entitlements to annual leave and long-service leave are accrued as earned.

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 ratably 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.

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

4 Accounting policies (continued)

As of December 31, 2011 and 2010, the outstanding liability corresponding to the Program amounts to USD 12.5 million and USD 10.8 million, respectively. The total value of the units granted to date under the program, considering the number of units and the book value per share as of December 31, 2011 and 2010, is USD 15.1 million and USD 12.6 million, respectively.

(4) Social security contributions

Social security laws in force in the countries in which the Company operates provide for pension benefits to be paid to retired employees from government pension plans and/or private fund managed plans to which employees may elect to contribute. As stipulated by the respective laws, Siderar and Ternium Mexico make monthly contributions calculated based on each employee's salary to fund such plans. The related amounts are expensed as incurred. No additional liabilities exist once the contributions are paid.

(o) Provisions and other liabilities

Ternium has certain contingencies with respect to existing or potential claims, lawsuits and other proceedings. Unless otherwise specified, Ternium accrues a provision for a present legal or constructive obligation as a result of a past event, when it is probable that future cost could be incurred and that cost can be reasonably estimated. Generally, accruals are based on developments to date, Ternium's estimates of the outcomes of these matters and the advice of Ternium's legal advisors.

(p) Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(q) Revenue recognition

Revenues are recognized as sales when revenue is earned and is realized or realizable. This includes satisfying all of the following criteria: the arrangement with the customer is evident, usually through the receipt of a purchase order; the sales price is fixed or determinable; delivery as defined by the risk transfer provision of the sales contracts has occurred, and collectibility is reasonably assured.

Interest income is recognized on an effective yield basis.

(r) Borrowing Costs

Beginning on January 1, 2009, and as required by IAS 23 revised, Ternium capitalizes the borrowing costs incurred to finance construction, acquisition or production of qualifying assets. In the case of specific borrowings, Ternium determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. For general borrowings, Ternium determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that Ternium capitalizes during a period will not exceed the amount of borrowing costs incurred during that period. At December 31, 2011, the capitalized borrowing costs are not material.

(s) Cost of sales, selling, general and administrative expenses

Cost of sales and expenses are recognized in the income statement on the accrual basis of accounting.

Commissions, freight and other selling expenses, including shipping and handling costs, are recorded in Selling, general and administrative expenses in the Consolidated Income Statement.

(t) Removal of waste materials to access mineral deposits

Stripping costs (the costs associated with the removal of overburden and other waste materials) that are incurred during the development of a mine (pre-production stripping costs) are expensed when incurred, while post-production stripping costs are included in the cost of the inventory produced (that is extracted) at each mine individually during the period they are incurred.

(u) Earnings per share

Earnings per share are calculated by dividing the net income attributable to shareholders by the daily weighted average number of ordinary shares issued during the year (see Note 26).

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

4 Accounting policies (continued)

(v) Derivative financial instruments and hedging activities

Ternium designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. These transactions are classified as cash flow hedges (mainly interest rate swaps, collars, currency forward contracts on highly probable forecast transactions and commodities contracts). The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI. Amounts accumulated in OCI are recognized in the income statement in the same period as any offsetting losses and gains on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of Ternium derivative financial instruments (asset or liability) continues to be reflected in the statement of financial position.

For transactions designated and qualifying for hedge accounting, Ternium documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. At December 31, 2011, the effective portion of designated cash flow hedges amounts to USD 14.9 million (net of taxes for USD 2.9 million) and is included under "changes in the fair value of derivatives classified as cash flow hedges" line item in the statement of comprehensive income (see Note 32 (a)).

More information about accounting for derivative financial instruments and hedging activities is included in Note 34 "Financial risk management".

(w) Segment information

Reportable operating segments: for management purposes, the Company is organized on a worldwide basis into the following segments: flat steel products, long steel products and others. The Company is not aggregating any operating segments in order to arrive at its reportable segments.

The flat steel products segment comprises the manufacturing and marketing of hot rolled coils and sheets, cold rolled coils and sheets, tin plate, welded pipes, hot dipped galvanized and electro-galvanized sheets, pre-painted sheets and other tailor-made products to serve its customers' requirements.

The long steel products segment comprises the manufacturing and marketing of billets (steel in its basic, semi-finished state), wire rod and bars.

The other products segment includes products other than flat and long steel, mainly pig iron, pellets and pre-engineered metal buildings.

(x) Critical Accounting Estimates

The preparation of financial statements requires management 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.

The principal estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(1) Goodwill impairment test

Assessment of the recoverability of the carrying value of goodwill requires significant judgment. Management evaluates goodwill allocated to the operating units for impairment on an annual basis or whenever there is an impairment indicator.

Goodwill is tested at the level of the CGU. Impairment testing of the CGU is carried out and the value in use determined in accordance with the accounting policy stated in Note 4(f). The discount rates used for these tests are based on Ternium's weighted average cost of capital adjusted for specific country and currency risks associated with the cash flow projections. The discount rate used at December 31, 2011 was 11.4% and no impairment charge resulted from the impairment test performed.

(2) Income taxes

Management calculates current and deferred income taxes according to the tax laws applicable to each subsidiary in the countries in which such subsidiaries operate. However, certain adjustments necessary to determine the income tax provision are finalized only after the balance sheet is issued. In cases in which the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

4 Accounting policies (continued)

Also, when assessing the recoverability of tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies.

(3) Loss contingencies

Ternium is subject to various claims, lawsuits and other legal proceedings that arise in the ordinary course of business, including customer claims in which a third party is seeking reimbursement or indemnity. The Company's liability with respect to such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Periodically, management reviews the status of each significant matter and assesses potential financial exposure. If the potential loss from the claim or proceeding is considered probable and the amount can be reasonably estimated, a liability is recorded. Management estimates the amount of such liability based on the information available and the assumptions and methods it has concluded are appropriate, in accordance with the provisions of IFRS. Accruals for such contingencies reflect a reasonable estimate of the losses to be incurred based on information available, including the relevant litigation or settlement strategy, as of the date of preparation of these financial statements. As additional information becomes available, management will reassess its evaluation of the pending claims, lawsuits and other proceedings and revise its estimates. The loss contingencies provision amounts to USD 15.3 million and USD 16.1 million as of December 31, 2011 and 2010, respectively.

(4) Allowance for obsolescence of supplies and spare parts and slow-moving inventory

Management assesses the recoverability of its inventories considering their selling prices or whether they are damaged or have become wholly or partly obsolete.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

The Company establishes an allowance for obsolete or slow-moving inventory in connection with finished goods and goods in process. The allowance for slow-moving inventory is recognized for finished goods and goods in process based on management's analysis of their aging. In connection with supplies and spare parts, the calculation is based on management's analysis of their aging, the capacity of such materials to be used based on their levels of preservation and maintenance, and their potential obsolescence due to technological change.

As of December 31, 2011 and 2010, the Company recorded no allowance for net realizable value and USD 60.5 million and USD 68.2 million, respectively, as allowance for obsolescence.

During 2011 and 2010, no charges were recorded in connection with net realizable value allowance. Charges to mark the inventory to net realizable value in 2009 were USD 127.6 million. Of this amount, USD 82.8 million in 2009 corresponded to inventories for shipments to the North America region, while USD 44.8 million in 2009 corresponded to inventories for exports within the South and Central America region.

The additions to the allowance for net realizable value recorded during 2009 responded to the steep fall of steel prices as a result of the global financial crisis that began in 2008. Beginning in the second half of 2008 up to the first half of 2009 average prices of flat steel products decreased 41%. Accordingly, inventory values were compared to their estimated net selling prices and written down when the selling prices were lower than historical costs. This was the case of inventories produced from third-party slabs in Mexico and certain raw materials in Argentina that had been acquired at market prices in force prior to the beginning of the global financial crisis.

(5) Valuation of the Sidor financial asset

The Sidor financial asset recorded as a result of the nationalization of Sidor was treated as a receivable and valued at its amortized cost using the applicable effective interest rate. The discount rate used to measure this receivable at amortized cost was estimated on the basis of management's best estimate of market rates adjusted to reflect specific risks.

The initial measurement of the receivable and its subsequent measurements until November 8, 2010, were performed on the basis of its discounted amount using an annual discount rate of 14.36%. This discount rate was estimated on the basis of the yield (13.3%) of Venezuelan sovereign debt with maturities similar to that of the receivable held by Ternium against CVG; however, as the Venezuelan sovereign debt with similar maturities was governed by New York law, while the receivable with CVG was governed by Venezuelan law, the discount rate was further adjusted to adequately reflect the specific risk of Ternium's receivable. After the rescheduling of the last unpaid installment agreed on December 18, 2010, the annual discount rate used to measure the receivable was estimated at 6.28%, on the basis of the specific risks associated to the third-party promissory notes received as guarantee for full payment of CVG obligations.

For further information on the Sidor nationalization and the rescheduling of the related receivable, refer to Note 27.

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

4 Accounting policies (continued)

(6) Useful Lives and Impairment of Property, Plant and Equipment and Other Long-lived Assets

In determining useful lives, management considered, among others, the following factors: age, operating condition and level of usage and maintenance. Management conducted visual inspections for the purpose of (i) determining whether the current conditions of such assets are consistent with normal conditions of assets of similar age; (ii) confirming that the operating conditions and levels of usage of such assets are adequate and consistent with their design; (iii) establishing obsolescence levels and (iv) estimating life expectancy, all of which were used in determining useful lives. Management believes, however, that it is possible that the periods of economic utilization of property, plant and equipment may be different than the useful lives so determined. Furthermore, management believes that this accounting policy involves a critical accounting estimate because it is subject to change from period to period as a result of variations in economic conditions and business performance.

When assessing whether an impairment indicator may exist, the Company evaluates both internal and external sources of information, such as the following:

- whether significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- whether market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- whether the carrying amount of the net assets of the entity is more than its market capitalization;
- whether evidence is available of obsolescence or physical damage of an asset.
- whether significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and
- whether evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

None of the Company's CGUs were tested for impairment, other than for goodwill test (see note 4 (x) (1)), in 2011 and 2010, as no impairment indicators were identified. Furthermore, based on information currently available, management believes that the recognition of a future impairment charge is not reasonably possible.

(7) Allowances for doubtful accounts

Management makes estimates of the uncollectibility of our accounts receivable. Management analyses the trade accounts receivable on a regular basis and, when aware of a third party's inability to meet its financial commitments to the Company, management impairs the amount due by means of a charge to the allowance for doubtful accounts. Management specifically analyses accounts receivable and historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Allowances for doubtful accounts are adjusted periodically in accordance with the aging of overdue accounts. For this purpose, trade accounts receivable overdue by more than 90 days, and which are not covered by a credit collateral, guarantee or similar surety, are fully provisioned. As of December 31, 2011 and 2010, allowance for doubtful accounts totals USD 16.1 million and USD 17.2 million, respectively.

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

5 Segment information

Reportable operating segments

	Year ended December 31, 2011				
	Flat steel products	Long steel products	Other	Unallocated	Total
Net sales	7,792,045	1,217,877	147,276	—	9,157,198
Cost of sales	(6,138,685)	(864,522)	(91,045)	—	(7,094,252)
Gross profit	1,653,360	353,355	56,231	—	2,062,946
Selling, general and administrative expenses	(673,363)	(96,832)	(15,966)	—	(786,161)
Other operating income (expenses), net	(14,912)	3,247	99	—	(11,566)
Operating income	965,085	259,770	40,364	—	1,265,219
Capital expenditures—PP&E	470,641	70,181	12,528	—	553,350
Depreciation—PP&E	300,795	31,468	6,284	—	338,547
Segment assets					
Inventories, net	1,870,523	239,060	27,441	—	2,137,024
Trade receivables, net	588,371	143,255	10,902	—	742,528
Property, plant and equipment, net	3,591,733	389,820	51,122	—	4,032,675
Intangible assets, net	868,978	72,629	44,465	—	986,072
Assets—discontinued operations				136,294	136,294
Other assets				2,711,981	2,711,981

	Year ended December 31, 2010				
	Flat steel products	Long steel products	Other	Unallocated	Total
Net sales	6,376,380	833,137	172,487	—	7,382,004
Cost of sales	(4,932,551)	(633,958)	(98,745)	—	(5,665,254)
Gross profit	1,443,829	199,179	73,742	—	1,716,750
Selling, general and administrative expenses	(585,746)	(62,419)	(17,141)	—	(665,306)
Other operating income (expenses), net	2,887	(506)	112	—	2,493
Operating income	860,970	136,254	56,713	—	1,053,937
Capital expenditures—PP&E	272,623	38,123	6,172	—	316,918
Depreciation—PP&E	285,755	20,851	6,214	—	312,820
Segment assets					
Inventories, net	1,804,896	117,721	30,773	—	1,953,390
Trade receivables, net	514,521	121,872	27,109	—	663,502
Property, plant and equipment, net	3,831,181	378,212	53,503	—	4,262,896
Intangible assets, net	1,004,680	75,504	49,164	—	1,129,348
Assets—discontinued operations				257,988	257,988
Other assets				2,845,207	2,845,207

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

5 Segment information (continued)

	Year ended December 31, 2009				
	Flat steel products	Long steel products	Other	Unallocated	Total
Net sales	4,249,979	572,900	136,104	—	4,958,983
Cost of sales	(3,634,854)	(392,983)	(82,533)	—	(4,110,370)
Gross profit	615,125	179,917	53,571	—	848,613
Selling, general and administrative expenses	(477,067)	(40,739)	(13,724)	—	(531,530)
Other operating income (expenses), net	(21,303)	414	189	—	(20,700)
Operating income	116,755	139,592	40,036	—	296,383
Capital expenditures—PP&E	178,425	10,270	1,983	—	190,678
Depreciation—PP&E	287,177	19,017	6,786	—	312,980
Segment assets					
Inventories, net	1,219,347	102,423	28,798	—	1,350,568
Trade receivables, net	349,230	60,825	27,780	—	437,835
Property, plant and equipment, net	3,724,825	263,461	52,129	—	4,040,415
Intangible assets, net	977,552	60,795	47,065	—	1,085,412
Assets—discontinued operations				964,359	964,359
Other assets				2,414,084	2,414,084

Geographical information

There are no revenues from external customers attributable to the Company's country of incorporation (Luxembourg). Ternium sells its products to three main geographical areas: South and Central America, North America, and Europe and others. The North American area comprises principally United States and Mexico. The South and Central American area comprises principally Argentina, Colombia, Paraguay, Guatemala, Costa Rica, Uruguay, Dominican Republic and Honduras.

	Year ended December 31, 2011			
	South and Central America	North America	Europe and other	Total
Net sales	4,015,858	5,085,227	56,113	9,157,198
Segment assets				
Trade receivables, net	237,910	496,506	8,112	742,528
Property, plant and equipment, net	1,392,065	2,639,229	1,381	4,032,675
Intangible assets, net	50,438	935,634	—	986,072
Capital expenditures—PP&E	201,849	350,524	977	553,350
Depreciation—PP&E	141,352	197,067	128	338,547

	Year ended December 31, 2010			
	South and Central America	North America	Europe and other	Total
Net sales	3,057,676	4,208,617	115,711	7,382,004
Segment assets				
Trade receivables, net	192,723	456,433	14,346	633,502
Property, plant and equipment, net	1,437,417	2,825,370	109	4,262,896
Intangible assets, net	54,443	1,074,905	—	1,129,348
Capital expenditures—PP&E	182,845	134,027	46	316,918
Depreciation—PP&E	118,774	194,029	17	312,820

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

5 Segment information (continued)

	Year ended December 31, 2009			
	South and Central America	North America	Europe and other	Total
Net sales	1,782,446	2,976,938	199,599	4,958,983
Segment assets				
Trade receivables, net	116,231	318,466	3,138	437,835
Property, plant and equipment, net	1,297,289	2,743,045	81	4,040,415
Intangible assets, net	36,188	1,049,224	—	1,085,412
Capital expenditures—PP&E	117,583	73,044	51	190,678
Depreciation—PP&E	111,895	201,071	14	312,980

Revenues by product

	Year ended December 31,		
	2011	2010	2009
Semi-finished (1)	—	29	11,389
Hot rolled	2,749,607	2,264,308	1,214,349
Cold rolled	1,458,875	1,213,813	837,798
Coated (2)	2,926,291	2,410,809	1,846,967
Roll-formed and tubular (3)	657,272	487,421	339,476
Flat steel products	7,792,045	6,376,380	4,249,979
Semi-finished (4)	91,955	147,282	30,835
Hot rolled (5)	1,125,922	685,855	542,065
Long steel products	1,217,877	833,137	572,900
TOTAL STEEL PRODUCTS	9,009,922	7,209,517	4,822,879
Other products	147,276	172,487	136,104
TOTAL SALES	9,157,198	7,382,004	4,958,983

- (1) Semi-finished includes slabs.
- (2) Coated includes hot-dipped galvanized, electrogalvanized, pre-painted, tin plate and tin-free steel.
- (3) Roll-formed and tubular includes steel pipes, tubular products, beams, insulated panels, roofing and cladding, roof tiles and steel decks.
- (4) Semi-finished includes billets and round bars.
- (5) Hot rolled includes wire rod, bars and stirrups.

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

6 Cost of sales

	Year ended December 31,		
	2011	2010	2009
Inventories at the beginning of the year	1,953,390	1,350,568	1,826,547
Acquisition of business (Note 3)	—	76,771	—
Translation differences	(229,685)	28,621	(46,857)
Plus: Charges for the year			
Raw materials and consumables used and other movements	5,933,893	4,763,000	2,473,327
Services and fees	246,364	197,873	126,325
Labor cost	577,101	496,961	378,558
Depreciation of property, plant and equipment	323,210	295,504	308,156
Amortization of intangible assets	16,557	19,453	14,462
Maintenance expenses	348,721	342,529	221,175
Office expenses	6,678	6,662	4,997
Freight and transportation	56,035	36,892	32,846
Insurance	7,032	7,530	9,256
Charge (Recovery) of obsolescence allowance	6,121	11,710	(7,556)
Valuation allowance	—	—	127,553
Recovery from sales of scrap and by-products	(40,532)	(40,654)	(27,326)
Others	26,391	25,224	19,475
Less: Inventories at the end of the year	<u>(2,137,024)</u>	<u>(1,953,390)</u>	<u>(1,350,568)</u>
Cost of Sales	<u>7,094,252</u>	<u>5,665,254</u>	<u>4,110,370</u>

7 Selling, general and administrative expenses

	Year ended December 31,		
	2011	2010	2009
Services and fees (1)	71,091	60,874	46,923
Labor cost	180,650	153,807	150,914
Depreciation of property plant and equipment	15,337	17,316	4,824
Amortization of intangible assets	50,738	51,027	57,663
Maintenance expenses	17,730	11,113	6,858
Taxes	120,264	89,412	65,889
Office expenses	32,973	29,567	26,134
Freight and transportation	269,630	232,184	156,520
Increase (Decrease) of allowance for doubtful accounts	322	(393)	(1,635)
Others	27,426	20,399	17,440
Selling, general and administrative expenses	<u>786,161</u>	<u>665,306</u>	<u>531,530</u>

- (1) Includes fees accrued for professional services rendered by PwC to Ternium S.A. and its subsidiaries during the year ended December 31, 2011 that amounted to USD 3,776, including USD 3,281 for audit services, USD 447 for audit-related services, USD 24 for tax services and USD 24 for all other services.

8 Labor costs (included in cost of sales, selling, general and administrative expenses)

	Year ended December 31,		
	2011	2010	2009
Wages, salaries and social security costs	687,877	594,909	450,828
Termination benefits	38,786	27,872	55,358
Pension benefits (Note 22 (i))	31,088	27,987	23,286
Labor costs	<u>757,751</u>	<u>650,768</u>	<u>529,472</u>

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

9 Other operating (expenses) income, net

	Year ended December 31,		
	2011	2010	2009
Results from the sale of sundry assets	(4,169)	(4,681)	(2,121)
Provision for legal claims and other matters (Note 20 and 25 (ii))	(29,932)	(5,543)	(4,614)
Fees related to the repurchase of shares from Usiminas (Note 30)	10,200	—	—
Impairment charge (Note 25 (ii))	—	—	(27,022)
Others	12,335	12,717	13,057
Other operating (expenses) income, net	(11,566)	2,493	(20,700)

10 Other financial (expenses) income, net

	Year ended December 31,		
	2011	2010	2009
Net foreign exchange (loss) gain	(236,362)	123,690	83,057
Change in fair value of financial instruments	7,968	1,545	10,607
Debt issue costs	(5,078)	(4,562)	(5,149)
Others	(6,525)	(5,561)	(6,876)
Other financial (expenses) income, net	(239,997)	115,112	81,639

11 Income tax expense

Income tax

Income tax expense for each of the years presented is as follows:

	Year ended December 31,		
	2011	2010	2009
Current tax	(368,378)	(410,041)	(124,647)
Deferred tax (Note 21)	41,285	(1,035)	(24,812)
Deferred tax – effect of changes in tax rates	—	—	(11,216)
Effect of change in fair value of cash flow hedge	6,701	4,419	9,112
Recovery of income tax (1)	4,417	—	60,249
Income tax expense	(315,974)	(406,657)	(91,314)

- (1) Represents gains recorded in 2011 and 2009 for several income tax claims filed against the tax authorities for which definitive favorable rulings were obtained in such years.

Income tax expense for the years ended December 31, 2011, 2010 and 2009 differed from the amount computed by applying the statutory income tax rate in force in each country in which the company operates to pre-tax income as a result of the following:

	Year ended December 31,		
	2011	2010	2009
Income before income tax	965,882	1,186,127	430,415
Income tax expense at statutory tax rate	(292,300)	(366,992)	(92,662)
Non taxable income	5,929	2,797	1,940
Non deductible expenses	(28,568)	(38,132)	(41,085)
Unrecognized tax losses	(5,452)	(4,330)	(8,540)
Recovery of income tax	4,417	—	60,249
Effect of changes in tax rate	—	—	(11,216)
Income tax expense	(315,974)	(406,657)	(91,314)

Tax rates used to perform the reconciliation between tax expense (income) and accounting profit are those in effect at each relevant date or period in each applicable jurisdiction.

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

12 Property, plant and equipment, net

Year ended December 31, 2011							
	Land	Buildings and improvements	Production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts	Total
Cost							
Values at the beginning of the year	489,750	1,799,404	4,181,696	152,280	318,330	37,148	6,978,608
Translation differences	(59,328)	(158,079)	(409,796)	(12,920)	(51,784)	(2,955)	(694,862)
Additions	46,565	2,514	13,760	4,359	482,981	3,171	553,350
Disposals / Consumptions	—	(10,412)	(10,563)	(3,942)	(1,315)	(133)	(26,365)
Transfers	—	86,869	106,692	6,749	(200,310)	—	—
Values at the end of the year	<u>476,987</u>	<u>1,720,296</u>	<u>3,881,789</u>	<u>146,526</u>	<u>547,902</u>	<u>37,231</u>	<u>6,810,731</u>
Depreciation							
Accumulated at the beginning of the year	—	(611,089)	(1,975,650)	(127,363)	—	(1,610)	(2,715,712)
Translation differences	—	53,672	195,284	10,570	—	129	259,655
Depreciation charge	—	(96,190)	(232,395)	(9,393)	—	(569)	(338,547)
Disposals / Consumptions	—	4,787	9,474	2,250	—	37	16,548
Accumulated at the end of the year	—	<u>(648,820)</u>	<u>(2,003,287)</u>	<u>(123,936)</u>	—	<u>(2,013)</u>	<u>(2,778,056)</u>
At December 31, 2011	<u>476,987</u>	<u>1,071,476</u>	<u>1,878,502</u>	<u>22,590</u>	<u>547,902</u>	<u>35,218</u>	<u>4,032,675</u>
Year ended December 31, 2010							
	Land	Buildings and improvements	Production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts	Total
Cost							
Values at the beginning of the year	424,722	1,511,825	4,024,494	149,214	387,721	32,590	6,530,566
Translation differences	20,717	(18,926)	43,439	(4,097)	(7,566)	(1,522)	32,045
Acquisition of business	26,041	41,217	67,280	4,070	1,510	—	140,118
Additions	18,270	5,575	2,730	1,955	282,139	6,249	316,918
Disposals / Consumptions	—	(3,616)	(34,111)	(2,381)	(762)	(169)	(41,039)
Transfers	—	263,329	77,864	3,519	(344,712)	—	—
Values at the end of the year	<u>489,750</u>	<u>1,799,404</u>	<u>4,181,696</u>	<u>152,280</u>	<u>318,330</u>	<u>37,148</u>	<u>6,978,608</u>
Depreciation							
Accumulated at the beginning of the year	—	(554,581)	(1,809,902)	(124,455)	—	(1,213)	(2,490,151)
Translation differences	—	20,341	29,192	4,128	—	54	53,715
Depreciation charge	—	(78,000)	(225,866)	(8,464)	—	(490)	(312,820)
Disposals / Consumptions	—	1,151	30,926	1,428	—	39	33,544
Accumulated at the end of the year	—	<u>(611,089)</u>	<u>(1,975,650)</u>	<u>(127,363)</u>	—	<u>(1,610)</u>	<u>(2,715,712)</u>
At December 31, 2010	<u>489,750</u>	<u>1,188,315</u>	<u>2,206,046</u>	<u>24,917</u>	<u>318,330</u>	<u>35,538</u>	<u>4,262,896</u>

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

13 Intangible assets, net

	Year ended December 31, 2011						
	Information system projects	Mining concessions	Exploration costs	Customer relationships and other contractual rights	Trademarks	Goodwill	Total
Cost							
Values at the beginning of the year	118,784	109,809	31,688	324,670	81,023	750,127	1,416,101
Translation differences	(14,399)	(14,981)	(3,019)	(34,349)	(7,358)	(86,321)	(160,427)
Additions	34,345	—	13,648	—	—	—	47,993
Transfers	—	16,493	(16,493)	—	—	—	—
Values at the end of the year	138,730	111,321	25,824	290,321	73,665	663,806	1,303,667
Depreciation							
Accumulated at the beginning of the year	(82,741)	(47,600)	—	(108,711)	(47,701)	—	(286,753)
Translation differences	8,437	6,635	—	15,032	6,349	—	36,453
Depreciation charge	(11,455)	(9,884)	—	(31,625)	(14,331)	—	(67,295)
Accumulated at the end of the year	(85,759)	(50,849)	—	(125,304)	(55,683)	—	(317,595)
At December 31, 2011	52,971	60,472	25,824	165,017	17,982	663,806	986,072
	Year ended December 31, 2010						
	Information system projects	Mining concessions	Exploration costs	Customer relationships and other contractual rights	Trademarks	Goodwill	Total
Cost							
Values at the beginning of the year	98,736	103,909	20,812	288,414	73,358	708,643	1,293,872
Translation differences	(363)	5,900	1,412	14,795	3,258	39,927	64,929
Acquisition of business	42	—	—	19,467	4,407	1,557	25,473
Additions	20,369	—	10,843	1,994	—	—	33,206
Disposals / Consumptions	—	—	(1,379)	—	—	—	(1,379)
Values at the end of the year	118,784	109,809	31,688	324,670	81,023	750,127	1,416,101
Depreciation							
Accumulated at the beginning of the year	(66,363)	(35,568)	—	(74,474)	(32,055)	—	(208,460)
Translation differences	690	(2,215)	—	(4,390)	(1,898)	—	(7,813)
Depreciation charge	(17,068)	(9,817)	—	(29,847)	(13,748)	—	(70,480)
Accumulated at the end of the year	(82,741)	(47,600)	—	(108,711)	(47,701)	—	(286,753)
At December 31, 2010	36,043	62,209	31,688	215,959	33,322	750,127	1,129,348

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

14 Investments in associated companies

	<u>As of December 31,</u>	
	<u>2011</u>	<u>2010</u>
At the beginning of the year	8,212	6,577
Translation adjustment	(124)	(53)
(Disposals)/Acquisitions	(70)	302
Dividends received from associated companies	—	(302)
Equity in earnings of associated companies	1,293	1,688
At the end of the year	<u>9,311</u>	<u>8,212</u>

The principal associated companies, all of which are unlisted, are:

<u>Company</u>	<u>Country of incorporation</u>	<u>Voting rights at December 31,</u>		<u>Value at December 31,</u>	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Lomond Holdings BV. (1)	Netherlands	50.00%	50.00%	7,299	6,635
Finma S.A.I.F. (2)	Argentina	33.33%	33.33%	1,429	1,200
Arhsa S.A. (2)	Argentina	33.33%	33.33%	379	176
Techinst S.A. (3)	Argentina	33.33%	33.33%	204	126
Compañía Afianzadora de Empresas Siderúrgicas S.G.R. (4)	Argentina	—	38.89%	—	75
				<u>9,311</u>	<u>8,212</u>

- (1) Holding Company. Indirectly through the participation in Ternium Investments Switzerland A.G. since December 7, 2011. Prior to this date and since August 9, 2010, the participation was held by Ternium Treasury Services S.A. and prior to August 9, 2010, it was held by Ternium Procurement S.A.
- (2) Consulting and financial services. Indirectly through the participation in Siderar.
- (3) Consulting and financial services. Indirectly through the participation in Ternium Treasury Services S.A.
- (4) Granting of guarantees to participating partners to facilitate or permit access to credits for purchase of national raw material. Indirectly through the participation in Siderar.

15 Other investments, net – Non-current

	<u>As of December 31,</u>	
	<u>2011</u>	<u>2010</u>
Time deposits with related parties (i) (Note 28)	—	18,086
Investments in debt instruments	13,900	17,227
Others	187	262
Other investments, net – Non-current	<u>14,087</u>	<u>35,575</u>

- (i) The Company held a savings fund denominated in U.S. dollars until the fourth quarter of 2011.

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

16 Receivables, net – Non-current and Current

	As of December 31,	
	2011	2010
Receivables with related parties (Note 28)	197	285
Employee advances and loans	8,163	8,821
Advances to suppliers for the purchase of property, plant and equipment	98,455	21,125
Advances to suppliers for the purchase of property, plant and equipment with related parties (Note 28)	290	1,548
Tax credits	12,582	18,369
Others	4,514	6,323
Receivables, net – Non-current	124,201	56,471

	As of December 31,	
	2011	2010
Value added tax	14,455	26,169
Tax credits	46,059	26,806
Employee advances and loans	9,128	10,465
Advances to suppliers	8,289	4,815
Advances to suppliers with related parties (Note 28)	955	552
Expenses paid in advance	7,145	3,695
Government tax refunds on exports	3,092	9,263
Receivables with related parties (Note 28)	286	548
Others	16,182	12,260
Receivables, net – Current	105,591	94,573

17 Trade receivables, net – Non-current and Current

	As of December 31,	
	2011	2010
Trade receivables	7,672	354
Allowance for doubtful accounts (Note 20)	(146)	(354)
Trade receivables, net – Non-current	7,526	—

	As of December 31,	
	2011	2010
Current accounts	720,667	669,403
Trade receivables with related parties (Note 28)	30,337	10,959
Allowance for doubtful accounts (Note 20)	(16,002)	(16,860)
Trade receivables, net – Current	735,002	663,502

18 Inventories, net

	As of December 31,	
	2011	2010
Raw materials, materials and spare parts	593,903	523,832
Goods in process	1,055,934	998,552
Finished goods	414,614	415,985
Goods in transit	133,033	83,214
Obsolescence allowance (Note 20)	(60,460)	(68,193)
Inventories, net	2,137,024	1,953,390

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

19 Cash, cash equivalents and other investments

	As of December 31,	
	2011	2010
(i) Other investments		
Deposits with maturity of more than three months	281,676	848,400
(ii) Cash and cash equivalents		
Cash and banks	115,585	98,811
Restricted cash	248	12,343
Deposits with maturity of less than three months	2,042,758	1,668,262
Cash and cash equivalents	2,158,591	1,779,416

20 Allowances and Provisions – Non-current and Current

Provisions and allowances - Non-current	Deducted from assets	Liabilities
	Allowance for doubtful accounts	Legal claims and other matters
Year ended December 31, 2011		
Values at the beginning of the year	354	16,144
Translation differences	(23)	(2,228)
Additions	—	31,289
Reversals	(185)	(1,357)
Uses	—	(28,508)
At December 31, 2011	146	15,340
Year ended December 31, 2010		
Values at the beginning of the year	416	18,913
Translation differences	(18)	(290)
Additions	—	6,721
Reversals	(44)	(1,178)
Uses	—	(8,022)
At December 31, 2010	354	16,144
Provisions and allowances - Current	Deducted from assets	
	Allowance for doubtful accounts	Obsolescence allowance
Year ended December 31, 2011		
Values at the beginning of the year	16,860	68,193
Translation differences	(1,103)	(7,385)
Acquisition of business	—	—
Reversals	(2,133)	(26,261)
Additions	2,640	32,382
Uses	(262)	(6,469)
At December 31, 2011	16,002	60,460
Year ended December 31, 2010		
Values at the beginning of the year	16,310	58,153
Translation differences	(460)	1,911
Acquisition of business	4,168	1,290
Reversals	(3,885)	(17,719)
Additions	3,536	29,429
Uses	(2,809)	(4,871)
At December 31, 2010	16,860	68,193

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

21 Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rate of the applicable country.

Changes in deferred income tax are as follows:

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
At beginning of the year	(865,355)	(857,297)
Translation differences	83,172	(14,855)
Acquisition of business	—	7,832
Deferred tax credit (charge)	41,285	(1,035)
At end of the year	(740,898)	(865,355)

The changes in deferred tax assets and liabilities (prior to offsetting the balances within the same tax jurisdiction) during the year are as follow:

<u>Deferred tax liabilities</u>	<u>Fixed assets</u>	<u>Inventories</u>	<u>Intangible assets</u>	<u>Other</u>	<u>Total at</u>
					<u>December 31,</u>
					<u>2011</u>
At beginning of year	(682,027)	(70,498)	(81,161)	(169,373)	(1,003,059)
Translation differences	67,654	7,975	8,832	12,430	96,891
Income statement credit (charge)	27,936	10,718	10,596	(12,965)	36,285
At end of year	(586,437)	(51,805)	(61,733)	(169,908)	(869,883)

<u>Deferred tax assets</u>	<u>Provisions</u>	<u>Trade Receivables</u>	<u>Tax losses (1)</u>	<u>Other</u>	<u>Total at</u>
					<u>December 31,</u>
					<u>2011</u>
At beginning of year	66,626	7,971	22,210	40,897	137,704
Translation differences	(6,037)	(1,531)	(3)	(6,148)	(13,719)
Income statement credit (charge)	409	2,363	(6,328)	8,556	5,000
At end of year	60,998	8,803	15,879	43,305	128,985

(1) As of December 31, 2011, the recognized tax losses amount to USD 15,879 and the net unrecognized deferred tax assets amount to USD 17,885. According to the tax law in force in the jurisdictions in which the tax losses are generated, these amounts do not have a certain expiration date.

Deferred tax assets and liabilities are offset when the entity a) has a legally enforceable right to set off the recognized amounts; and b) intends to settle the tax on a net basis or to realize the asset and settle the liability simultaneously.

The amounts shown in the statement of financial position include the following:

	<u>As of December 31,</u>	
	<u>2011</u>	<u>2010</u>
Deferred tax assets to be recovered after more than 12 months	74,202	82,980
Deferred tax liabilities to be settled after more than 12 months	(807,914)	(922,136)
	(733,712)	(839,156)

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

22 Other liabilities – Non-current and Current

	<u>As of December 31,</u>	
	<u>2011</u>	<u>2010</u>
(i) Other liabilities – Non-current		
Termination benefits	4,238	4,877
Pension benefits	155,625	166,812
Related parties (Note 28)	—	507
Other	40,982	29,116
Other liabilities – Non-current	<u>200,845</u>	<u>201,312</u>

Pension benefits

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

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Present value of unfunded obligations	251,354	262,366
Unrecognized prior service costs	(3,578)	(3,694)
Unrecognized actuarial losses	(72,253)	(72,946)
Fair value of plan assets	(19,898)	(18,914)
Liability in the statement of financial position	<u>155,625</u>	<u>166,812</u>

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

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Current service cost	6,150	4,697
Interest cost	22,030	20,000
Amortization of prior service costs	818	634
Net actuarial losses recognized in the year	2,090	2,656
Total included in labor costs	<u>31,088</u>	<u>27,987</u>

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

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
At the beginning of the year	166,812	151,562
Transfers, new participants and funding of the plan	(19,321)	(20,412)
Total expense	31,088	27,987
Translation differences	(21,261)	8,473
Contributions paid	(1,693)	(798)
At the end of the year	<u>155,625</u>	<u>166,812</u>

The principal actuarial assumptions used were as follows:

Mexico	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Discount rate	8.75%	8.75%
Rate of compensation increase	4.00%	4.00%
Argentina	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Discount rate	7.00%	7.00%
Rate of compensation increase	2.00%	2.00%

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

22 Other liabilities (continued)

	As of December 31,	
	2011	2010
(ii) Other liabilities – Current		
Payroll and social security payable	97,536	88,727
Termination benefits	8,547	6,693
Related Parties (Note 28)	4,052	22,017
Others	4,641	6,173
Other liabilities – Current	114,776	123,610

23 Derivative financial instruments

Net fair values of derivative financial instruments

The net fair values of derivative financial instruments at December 31, 2011 and 2010 were as follows:

	Year ended December 31,	
	2011	2010
Contracts with positive fair values:		
Foreign exchange contracts	50	212
	50	212
Contracts with negative fair values:		
Interest rate swap contracts	(19,264)	(54,675)
Foreign exchange contracts	(10,638)	(102)
	(29,902)	(54,777)

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, 2011, most of the Company's long-term borrowings were at variable rates.

Ternium Mexico entered into derivative instruments to manage the impact of the floating interest rate changes on its financial debt. The notional amount represents 42% of its total exposure as of December 31, 2011.

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 are 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%. As of December 31, 2011, the notional amount outstanding is USD 396 million. These agreements are due in July 2012 and have been accounted for as cash flow hedges. 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, 2009	(46,693)	14,009	(32,684)
(Decrease) / Increase	(19,334)	5,800	(13,534)
Reclassification to income statement	34,063	(10,219)	23,844
At December 31, 2010	(31,964)	9,590	(22,374)
(Decrease) / Increase	(658)	197	(460)
Reclassification to income statement	22,994	(6,898)	16,096
At December 31, 2011	(9,628)	2,889	(6,738)

The gross amount of the pre-tax reserve recorded in other comprehensive income at December 31, 2011 (amounting to a loss of USD 9.6 million) is expected to be reclassified to the income statements in 2012.

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

23 Derivative financial instruments (continued)

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 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, 2011 was ARS 2.1 billion with an average forward price of 4.67 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, 2011, the agreements aggregate notional amount were COP 34.4 billion at an exchange rate of 1,923 COP per USD.

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 is due in January 19, 2012.

During December 2011 and in connection with the purchase of the investment in Usiminas (see note 35), 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 are due in January 2012 and have been accounted for as cash flow hedges. As of December 31, 2011, the after-tax cash flow hedge reserve related to these agreements amounted to USD 8.2 million.

The net fair values of the exchange rate derivative contracts as of December 31, 2011 and December 31, 2010 were as follows:

Currencies	Contract	Notional amount	Fair Value at December 31,	
			2011	2010
BRL/USD	ND Forward (1)	3.9 billion BRL	(8,902)	—
ARS/USD	Forward	2.1 billion ARS	(1,653)	—
MXN/USD	Forward	0.6 billion MXN	(83)	—
COP/USD	ND Forward	34.4 billion COP	50	—
USD/EUR	Forward	—	—	212
USD/EUR	Cross Currency Swap	—	—	(52)
CRC/USD	ND Forward	—	—	8
GTQ/USD	ND Forward	—	—	(57)
			(10,588)	111

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

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

24 Borrowings

	Year ended December 31,	
	2011	2010
(i) Non-current		
Bank borrowings	951,469	1,429,278
Less: debt issue costs	(2,974)	(2,704)
	948,495	1,426,574
(ii) Current		
Bank borrowings	1,043,977	517,718
Less: debt issue costs	(2,427)	(4,635)
	1,041,550	513,083
Total Borrowings	1,990,045	1,939,657

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

24 Borrowings (continued)

The maturity of borrowings is as follows:

	Expected Maturity Date				
	2012	2013	2014 and thereafter	At December 31, (1)	
	2011	2010			
Fixed Rate	484,996	—	—	484,996	14,206
Floating Rate	556,554	401,791	546,704	1,505,049	1,925,451
Total	1,041,550	401,791	546,704	1,990,045	1,939,657

(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:

	December 31,	
	2011	2010
Bank borrowings	3.42%	3.29%

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, 2011 and 2010, respectively.

Breakdown of borrowings by currency is as follows:

Currency	Interest rates	December 31,	
		2011	2010
USD	Floating	1,357,795	1,786,928
USD	Fixed	1,690	—
ARS	Floating	467	—
ARS	Fixed	460,946	312
BRL	Floating	17,177	12,725
COP	Floating	125,300	125,798
COP	Fixed	—	3,746
CRC	Fixed	6,475	—
GTQ	Fixed	15,885	10,148
MXN	Floating	4,310	—
Total Borrowings		1,990,045	1,939,657

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

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.

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 will repay the remaining USD 0.2 billion principal amount of the loans that was not refinanced.

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

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 18.7 million as of December 31, 2011.

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.

Based on the above, the Company recognized a provision amounting to USD 2.0 million as of December 31, 2011 as management considers there could be a potential cash outflow.

(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 4,092 Million (approximately USD 293 million) at December 31, 2011, in taxes and penalties. The Company will appeal this assessment before the Mexican tax authorities and ultimately the tax courts and 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 93.6 million and is due to terminate in 2018.

(b) Siderar, within the investment plan to increase its production capacity, has entered into several commitments to acquire new production equipment for a total consideration of USD 117.3 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 59.0 million to satisfy Siderar's current production needs through 2021, and to make incremental purchases of these gases for an aggregate amount of USD 116.1 million to satisfy the requirements through 2025 of a new separation facility to be constructed as part of Siderar's expansion plan. As a result of the several global crisis that began in 2008 and the uncertainties surrounding the evolution of steel demand in the domestic and global markets, 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 March 31, 2012, and Siderar agreed to purchase from Air Liquide Argentina certain equipment for an aggregate amount of approximately USD 21.4 million (as of December 31, 2011, Siderar

paid advances in an amount of USD 12.6 million). If Siderar were to resume its expansion plan on or prior to March 31, 2012, Air Liquide Argentina would be required to repurchase that equipment, and all of the parties' obligations under the contract would be reinstated; otherwise, all rights and obligations relating to the new separation plant and the related supply of gases would terminate automatically on March 31, 2012, and Siderar would be required to pay to Air Liquide Argentina an aggregate amount currently estimated at USD 12.0 million.

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

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 948.4 million to be expended during the next 3 years.

(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 0.9 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 26% 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 221 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). 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 USD16.3 million previously paid) and authorized their agent under the off-take agreements to transfer to Tata UK£1.8 million and €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., USD21.3 million) on June 17, 2011.

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

25 Contingencies, commitments and restrictions on the distribution of profits (continued)

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.

(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, 2011, this reserve reached the above-mentioned threshold.

As of December 31, 2011, Ternium may pay dividends up to USD 6.1 billion in accordance with Luxembourg law and regulations.

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

	At December 31, 2011
Share capital	2,004,743
Legal reserve	200,474
Non distributable reserves	1,414,122
Accumulated profit at January 1, 2011 (1)	6,153,015
Loss for the year	(20,029)
Total shareholders' equity under Luxembourg GAAP	9,752,325

- (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, 2011, 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 2011, 2010 and 2009, the weighted average of shares outstanding totaled 1,968,327,917, 2,004,743,442 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.

	2011	2010	2009
Profit from continuing operations attributable to equity holders of the Company	513,541	622,076	305,830
Profit from discontinued operations attributable to equity holders of the Company	—	—	411,570
Weighted average number of ordinary shares in issue	1,968,327,917	2,004,743,442	2,004,743,442
Basic and diluted earnings per share from continuing operations attributable to equity holders of the Company (USD per share)	0.26	0.31	0.15
Basic and diluted earnings per share from discontinued operations attributable to equity holders of the Company (USD per share)	—	—	0.21

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

27 Discontinued operations—Nationalization of Sidor

On March 31, 2008, Ternium S.A. (the “Company”) controlled approximately 59.7% of Sidor, 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 and certain Sidor employees and former employees held the remaining 19.9% interest.

Further to several threats of nationalization and various adverse interferences with management in preceding years, on April 8, 2008, the Venezuelan government announced its intention to take control over Sidor. On April 29, 2008, the National Assembly of Venezuela passed a resolution declaring that the shares of Sidor, together with all of its assets, were of public and social interest, and authorizing the Venezuelan government to take any action it deemed appropriate in connection with any such assets, including expropriation. Subsequently, Decree Law 6058 of the President of Venezuela dated April 30, 2008, ordered that Sidor and its subsidiaries and associated companies be transformed into state-owned enterprises (“empresas del Estado”), with the government owning not less than 60% of their share capital. On July 12, 2008, Venezuela, acting through CVG, assumed operational control and complete responsibility for Sidor’s operations, and Sidor’s Board of Directors ceased to function. However, negotiations between the Venezuelan government and the Company regarding the terms of the compensation continued over several months, and the Company retained formal title over the Sidor shares during that period.

On May 7, 2009, the Company completed the transfer of its entire 59.7% interest in Sidor to CVG. 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 based on the increase of the WTI crude oil price over its May 6, 2009 level. Under the agreements with CVG and Venezuela, in the event of non-compliance by CVG with its payment obligations, the Company reserved the rights and remedies that it had prior to the transfer of the Sidor shares in relation to any claim against Venezuela, subject to certain limitations, including that the Company may not claim an amount exceeding the outstanding balance due from CVG.

CVG made all payments required to be made under the agreements governing the transfer of Sidor to Venezuela except for the payment due on November 8, 2010. On December 18, 2010, Ternium reached an agreement with CVG, on the rescheduling of the unpaid balance, which amounted to USD 257.4 million. As provided in the refinancing agreement, CVG paid USD 7.0 million to Ternium in January 2011, and CVG is required to pay the remainder in five quarterly installments, beginning on February 15, 2011 and ending on February 15, 2012. As security for the payment of the outstanding balance, Ternium received, duly endorsed in its favor, promissory notes issued by Energía Argentina S.A. (“Enarsa”) and Compañía Administradora del Mercado Mayorista Eléctrico S.A. (“Cammesa”) (both companies owned by the Argentine government) to PDVSA Petróleo S.A. (a company owned by the Venezuelan government). While the first three installments were paid, the final two installments were not paid when due, and, as of the date of these financial statements, a total principal amount of USD 130.3 million remains outstanding. Ternium is pursuing the payment of the outstanding amounts and has reserved all of its rights under contracts, investment treaties and Venezuelan and international law with respect to such amounts.

In the years ended December 31, 2011, 2010 and 2009, the Company recorded gains in the amount of USD 11.4 million, USD 61.0 million and USD 136.0 million, respectively. These gains are included in “Interest income – Sidor financial asset” in the Income Statement and represent the accretion income over the receivable held against CVG. In addition, the Company recorded a gain related to the disposal of Sidor of USD 428,023, net of income tax, during the year ended December 31, 2009.

28 Related party transactions

As of December 31, 2011, Techint owned 62.02% of the Company’s share capital, Tenaris held 11.46% and Inverban S.A. owned 0.33%, of the Company’s share capital. Each of Techint, Tenaris and Inverban 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.

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

28 Related party transactions (continued)

The following transactions were carried out with related parties:

	Year ended December 31,		
	2011	2010	2009
(i) Transactions			
(a) Sales of goods and services			
Sales of goods to other related parties	167,786	172,337	40,915
Sales of services to associated parties	109	65	76
Sales of services to other related parties	1,682	1,763	562
	<u>169,577</u>	<u>174,165</u>	<u>41,553</u>
(b) Purchases of goods and services			
Purchases of goods from other related parties	58,219	49,735	34,834
Purchases of services from associated parties	42,762	38,939	31,403
Purchases of services from other related parties	129,844	114,377	91,404
	<u>230,825</u>	<u>203,051</u>	<u>157,641</u>
(c) Financial results			
Income with associated parties	95	78	581
Income with other related parties	—	—	118
Expenses with other related parties	—	—	(29)
	<u>95</u>	<u>78</u>	<u>670</u>
(d) Dividends			
Dividends received from associated parties	—	302	—

	At December 31,	
	2011	2010
(ii) Year-end balances		
(a) Arising from sales/purchases of goods/services and other transactions		
Receivables from associated parties	97	368
Receivables from other related parties	30,723	11,424
Advances to suppliers with other related parties	1,245	2,101
Payables to associated parties	(2,576)	(1,953)
Payables to other related parties	(50,265)	(42,048)
	<u>(20,776)</u>	<u>(30,108)</u>
(b) Other investments		
Time deposit	—	18,086
	<u>—</u>	<u>18,086</u>

(iii) Officers and Directors' compensation

During the year ended December 31, 2011 the cash compensation of Officers and Directors amounted to USD 12,853. In addition, Officers received 824,000 Units for a total amount of USD 2,366 in connection with the incentive retention program mentioned in note 4 (n) (3).

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 galvanized 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 galvanized 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, 2011, the amount invested in property, plant and equipment totaled USD 40.5 million.

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

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 Usinas Siderúrgicas de Minas Gerais S.A. – Usiminas (“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 will no longer own any Ternium shares. In addition, the two members of Ternium’s Board of Directors nominated by Usiminas resigned from the Ternium board.

Related to the dividends distributed on 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 were included in equity as less dividend paid.

31 Other required disclosures

(a) Statement of comprehensive income

	Cash flow hedges			Currency translation adjustment
	Gross amount	Income Tax	Total	
At December 31, 2009	(46,693)	14,009	(32,684)	(715,372)
(Decrease) / Increase	(19,334)	5,800	(13,534)	35,915
Reclassification to income statement	34,063	(10,219)	23,844	—
At December 31, 2010	(31,964)	9,590	(22,374)	(679,457)
(Decrease) / Increase	(8,861)	197	(8,663)	(433,633)
Reclassification to income statement	22,994	(6,898)	16,096	—
At December 31, 2011	(17,831)	2,889	(14,941)	(1,113,090)

(b) Statement of cash flows

	At December 31,		
	2011	2010	2009
(i) Changes in working capital (1)			
Inventories	(413,321)	(497,430)	429,122
Receivables and others	(12,113)	30,052	115,252
Trade receivables	(116,856)	(179,308)	193,677
Other liabilities	25,332	63,062	(67,778)
Trade payables	119,152	135,651	(35,094)
	(397,806)	(447,973)	635,179
(ii) Income tax accrual less payments			
Tax accrued (Note 11)	315,974	406,657	91,314
Taxes paid	(571,919)	(179,837)	(140,656)
	(255,945)	226,820	(49,342)
(iii) Interest accruals less payments			
Interest accrued	105,570	70,771	105,655
Interest paid	(62,523)	(70,830)	(94,949)
	43,047	(59)	10,706

(1) Changes in working capital are shown net of the effect of exchange rate changes.

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

32 Recently issued accounting pronouncements

(i) International Accounting Standard 19 (amended 2011), “Employee benefits”

In June 2011, the IASB issued IAS 19 (amended 2011), “Employee benefits”, which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. IAS 19 (amended 2011) must be applied for annual periods beginning on or after 1 January 2013.

(ii) International Accounting Standard 1 (amended 2011), “Presentation of financial statements”

In June 2011, the IASB issued IAS 1 (amended 2011), “Presentation of financial statements”. The amendment requires entities to separate items presented in Other Comprehensive Income into two groups, based on whether or not they may be recycled to profit or loss in the future. IAS 1 (amended 2011) must be applied for annual periods beginning on or after 1 July 2012.

(iii) International Financial Reporting Standard 9 (amended 2011), “Financial Instruments”

In November 2009, the IASB issued IFRS 9 “Financial Instruments” which establishes principles for the financial reporting of financial assets by simplifying their classification and measurement. This interpretation is applicable for annual periods beginning on or after 1 January 2015. Earlier application is not permitted for entities that prepare financial statements in accordance with IFRS as adopted by the EU, since the interpretation is not yet adopted by the EU.

(iv) International Financial Reporting Standard 10, “Consolidated financial statements”

In May 2011, the IASB issued IFRS 10, “Consolidated financial statements”. IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 and SIC-12. IFRS 10 must be applied for annual periods beginning on or after 1 January 2013.

(v) International Financial Reporting Standard 11, “Joint arrangements”

In May 2011, the IASB issued IFRS 11, “Joint arrangements”. IFRS 11 sets out the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that defined type of joint arrangement. IFRS 11 must be applied for annual periods beginning on or after 1 January 2013.

(vi) International Financial Reporting Standard 12, “Disclosures of interest in other entities”

In May 2011, the IASB issued IFRS 12, “Disclosures of interest in other entities”. This standard includes the disclosure requirements for all forms of interest in other entities. IFRS 12 must be applied for annual periods beginning on or after 1 January 2013.

(vii) International Financial Reporting Standard 13, “Fair value measurement”

In May 2011, the IASB issued IFRS 13, “Fair value measurement”. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. IFRS 13 must be applied for annual periods beginning on or after 1 January 2013.

(viii) IFRIC Interpretation 20, “Stripping costs in the production phase of a surface mine”

In October 2011, the IFRIC issued IFRIC Interpretation 20, “Stripping costs in the production phase of a surface mine”. IFRIC addresses the recognition of production stripping costs as an asset and the measurement of the stripping activity asset. IFRIC 20 must be applied for annual periods beginning on or after 1 January 2013.

These standards, amendments to standards and interpretations are not effective for the financial year beginning January 1, 2011 and have not been early adopted.

The Company’s management is currently assessing the potential impact that the application of these standards may have on the Company’s financial condition or results of operations.

33 Financial risk management

1) Financial risk factors

Ternium’s activities expose the Company to a variety of risks: market risk (including the effects of changes in foreign currency exchange rates, interest rates and commodities prices), credit risk and liquidity risk.

Ternium’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Ternium’s subsidiaries may use derivative financial instruments to hedge certain risk exposures.

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

33 Financial risk management (continued)

1.1) Market Risk

(i) Foreign exchange rate risk

Ternium operates and sells its products in different countries, and as a result is exposed to foreign exchange rate volatility. In addition, the Company entered into several borrowings that contain covenants providing for the compliance with certain financial ratios, including ratios measured in currencies other than the U.S. dollar. This situation exposes Ternium to a risk of non-compliance derived from volatility in foreign exchange rates. Ternium's subsidiaries may use derivative contracts in order to hedge their exposure to exchange rate risk derived from their trade and financial operations.

Ternium general policy is to minimize the negative impact of fluctuations in the value of other currencies with respect to the U.S. dollar. Ternium's subsidiaries monitor their net operating cash flows in currencies other than the U.S. dollar, and analyze potential hedging according to market conditions. This hedging can be carried out by netting operational positions or by financial derivatives. However, regulatory or legal restrictions in the countries in which Ternium's subsidiaries operate, could limit the possibility of the Company carrying out its hedging policy.

Ternium has foreign operations, whose net assets are exposed to foreign currency translation risk, some of which may impact net income. The fact that some subsidiaries have measurement currencies other than the U.S. dollar may, at times, distort the results of the hedging efforts as reported under IFRS.

The following table shows a breakdown of Ternium's assessed financial position exposure to currency risk as of December 31, 2011. These balances include intercompany positions where the intervening parties have different functional currencies.

USD million Exposure to	Functional Currency			
	USD	MXN	ARS	COP
US dollar (USD)	(n/a)	(1,708.2)	214.0	(93.1)
EU euro (EUR)	6.3	(3.5)	13.5	—
Other currencies	(0.1)	—	—	—

We estimate that if the Argentine peso, Mexican peso and Colombian peso had weakened by 1% against the US dollar with all other variables held constant, total pre-tax income for the year would have been USD 16.3 million lower (USD 17.2 million lower as of December 31, 2010), as a result of foreign exchange gains/losses on translation of US dollar-denominated financial position, mainly trade receivables, borrowings and trade payables. This effect would have been offset by the change in the currency translation adjustment recorded in equity.

Considering the same variation of the currencies against the US dollar of all net investments in foreign operations amounting to USD 3.8 billion, the currency translation adjustment included in total equity would have been USD 37.2 million lower (USD 38.8 million lower as of December 31, 2010), arising from the adjustment on translation of the equity related to the Mexican peso, the Argentine peso and the Colombian peso.

(ii) Interest rate risk

Ternium manages its exposure to interest rate volatility through its financing alternatives and hedging instruments. Borrowings issued at variable rates expose the Company to the risk of increased interest expense in the event of a raise in market interest rates, while borrowings issued at fixed rates expose the Company to a variation in its fair value. The Company's interest-rate risk mainly arises from long-term borrowings that bear variable-rate interest that is partially fixed through different derivative transactions, such as swaps and structures with options. The Company's general policy is to maintain a balance between instruments exposed to fixed and variable rates; which can be modified according to long term market conditions.

Ternium's nominal weighted average interest rate for its debt instruments, which also includes the effect of derivative financial instruments, was 3.42% and 3.29% for 2011 and 2010, respectively. These rates were calculated using the rates set for each instrument in its corresponding currency and weighted using the dollar-equivalent outstanding principal amount of each instrument as of December 31, 2011 and 2010, respectively.

Ternium's total variable interest rate debt amounted to USD 1,505 million (75.6% of total borrowings) at December 31, 2011 and USD 1,925 million (99.3 % of total borrowings) at December 31, 2010.

If interest rates on the aggregate average notional of US dollar denominated borrowings held during 2011, excluding borrowings with derivatives contracts mentioned in Note 23(a), had been 100 basis points higher with all other variables held constant, total pre-tax income for the year ended December 31, 2011 would have been USD 12.1 million lower (USD 10.3 million lower as of December 31, 2010).

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

33 Financial risk management (continued)

(iii) Commodity price risk

In the ordinary course of its operations, Ternium purchases raw materials (such as iron ore, coal and slabs) and other commodities (including electricity and gas). Commodity prices are generally volatile as a result of several factors, including those affecting supply and demand, political, social and economic conditions, and other circumstances. Ternium monitors its exposure to commodity price volatility on a regular basis and applies customary commodity price risk management strategies. For further information on long-term commitments, see note 25(ii).

1.2) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Ternium's subsidiaries have credit guidelines in place to ensure that derivative and treasury counterparties are limited to high credit quality financial institutions.

Ternium has no significant concentrations of credit risk from customers. No single customer accounts for more than five percent of Ternium's sales. Ternium's subsidiaries have policies in place to ensure that sales are made to customers with an appropriate credit history, and that credit insurances, letters of credit or other instruments are requested to reduce credit risk whenever deemed necessary. The subsidiaries maintain allowances for potential credit losses. The utilization of credit limits is regularly monitored.

Trade and other receivables are carried at face value less allowance for doubtful accounts, if applicable. This amount does not differ significantly from fair value. The other receivables do not contain significant impaired assets.

As of December 31, 2011, trade receivables total USD 742.5 million. These trade receivables are collateralized by guarantees under letter of credit and other bank guarantees of USD 7.1 million, credit insurance of USD 471.6 million and other guarantees of USD 19.3 million.

As of December 31, 2011, trade receivables of USD 667.0 million were fully performing.

As of December 31, 2011, trade receivables of USD 58.9 million were past due. These trade receivables as of December 31, 2011, are past due less than 3 months.

The amount of the allowance for doubtful accounts was USD 16.1 million as of December 31, 2011.

The carrying amounts of the Company's trade and other receivables as of December 31, 2011, are denominated in the following currencies:

<u>Currency</u>	<u>USD million</u>
US dollar (USD)	553.1
EU euro (EUR)	28.7
Argentine peso (ARS)	22.2
Mexican peso (MXN)	263.4
Colombian peso (COP)	104.2
Other currencies	0.7
	<u>972.3</u>

1.3) Liquidity risk

Management maintains sufficient cash and marketable securities and credit facilities to finance normal operations. Management monitors rolling forecasts of the group's liquidity reserve on the basis of expected cash flow.

The Company has negotiated additional credit facilities in its Argentine subsidiaries and renegotiated a part of an existing credit facility in Mexico (see note 24).

The table below analyses financial liabilities into relevant maturity groups based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>USD million</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Thereafter</u>
Borrowings	1,041.5	401.8	422.6	24.5	99.6
Interests to be accrued (1)	91.3	47.1	29.5	18.0	8.9

Trade payables and other liabilities	653.3	5.0	3.1	3.1	11.5
Derivatives financial instruments	29.9	—	—	—	—
Total	<u>1,816.1</u>	<u>453.9</u>	<u>455.2</u>	<u>45.6</u>	<u>120.1</u>

(1) These amounts do not include the effect of derivative financial instruments.

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

33 Financial risk management (continued)

As of December 31, 2011 total cash and cash equivalents and other current investments less borrowings amounted to USD 450.2 million.

1.4) Capital risk

Ternium seeks to maintain an adequate debt/equity ratio considering the industry and the markets where it operates. The year-end ratio debt over debt plus equity is 0.23 and 0.22 as of December 31, 2011 and 2010, respectively. The Company does not have to comply with regulatory capital adequacy requirements as known in the financial services industry.

2) Financial instruments by category and fair value hierarchy level

The accounting policies for financial instruments have been applied to the line items below. According to the scope and definitions set out in IFRS 7 and IAS 32, employers' rights and obligations under employee benefit plans, and non financial assets and liabilities such as advanced payments and income tax payables, are not included.

At December 31, 2011 (in USD thousands)	Loans and receivables	Assets at fair value through profit and loss	Total
(i) Assets as per statement of financial position			
Receivables	38,467	—	38,467
Derivative financial instruments	—	50	50
Trade receivables	742,528	—	742,528
Other investments	46,535	249,041	295,576
Cash and cash equivalents	26,345	2,132,246	2,158,591
Total	853,875	2,381,337	3,235,212

At December 31, 2011 (in USD thousands)	Derivatives	Other financial liabilities	Total
(ii) Liabilities as per statement of financial position			
Other liabilities	—	31,418	31,418
Trade payables	—	644,641	644,641
Derivative financial instruments	29,902	—	29,902
Borrowings	—	1,990,045	1,990,045
Total	29,902	2,666,104	2,696,006

At December 31, 2010 (in USD thousands)	Loans and receivables	Assets at fair value through profit and loss	Total
(i) Assets as per statement of financial position			
Receivables	38,693	—	38,693
Derivative financial instruments	—	212	212
Trade receivables	663,502	—	663,502
Other investments	23,864	859,849	883,713
Cash and cash equivalents	113,342	1,666,073	1,779,416
Total	839,401	2,526,134	3,365,536

At December 31, 2010 (in USD thousands)	Derivatives	Other financial liabilities	Total
(ii) Liabilities as per statement of financial position			
Other liabilities	—	28,682	28,682
Trade payables	—	541,709	541,709
Derivative financial instruments	54,777	—	54,777
Borrowings	—	1,939,657	1,939,657
Total	54,777	2,510,048	2,564,825

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

33 Financial risk management (continued)

Fair Value by Hierarchy

Following the requirements contained in paragraph 27B of IFRS 7, Ternium categorizes each class of financial instrument measured at fair value in the statement of financial position into three levels, depending on the significance of the judgment associated with the inputs used in making the fair value measurements. Level 1 comprises financial assets and financial liabilities whose fair values have been determined on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 includes financial assets and financial liabilities for which fair values have been estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 comprises financial instruments for which inputs to estimate fair value of the assets or liabilities are not based on observable market data (unobservable inputs).

Description	Fair value measurement at December 31, 2011 (in USD thousand):		
	Total	Level 1	Level 2
Financial assets at fair value through profit or loss			
Cash and cash equivalents	2,132,246	1,971,564	160,682
Other investments	249,041	213,655	35,386
Derivatives financial instruments	50	—	50
Total assets	2,381,338	2,185,219	196,118
Financial liabilities at fair value through profit or loss			
Derivatives financial instruments	29,902	—	29,902
Total liabilities	29,902	—	29,902
Description	Fair value measurement at December 31, 2010 (in USD thousand):		
	Total	Level 1	Level 2
Financial assets at fair value through profit or loss			
Cash and cash equivalents	1,666,073	1,531,082	134,991
Other investments	859,849	811,824	48,025
Derivatives financial instruments	212	—	212
Total assets	2,526,134	2,342,906	183,228
Financial liabilities at fair value through profit or loss			
Derivatives financial instruments	54,777	—	54,777
Total liabilities	54,777	—	54,777

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy and there were no financial assets and liabilities considered as Level 3.

3) Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized in the statement of financial position at cost and subsequently measured at fair value. Changes in fair value are disclosed under “Other financial income (expenses), net” line item in the income statement. Ternium does not hedge its net investments in foreign entities.

Ternium designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. These transactions are classified as cash flow hedges (mainly interest rate swaps, collars and commodities contracts). The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized within other comprehensive income. Amounts accumulated in other comprehensive income are recognized in the income statement in the same period than any offsetting losses and gains on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of Ternium derivative financial instruments (asset or liability) continues to be reflected on the statement of financial position.

For transactions designated and qualifying for hedge accounting, Ternium documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. At December 31, 2011, the effective portion of designated cash flow hedges amounts to USD 14.9 million (net of taxes for USD 2.9 million) and is included as “Cash flow hedges” line item in the statement of comprehensive income.

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

33 Financial risk management (continued)

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

4) Fair value estimation

The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For the purpose of estimating the fair value of financial assets and liabilities with maturities of less than one year, the Company uses the market value less any estimated credit adjustments. For other investments, the Company uses quoted market prices.

As most borrowings include variable rates or fixed rates that approximate market rates and the contractual re-pricing occurs every 3 to 6 months, the fair value of the borrowings approximates its carrying amount and is not disclosed separately.

In assessing the fair value of derivatives and other financial instruments, Ternium uses a variety of methods, including, but not limited to, estimated discounted value of future cash flows using assumptions based on market conditions existing at each year end.

34 Subsequent events—Share purchase agreement of Usiminas

On November 27, 2011, the Company's wholly-owned Luxembourg subsidiary Ternium Investments S.à.r.l., together with the Company's Argentine majority-owned subsidiary Siderar S.A.I.C. (and Siderar's wholly-owned Uruguayan subsidiary Prosid Investments S.C.A.), and Confab Industrial S.A., a majority-owned Brazilian subsidiary of Tenaris S.A. ("TenarisConfab"), entered into share purchase agreements with Camargo Corrêa, Votorantim and Caixa dos Empregados da Usiminas (Usiminas employee pension fund, or CEU) for the acquisition of 139.7 million ordinary shares of Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS ("Usiminas"), representing 27.7% (out of which 22.7% corresponds to Ternium) of Usiminas' voting capital, at a price of BRL 36.0 (approximately USD 19.0) per ordinary share. Ternium Investments and Siderar financed their BRL 4.1 billion share (approximately USD 2.2 billion) with cash on hand and, in the case of Ternium Investments, a USD 700 million syndicated term loan.

Upon closing of the transaction on January 16, 2012, Ternium Investments, Siderar and TenarisConfab joined Usiminas' existing control group through the acquisition of 84.7, 30.0, and 25.0 million ordinary shares, respectively. In addition, Nippon Steel acquired from CEU 8.5 million ordinary shares. In addition, Ternium Investments, Siderar and Prosid entered into an amended and restated Usiminas shareholders' agreement with Nippon Steel, Mitsubishi, Metal One and CEU, governing Ternium Investments, Siderar (and Prosid) and TenarisConfab's rights within the Usiminas control group; most decisions in that control group are subject for its approval to a 65% majority of the control group shares. As a result of these transactions, the control group, which holds 322.7 million ordinary shares representing the majority of Usiminas' voting rights, is now formed as follows: Nippon Group 46.1%, Ternium/Tenaris Group 43.3% (out of which 35.6% corresponds to Ternium), and CEU 10.6%. The rights of Ternium Investments, Siderar (and Prosid) and TenarisConfab within the Ternium/Tenaris Group are governed under a separate shareholders agreement.

Following the closing of the transaction, Messrs. Daniel Novegil, Roberto Vidigal and Alcides Morgante were appointed as members of Usiminas' Board of Directors, together with their alternates, to replace the Board members nominated by Camargo Correa and Votorantim. In addition, Usiminas' Board of Directors appointed Julián Eguren, previously a senior executive with Ternium, as Chief Executive Officer (Diretor-Presidente) of Usiminas.

With strategically located facilities near the main consumers of steel in Brazil and iron ore mines in the Serra Azul region, Usiminas is organized under four main business units: Mining, Steel, Steel Processing and Capital Goods. In 2010, Usiminas had net sales of BRL 13.0 billion (approximately USD 7.4 billion).

35 Update as of April 25, 2012¹

(a) Change in functional currency of Mexican subsidiaries

Due to changes in the primary economic environment in which its Mexican subsidiaries operate and in accordance with International Financial Reporting Standards, the Company performed a functional currency review and concluded that the functional currency of its Mexican subsidiaries should change prospectively to the U.S. dollar, effective as of January 1, 2012. The main indicators of such change in economic environment are: an increase of revenues determined and denominated in U.S. dollars (which is expected to

continue increasing); the elimination of Mexican import duties on steel products effective 2012; an increase in the weight of raw material costs with U.S. dollar-denominated prices; and a determination that capital expenditures in Mexico (which are made to increase supply capabilities in connection with growing automobile exports to the U.S. market) are mainly incurred in U.S. dollars.

¹ This note was added subsequent to the delivery of these financial statements for their approval by the Annual General Meeting of shareholders of the Company to be held on May 2, 2012.

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

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

Regarding the income tax claim for fiscal year 2004 in Ternium Mexico, 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. Ternium Mexico still 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.

(c) Update on Siderar—Air Liquide commitment

As of March 31, 2012, Siderar and Air Liquide Argentina agreed on an extension of the decision to resume Siderar's expansion plant to May 15, 2012 (prior to the agreement the due date was March 31, 2012).

Pablo Brizzio

Chief Financial Officer

F-56

U.S.\$3,750,000,000

LOAN AGREEMENT

Dated as of July 12, 2007

among

HYLSA, S.A. DE C.V.,
as Borrower and as Guarantor,

CALYON NEW YORK BRANCH,
as Administrative Agent,

and THE BANKS NAMED HEREIN
as Lenders

CALYON NEW YORK BRANCH,
as Global Coordinator

CALYON NEW YORK BRANCH
and
CITIGROUP GLOBAL MARKETS INC.,
as Joint Bookrunners

CALYON NEW YORK BRANCH,
CITIGROUP GLOBAL MARKETS INC.,
ABN AMRO BANK, N.V.,
BNP PARIBAS,
INTESA SANPAOLO SPA,
JPMORGAN CHASE BANK, N.A.,
BANCO BILBAO VIZCAYA ARGENTARIA S.A.,
BAYERISCHE HYPO- UND VEREINSBANK AG
and
DEUTSCHE BANK AG LONDON BRANCH,
as Mandated Lead Arrangers

HYLSA, S.A. DE C.V.

U.S.\$3,750,000,000

LOAN AGREEMENT

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LOAN AGREEMENT, dated as of July 12, 2007 (this “Agreement”), among HYLSA, S.A. DE C.V., a *sociedad anónima de capital variable* organized under the laws of Mexico, as borrower and as guarantor, from and after the IMSA Assumption Date (as defined below), CALYON NEW YORK BRANCH, as administrative agent (in such capacity, together with any successor appointed pursuant to Section 13.10, the “Administrative Agent”), and the banks and other financial institutions from time to time parties to this Agreement, as lenders (collectively the “Banks” and each individually a “Bank”).

WHEREAS from and after the IMSA Assumption Date (as defined below), GRUPO IMSA, S.A.B. DE C.V., a *sociedad anónima bursátil de capital variable* organized under the laws of Mexico, will become a party to this Agreement, as borrower and as guarantor, and IMSA ACERO, S.A. DE C.V., a *sociedad anónima de capital variable* organized under the laws of Mexico, will become a party to this Agreement, as guarantor, on the terms and conditions provided for in this Agreement.

WHEREAS Hylsa and, from and after the IMSA Assumption Date, IMSA propose to borrow from the Banks solely to (a) in the case of the Hylsa Loans (as defined below), (i) purchase, subscribe or otherwise acquire all or a portion of the Convertible Debt (as defined below), (ii) effect the Hylsa Debt Refinancing (as defined below), (iii) fund, directly or indirectly, the Fiduciary Trust (as defined below) and/or (iv) pay taxes, fees and expenses and other obligations associated with the IMSA Transaction (as defined below), and (b) in the case of the IMSA Loans (as defined below), (i) effect the IMSA Bank Debt Refinancing and the IMSA Public Debt Refinancing (each as defined below), and (ii) pay fees and expenses related to the IMSA Debt Refinancing and the IMSA Public Debt Refinancing.

WHEREAS the Banks, severally but not jointly, propose to lend to Hylsa and, from and after the IMSA Assumption Date, IMSA for such purposes Hylsa Tranche A Loans, Hylsa Tranche B Loans, IMSA Tranche A Loans and IMSA Tranche B Loans (as each such term is defined below) in an aggregate amount of up to U.S.\$3,750,000,000.

WHEREAS the Banks will make such Loans (as defined below) to Hylsa (except that the IMSA Loans (as defined below) the proceeds of which are to be used to effect the IMSA Public Debt Refinancing and pay fees and expenses related thereto will be made by the Banks directly to IMSA) and, on the IMSA Assumption Date, IMSA will assume the rights and obligations of Hylsa under the IMSA Tranche A Loans and the IMSA Tranche B Loans theretofore made by the Banks to Hylsa.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein the parties hereto agree as follows:

1. DEFINITIONS; INTERPRETATION

1.1 Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated.

“Accrued-Interest Note” means any English and Spanish languages promissory note, executed by the applicable Borrower evidencing accrued and unpaid interest on the Loans of any Bank, substantially in the form set forth in Exhibit A-2, bearing the legend “non-negotiable” and executed *por aval* (a) by IMSA, if such Note is issued by Hylsa, or by Hylsa, if such Note is issued by IMSA, during the period from the IMSA Assumption Date until, if the Transaction Merger shall become effective, the Transaction Merger Date, and (b) by IMSA Acero, at any time after the IMSA Assumption Date.

“Administrative Agent” has the meaning assigned to that term in the preamble.

“Advance” means a General Advance or a Fiduciary Trust Advance, as applicable.

“Affiliate” of any Person means a Person that directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with such first Person.

“Agreement Value” means, in respect of any Hedge Agreement to which any Person is a party, after taking into account the effect of any legally enforceable netting agreement relating to such Hedge Agreement, the maximum aggregate amount that such Person would be required to pay if such Hedge Agreement were terminated at such time.

“Alternative Rate” means, for any day, the higher of (a) the arithmetic average (rounded upward, if necessary, to the nearest 1/16 of 1%) of the rates of interest publicly announced by the Reference Banks in New York City as their respective prime rates for such day and (b) the sum of the Federal Funds Rate for such day plus 50 basis points (0.50%).

“Alternative Rate Loan” means (a) a Loan that bears interest at the Alternative Rate pursuant to the provisions of Section 4.3 or (b) an overdue amount that was an Alternative Rate Loan immediately before it became overdue.

“Applicable NIF” means either IFRS or Mexican NIF, as designated by the Borrowers prior to the first date on which the Borrowers must deliver financial statements pursuant to Section 9.6(a) or (b).

“Asset Sale Carryover Amount” means, with respect to any fiscal year, the excess of the aggregate amount of sales, transfers, leases and other dispositions permitted under Section 9.14(iv) (including those attributable to previous Asset Sale Carryover Amounts) during such fiscal year over the amount of sales, transfers, leases and other dispositions consummated by the Borrower (computed, prior to the Transaction Merger Date, for Hylsa and IMSA on a combined basis) as permitted by Section 9.14(iv) during such fiscal year.

“Assignment Agreement” means each assignment and assumption agreement, substantially in the form set forth in Exhibit C, entered into pursuant to Section 11.1 between the Assignor and the Purchasing Bank named therein.

“Assignor” has the meaning assigned to that term in an Assignment Agreement.

“Attributable Debt” means, in respect of a capital lease or sale and leaseback transaction, as at the time of determination, the present value (discounted at the interest rate implicit in the related lease) of the obligations of the lessee of the property subject to such lease for rental payments during the remaining term of such lease, including any period for which such lease has been extended, after excluding from such rental payments all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges.

“Availability Period” means the General Advance Availability Period or the Fiduciary Trust Advance Availability Period, as applicable.

“Bank” has the meaning assigned to that term in the preamble.

“Banking Day” means a day that is a London Banking Day and on which banks are not required or authorized by law to close in New York City or Mexico City.

“Borrower” means (a) Hylsa, (b) from and after the IMSA Assumption Date, Hylsa and IMSA or (c) if the Transaction Merger shall become effective, from and after the Transaction Merger Date, the Surviving Corporation, it being understood that (i) at any time when there is only one Borrower, each reference herein to “the Borrowers”, “each Borrower”, “either Borrower”, “such Borrower”, “a Borrower” or words of similar import shall be deemed to refer to such Borrower and (ii) at any time when both Hylsa and IMSA are Borrowers, each such reference shall mean, with respect to the Hylsa Loans, Hylsa and, with respect to the IMSA Loans, IMSA.

“Capex Carryover Amount” means, with respect to any fiscal year ending after 2007, the excess of the aggregate amount of Capital Expenditures (including those attributable to previous Capex Carryover Amounts) permitted under Section 9.16 during such fiscal year over the amount of Capital Expenditures made by the Borrower (computed, prior to the Transaction Merger Date, for Hylsa and IMSA on a combined basis) during such fiscal year.

“Capital Expenditures” means, for any period, expenditures made during such period (including the amount of any capital lease obligations incurred during such period) by the Borrower (computed, prior to the Transaction Merger Date, for Hylsa and IMSA on a combined basis) to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding (i) any expenditure constituting an Investment, and (ii) expenditures for the restoration, repair or replacement of any fixed or capital asset that was destroyed or damaged including such expenditures made with the insurance proceeds received with respect to such fixed or capital asset) during such period computed in accordance with Applicable NIF.

“Capital Reduction” means the reduction of the capital of IMSA by reimbursing and cancelling IMSA Shares as contemplated in the IMSA Transaction Agreement.

“Commitment Termination Date” means the date that is 180 days after the date on which the Fiduciary Trust is established.

“Consolidated Net Senior Indebtedness” means, at any date, the excess of (a) the aggregate principal amount outstanding at such date of Senior Indebtedness, as the same would appear on the consolidated financial statements of the applicable Borrower and its Consolidated Subsidiaries prepared as of such date in accordance with Applicable NIF over (b) the aggregate amount of unrestricted cash and cash equivalents held by such Borrowers and its Consolidated Subsidiaries as of such date, provided that, prior to the Transaction Merger Date, Consolidated Net Senior Indebtedness shall be computed on a combined basis as to Hylsa and IMSA.

“Consolidated Operating Profit” means, for any period, net sales, less cost of products sold, less selling, general and administrative expenses of the applicable Borrower and its Consolidated Subsidiaries, as the same would appear on a consolidated income statement of such Borrower and its Consolidated Subsidiaries prepared for such period in accordance with Applicable NIF, provided that, prior to the Transaction Merger Date, Consolidated Operating Profit shall be computed on a combined basis as to Hylsa and IMSA.

“Consolidated Subsidiary” means at any date any Subsidiary or other entity the accounts of which would be consolidated with those of the applicable Borrower in such Borrower’s consolidated financial statements if such statements were prepared as of such date in accordance with Applicable NIF.

“Contingent Obligation” shall mean, as to any Person, any obligation of such Person guaranteeing any Indebtedness (“primary obligations”) of any other Person (the “primary obligor”), whether directly or indirectly, including any *aval* and any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds for the purchase or payment of any such primary obligation or (c) to maintain working capital or equity capital of the primary obligor. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made (subject to any limitation therein) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of another Person, whether through the ability to exercise voting power, by contract or otherwise. “Controls”, “Controlling” and “Controlled” have meanings correlative thereto.

“Controlling Shareholder Shares” means the IMSA Shares held by the Trustee for the benefit of the Controlling Shareholders, as second beneficiaries under the Trust Agreement.

“Controlling Shareholders” means, collectively, Fernando de Jesús Canales Clariond, Marcelo Canales Clariond, María del Consuelo Canales Clariond and Susana Canales Clariond.

“Convertible Debt” means, collectively, the Mandatorily Convertible Debt and the Optionally Convertible Debt.

“Convertible Debt Documents” means, collectively, the Mandatorily Convertible Debt Documents and the Optionally Convertible Debt Documents.

“Court Day” means a day (other than a Saturday or Sunday) on which courts in the relevant jurisdiction are open for hearing petitions.

“Custodian” means Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex.

“Custodian Agreement” has the meaning assigned to that term in Section 15.4(a).

“Debt Incurrence” means the incurrence by either Borrower after the First Closing Date of any Indebtedness owing to any Person other than Ternium or any of its Subsidiaries maturing after the third anniversary of the date of its incurrence, provided that the term “Debt Incurrence” shall not include any such incurrence by (i) either Borrower under or in connection with this Agreement or the Ternium Loan Agreement (including the incurrence of the Convertible Debt) or (ii) IMSA to effect the IMSA Public Debt Refinancing or pay fees and expenses related thereto.

“Default” means any event or condition that, with the giving of notice or the lapse of time, or both, would constitute an Event of Default.

“Defaulting Bank” has the meaning assigned to that term in Section 13.8(b).

“Default-Interest Note” means any English and Spanish languages promissory note, executed by the applicable Borrower evidencing accrued and unpaid interest on the Loans of any Bank, substantially in the form set forth in Exhibit A-3, bearing the legend “non-negotiable” and executed *por aval* (a) by IMSA, if such Note is issued by Hylsa, or by Hylsa, if such Note is issued by IMSA, during the period from the IMSA Assumption Date until, if the Transaction Merger shall become effective, the Transaction Merger Date, and (b) by IMSA Acero, at any time after the IMSA Assumption Date.

“Derivatives Obligations” of any Person means all obligations of such Person in respect of Hedge Agreements.

“Disbursement Date” has the meaning assigned to that term in Section 2.2.

“Dollars”, “U.S. Dollars” or “U.S.\$” means lawful money of the United States.

“EBITDA” means, for any period, the Consolidated Operating Profit for such period plus, to the extent deducted in the determination of such Consolidated Operating Profit, income taxes, depreciation, amortization and other non-cash items, in all cases as determined in accordance with Applicable NIF.

“Environmental Laws” has the meaning assigned to that term in Section 8.1(v).

“Equity Issuance” means (a) any issuance or sale by either Borrower after the First Closing Date of (i) any of such Borrower’s capital stock, (ii) any warrants or options exercisable in respect of such Borrower’s capital stock (other than any warrants or options issued to directors, officers or employees of such Borrower pursuant to employee benefit plans established in the ordinary course of business and any capital stock of such Borrower issued upon the exercise of such warrants or options) or (iii) any other security or instrument representing an equity interest (or the right to obtain any equity interest) in such Borrower or (b) the receipt by either Borrower after the First Closing Date of any capital contribution (whether or not evidenced by any equity security issued by the recipient of such contribution); provided that the term “Equity Issuance” shall not include any such issuance or sale by either Borrower in connection with the IMSA Transaction (including the issuance or sale of the Convertible Debt Documents and any conversion of the Convertible Debt into IMSA Shares).

“Escrow Account” means, collectively, the U.S. Escrow Account, the Mexican Escrow Account and the Mexican Brokerage Account, as each such term is defined in the Escrow Agreement.

“Escrow Agent” means Calyon Securities (USA) Inc., as escrow agent under the Escrow Agreement.

“Escrow Agreement” means the escrow agreement to be executed substantially in the form attached to the IMSA Transaction Agreement, with such changes as may be agreed among the parties thereto, among Ternium, Hylsa, IMSA, the Controlling Shareholders, the Trustee, the IMSA Administrative Agent, the Ternium Administrative Agent, the Administrative Agent and the Escrow Agent.

“Euro-Dollar Rate” has the meaning assigned to that term in Section 4.1(a).

“Event of Default” has the meaning assigned to that term in Section 10.1.

“Existing Accounts Receivable” means, at any time with respect to any Person, accounts receivable of such Person which (a) have been created by the sale of goods then delivered, or the rendering of services then performed, by such Person, and (b) have been billed pursuant to the terms of the agreement relating to the sale of such goods or the rendering of such services.

“Existing Hylsa Credit Agreements” means (i) the U.S.\$175,000,000 Credit Agreement, dated as of August 6, 2004, by and among Hylsa (formerly known as Galvak, S.A. de C.V.), as borrower, the financial institutions party thereto from time to time, as initial lenders, Citibank, N.A., as administrative agent, Bank of America, N.A., as U.S. collateral agent, Banco Nacional de México, S.A. Integrante del Grupo Financiero Banamex, as Mexican collateral agent, and Citigroup Global Markets Inc. and Bank of America Securities LLC, as joint lead arrangers and bookrunners, as amended, amended and restated, supplemented, waived, or otherwise modified, replaced, extended or renewed to the First Closing Date; and (ii) the U.S.\$98,000,000 Credit Agreement, dated as of July 15, 2005, by and among Hylsa, as borrower, the financial institutions party thereto from time to time, as lenders, Citibank, N.A., as administrative agent, HSBC Securities (USA) Inc., as syndication and documentation agent, and Citigroup Global Markets Inc. and HSBC Securities (USA) Inc., as lead arrangers and bookrunners, as amended, amended and restated, supplemented, waived, or otherwise modified, replaced, extended or renewed to the First Closing Date.

“Existing IMSA Credit Agreements” means (i) the Credit Agreement dated as of September 25, 2006, among IMSA, the lenders party thereto, Calyon New York Branch, as global coordinator, syndication agent, documentation agent and administrative agent, and ING Bank N.V., as collateral agent, and (ii) the Credit Agreement dated as of September 25, 2006, among IMSA (as successor by merger to Tarida, S.A. de C.V.), the lenders party thereto, Calyon New York Branch, as global coordinator, syndication agent, documentation agent and administrative agent, and ING Bank N.V., as collateral agent, each as amended, amended and restated, supplemented, waived, or otherwise modified, replaced, extended or renewed to the Transaction Closing Date.

“Federal Funds Rate” means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/16 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the business day next succeeding such day, provided that (a) if such day is not a business day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding business day as so published on the next succeeding business day, and (b) if no such rate is so published on such next succeeding business day, the Federal Funds Rate for such day shall be the average (rounded upward, if necessary, to the next 1/16 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing reasonably selected by it.

“Fiduciary Trust” means a fiduciary trust established by IMSA under Mexican law for the benefit of any Remaining Minority Shareholders.

“Fiduciary Trust Account” means one or more accounts established pursuant to the Fiduciary Trust for the purpose of depositing there into funds for the benefit of any Remaining Minority Shareholders.

“Fiduciary Trust Advance” means an advance of Hylsa Loans made by a Bank to Hylsa under Section 2.1 the proceeds of which are to be used by Hylsa to fund, directly or indirectly, the Fiduciary Trust.

“Fiduciary Trust Advance Availability Period” means the period from the Transaction Closing Date to the Commitment Termination Date.

“First Closing Date” means the first date on which the conditions precedent specified in Section 7.1 are satisfied (or waived by the Required Banks).

“First Closing Date Deposits” means the deposit into the Escrow Account on the First Closing Date of (i) the Mandatorily Convertible Debt Documents, (ii) the proceeds of the Mandatorily Convertible Debt and (iii) the Controlling Shareholder Shares, in each case as provided in the Escrow Agreement.

“First Closing Date Loans” means Hylsa Loans constituting General Advances the proceeds of which are to be used to (i) purchase, subscribe or otherwise acquire all or a portion of the Mandatorily Convertible Debt, (ii) effect the Hylsa Debt Refinancing and/or (iii) pay fees and expenses related to the IMSA Transaction.

“FISO AAA” means a cooperation agreement between the applicable Borrower and Nacional Financiera, S.N.C. (a Mexican development bank), for the purpose of providing trade financing to suppliers, as such agreement may be amended from time to time.

“Free Cash Flow” means, for any period, the result of the following calculation for the Borrower (calculated, prior to the Transaction Merger Date, for Hylsa and IMSA on a combined basis) for such period determined without duplication on an unconsolidated basis in accordance with Applicable NIF: (a) net sales, less cost of products sold, less selling, general and administrative expenses plus (b) to the extent deducted in the calculation of the preceding clause (a), income taxes, depreciation, amortization and other non-cash items plus/minus (b) any positive/negative change in working capital in the ordinary course of business plus (c) dividends received from Subsidiaries minus (d) income taxes and other similar taxes paid minus (e) interest paid minus (f) Capital Expenditures and capital investments.

“Funding Office” means the office of the Administrative Agent specified in Section 15.5 or such other office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Borrowers and the Banks.

“General Advance” means an advance, other than a Fiduciary Trust Advance, made by a Bank to the applicable Borrower under Section 2.1.

“General Advance Availability Period” means the period from the First Closing Date to the date that is 90 days after the First Closing Date.

“Governmental Authority” means any branch of power (whether executive, legislative or judicial) of any state, nation, government (including the European Union), any provincial or other political subdivision thereof and any agency, authority, court, regulatory body, self-regulating entity or other entity exercising executive, legislative, judicial, monetary, regulatory or administrative functions of or pertaining to government, including any central bank.

“Hedge Agreement” means any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency forward transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

“Hylsa” means Hylsa, S.A. de C.V., a Mexican *sociedad anónima de capital variable*, and its successors and assigns, including the Surviving Corporation.

“Hylsa Debt Refinancing” means the payment in full of all principal of and interest on all loans made, and all other amounts owing, under the Existing Hylsa Credit Agreements, and the termination of all commitments of the lenders thereunder to make additional extensions of credit to Hylsa thereunder.

“Hylsa Loans” means the Hylsa Tranche A Loans and the Hylsa Tranche B Loans.

“Hylsa Tranche A Loan” means any Loan designated as an “Hylsa Tranche A Loan” in any applicable request for Advances delivered by Hylsa pursuant to Section 2.2.

“Hylsa Tranche B Loan” means any Loan designated as an “Hylsa Tranche B Loan” in any applicable request for Advances delivered by Hylsa pursuant to Section 2.2.

“IFRS” means International Financial Reporting Standards, which, if IFRS is designated pursuant to the definition of Applicable NIF, then for the purposes of Sections 9.10 and 9.11 shall be consistently applied.

“IMSA” means Grupo IMSA, S.A.B. de C.V., a Mexican *sociedad anónima bursátil de capital variable*, and its successors and assigns, including the Surviving Corporation.

“IMSA Acero” means IMSA Acero, S.A. de C.V., a Mexican *sociedad anónima de capital variable*, and its successors and assigns.

“IMSA Administrative Agent” means Calyon New York Branch, as administrative agent under each of the Existing IMSA Credit Agreements.

“IMSA Assumption Date” means the date on which IMSA and IMSA Acero deliver to the Administrative Agent the documents described in Section 10.1(l).

“IMSA Bank Debt Refinancing” means the payment in full of all principal of and interest on all loans made, and other amounts owing, under the Existing IMSA Credit Agreements, and the termination of all commitments of the lenders thereunder to make additional extensions of credit to IMSA thereunder.

“IMSA Bank Debt Refinancing Funds” means proceeds of the IMSA Loans in an aggregate amount sufficient to effect the IMSA Bank Debt Refinancing.

“IMSA Loans” means the IMSA Tranche A Loans and the IMSA Tranche B Loans.

“IMSA Public Debt” means the *certificados bursátiles* (i) in an aggregate amount of Mexican Pesos 900,000,000 outstanding as of the date hereof, issued by IMSA on September 6, 2002 and due on August 28, 2008, trading on the *Bolsa Mexicana de Valores, S.A. de C.V.* under trading code “IMSA 02-3”, and (ii) in an aggregate amount of Mexican Pesos 547,000,000 outstanding as of the date hereof, issued by IMSA on May 29, 2003 and due on May 27, 2009, trading on the *Bolsa Mexicana de Valores, S.A. de C.V.* under trading code “IMSA 03”.

“IMSA Public Debt Refinancing” means the payment in full of all principal of and interest on, and other amounts owing, under the IMSA Public Debt.

“IMSA Shares” means the issued and outstanding shares of common stock of IMSA.

“IMSA Tranche A Loan” means any Loan designated as an “IMSA Tranche A Loan” in any applicable request for Advances delivered by the applicable Borrower pursuant to Section 2.2.

“IMSA Tranche B Loan” means any Loan designated as an “IMSA Tranche B Loan” in any applicable request for Advances delivered by the applicable Borrower pursuant to Section 2.2.

“IMSA Transaction” means, collectively, the following transactions (all consummated as contemplated by the IMSA Transaction Agreement or by this Agreement): (i) the making of the Tender Offer, (ii) the occurrence on the First Closing Date of the Hylsa Debt Refinancing, (iii) the issuance or incurrence by IMSA to or from Ternium and/or Hylsa, of the Mandatorily Convertible Debt, (iv) the First Closing Date Deposits, (v) the issuance or incurrence by IMSA to or from Ternium and/or Hylsa, of the Optionally Convertible Debt, (vii) the Transaction Closing Date Deposits, (viii) the Transaction Closing Date Releases and (ix) the Capital Reduction.

“IMSA Transaction Agreement” means the *Convenio Marco* dated as of April 29, 2007, among the Controlling Shareholders, IMSA and Ternium, as amended, amended and restated, supplemented, waived, or otherwise modified from time to time.

“Indebtedness” of any Person means, at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds (other than insurance, surety, appeal or performance bonds), debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, which purchase price is due more than six months after the date of placing such property or service or taking delivery and title thereto or the completion of such services, but excluding trade accounts payable, customer advance payments and other current liabilities in each case arising in the ordinary course of business, (d) the Attributable Debt of such Person as lessee under capital leases or sale and leaseback transactions, (e) all Indebtedness of others secured by a Lien on any asset of such Person (other than Indebtedness of others secured by a Lien on the capital stock of any other Person acquired by such Person after the date hereof), whether or not such Indebtedness is assumed by such Person; provided that, with respect to any Indebtedness that has not been assumed by such Person, the amount of such Indebtedness shall be deemed to be the lesser of the value of any such asset and the amount of the Indebtedness so secured, (f) all obligations of such Person under repurchase agreements other than contingent repurchase obligations in connection with trade transactions, (g) all obligations of such Person to reimburse any bank or other Person in respect of amounts actually paid under a letter of credit or insurance, surety, appeal or performance bond, other than any obligation in respect of any letter of credit or insurance, surety, appeal or performance bond financing the export or import of goods or services entered into in the ordinary course of business and on customary business terms, and (h) all Contingent Obligations of such Person. Whenever the amount of any Indebtedness is to be calculated hereunder on a consolidated basis in accordance with IFRS, there shall be no duplication of intercompany indebtedness or Contingent Obligations in such calculation as provided by IFRS. Notwithstanding the foregoing, the term “Indebtedness” shall not include the respective obligations (whether direct or contingent) of each Borrower under or with respect to the respective FISO AAA to the extent that the aggregate amount of such obligations for Hylsa and IMSA, computed on a combined basis, does not exceed U.S.\$50,000,000.

“Indemnified Party” has the meaning assigned to that term in Section 14.6.

“Interest Expense” means, for any period, the total accrued gross interest expense of the applicable Borrower and its Consolidated Subsidiaries as the same would appear on a consolidated income statement of such Borrower and its Consolidated Subsidiaries prepared for such period in accordance with Applicable NIF, provided that, prior to the Transaction Merger Date, Interest Expense shall be computed on a combined basis as to Hylsa and IMSA.

“Interest Payment Date” means the last day of each Interest Period.

“Interest Period” means, with respect to any Advance, the period commencing on the Disbursement Date for such Advance (in the case of the initial Interest Period) or on the last day of the next preceding Interest Period for such Advance (in the case of any subsequent Interest Period) and, subject to Section 6.1(b), ending on the day numerically corresponding to the Disbursement Date for such Advance or such last day (as the case may be) in the next, third or sixth month, as the applicable Borrower may select by notice provided under Section 4.4, following such Disbursement Date or such last day; provided, however, that any Interest Period that would otherwise extend beyond a Loan Payment Date shall end on such Loan Payment Date.

“Investment” means, for any Person, (a) the acquisition by such Person of more than 20% of the issued and outstanding capital stock, partnership or other ownership interests of any other Person, or of all or substantially all of the assets comprising a division or business unit of any other Person, or (b) any capital or other equity contribution by such Person having the same practical effect as any of the foregoing.

“Joinder Agreement” means a joinder agreement, substantially in the form set forth in Exhibit K, entered into among IMSA, IMSA Acero and the Administrative Agent.

“Lending Branch”, with respect to any Bank, means the office of such Bank named as such on the signature pages hereof or in the Assignment Agreement to which such Bank is a party or such other office of such Bank as such Bank may have last designated as its lending office for purposes of this Agreement by notice to the Administrative Agent and the applicable Borrower.

“Leverage Ratio” means the ratio of Consolidated Net Senior Indebtedness as of the last day of any fiscal quarter of the Borrowers to EBITDA for the period of four consecutive fiscal quarters of the Borrowers ending on such date.

“LIBOR”, with respect to any Interest Period, means the British Bankers Association (“BBA”) Interest Settlement Rate for U.S. Dollar LIBOR for the period corresponding to such Interest Period as displayed on Reuters – page LIBOR 1 as of 11:00 a.m. London time on the second London Banking Day next preceding the commencement of such Interest Period. If for any reason LIBOR cannot be determined by reference to the Reuters – page LIBOR 1 or such other page as may replace page LIBOR 1 on that service or such other service as may be nominated by the BBA as the information vendor for the purpose of displaying BBA Interest Settlement Rates for U.S. Dollars, the Administrative Agent shall determine LIBOR for the relevant Interest Period using the arithmetic average (rounded upward, if necessary, to the nearest 1/16 of 1%) of such offered rates quoted by the Reference Banks.

“Lien” shall mean any mortgage, lien, pledge, charge, security interest or any other encumbrance having the practical effect of constituting a security interest with respect to the payment of any obligation with, or from the proceeds of, any asset. For purposes of this Agreement, any Person shall be deemed to own subject to a Lien any property that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement (other than an operating lease) relating to such property.

“Loan”, with respect to any Bank, at any time, means the principal amount of any loan hereunder owing to such Bank outstanding at such time, and “Loans”, at any time, means the aggregate of the Loans of all the Banks at such time.

“Loan Commitment”, with respect to any Bank, means the amount designated as such and set forth opposite the name of such Bank on the signature pages hereof or in an Assignment Agreement.

“Loan Documents” means, collectively, this Agreement, the Notes, the Joinder Agreement, the Custodian Agreement and the Escrow Agreement.

“Loan Payment Date” means, collectively, the Tranche A Loan Payment Dates and the Tranche B Loan Payment Dates.

“London Banking Day” means a day on which dealings in deposits in Dollars are carried on in the London interbank market.

“Mandatorily Convertible Debt” means Indebtedness in an aggregate amount not to exceed U.S.\$1,194,000,000 (or its equivalent in Mexican Pesos) issued or incurred by IMSA to or from Ternium and/or Hylsa, the proceeds of which Indebtedness shall be used solely to finance all or a portion of the Capital Reduction or pay taxes related to the IMSA Transaction, provided that such Indebtedness (i) shall be subordinated in right of payment to the IMSA Loans and, if the Transaction Merger shall become effective, from and after the Transaction Merger Date (unless extinguished in full by operation of law in connection with the effectiveness of the Transaction Merger), the Hylsa Loans on the terms and conditions set forth in Exhibit L, (ii) shall be mandatorily convertible upon or prior to the maturity thereof into shares of capital stock of IMSA having substantially the same terms as the IMSA Shares, (iii) may be freely assigned by the holder thereof to Ternium or to any wholly owned Subsidiary of Ternium, subject to the conversion thereof upon such assignment into shares of capital stock of IMSA having substantially the same terms as the IMSA Shares, and (iv) may be redeemed or repaid at the option of the holder thereof subject to the terms of subordination referred to in clause (i) above.

“Mandatorily Convertible Debt Documents” means the instruments evidencing the Mandatorily Convertible Debt.

“Margin” means, for any day, with respect to any Tranche A Loan or any Tranche B Loan, the applicable rate per annum set forth below under the caption “Margin for Tranche A Loans” or “Margin for Tranche B Loans”, respectively, based upon the Leverage Ratio as of the most recent date of determination thereof:

<u>Leverage Ratio</u>	<u>Margin for Tranche A Loans</u>	<u>Margin for Tranche B Loans</u>
Equal to or greater than 3.50 to 1.00	0.750%	0.850%
Equal to or greater than 3.00 to 1.00 but less than 3.50 to 1.00	0.650%	0.775%
Equal to or greater than 2.50 to 1.00 but less than 3.00 to 1.00	0.600%	0.725%
Equal to or greater than 2.00 to 1.00 but less than 2.50 to 1.00	0.500%	0.600%
Less than 2.00 to 1.00	0.400%	0.500%

For purposes of the foregoing, (i) the Leverage Ratio shall be determined as of the end of each fiscal quarter of the Borrowers’ fiscal year based upon the consolidated financial statements of each Borrower delivered pursuant to Section 9.6(a) or (b), (ii) each change in the Margin resulting from a change in the Leverage Ratio shall be effective during the period commencing on and including the date three Banking Days after delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change; provided that the highest Margin set forth above shall apply to the Tranche A Loans and the Tranche B Loans if either of the Borrowers or both of them fail to deliver the consolidated financial statements required to be delivered by such Borrower pursuant to Section 9.6(a) or (b), during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered.

“Margin Stock” means “margin stock” within the meaning of Regulations T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II, as amended.

“Material Adverse Effect” means, with respect to any Borrower, any event, development or circumstance that has had or would reasonably be expected to have a material adverse effect on (i) the business, assets, property or financial condition of such Borrower and its Subsidiaries taken as a whole, (ii) the ability of such Borrower to consummate the portion of the Transactions to be effected by such Borrower or to perform any of such Borrower’s payment obligations under the Loan Documents to which it is a party or (iii) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Administrative Agent and the Banks hereunder or thereunder, excluding, in each case, any event or circumstance that results solely from (u) the announcement, the pendency or the consummation of the IMSA Transaction, (v) changes in any relevant accounting methodology or official interpretations thereof after the date hereof that apply to such Borrower or any of its Subsidiaries, (w) changes in the economy or financial markets generally in the United States, Mexico or other countries in which such Borrower and its Subsidiaries operate, (x) changes that are the result of factors generally affecting the principal industries and geographic areas in which such Borrower and its Subsidiaries operate, (y) the commencement, occurrence, continuation or escalation of any war, armed hostilities or acts of terrorism in any geographic region in which such Borrower and its Subsidiaries operate; and (z) a decline in the trading price of the shares of such Borrower and/or a failure by the Borrower to meet any estimates of revenues or earnings.

“Material Subsidiary” means each of the Subsidiaries of either Borrower identified on Schedule 2 hereto and each of the Subsidiaries of either Borrower designated as a Material Subsidiary pursuant to Section 9.15.

“Material Tangible Assets” means, with respect to any Borrower, (i) all PP&E of such Borrower (computed, prior to the Transaction Merger Date, on a combined basis for Hylsa and IMSA), and (ii) a Controlling interest in any Subsidiary of such Borrower that owns PP&E, in each case where such PP&E has a book value exceeding 5% of such Borrower’s consolidated total assets (computed, prior to the Transaction Merger Date, on a combined basis for Hylsa and IMSA) as of the end of the most recent fiscal year (as the same would appear on its consolidated balance sheet in accordance with Applicable NIF).

“Mexican Bank” means a bank established under the laws of Mexico and authorized by the Mexican Ministry of Finance and Public Credit to engage in the business of banking.

“Mexican NIF” means Mexican Norms of Financial Information, which for the purposes of Sections 9.10 and 9.11 if Mexican NIF is designated pursuant to the definition of Applicable NIF, shall be consistently applied.

“Mexican Pesos” means lawful money of Mexico.

“Mexico” means the United Mexican States.

“Net Available Proceeds” means, with respect to any Equity Issuance or Debt Incurrence, the aggregate amount of all cash received by the applicable Borrower in respect of such Equity Issuance or Debt Incurrence, as applicable, net of reasonable fees and expenses incurred by such Borrower in connection therewith.

“Note” means, collectively, the Principal Notes, the Accrued-Interest Notes and the Default-Interest Notes.

“Obligors” means Hylsa and, from and after the IMSA Assumption Date, IMSA and IMSA Acero.

“Offering Entity” means, in the event that the Tender Offer is not made by Ternium, the direct or indirect wholly-owned Subsidiary of Ternium that makes the Tender Offer.

“Optionally Convertible Debt” means Indebtedness in an aggregate amount not to exceed U.S.\$450,000,000 (or its equivalent in Mexican Pesos) issued or incurred by IMSA to or from Ternium and/or Hylsa, the proceeds of which Indebtedness shall be used solely to finance all or a portion of the Capital Reduction or pay taxes related to the IMSA Transaction, provided that such Indebtedness (i) shall be subordinated in right of payment to the IMSA Loans and, if the Transaction Merger shall become effective, from and after the Transaction Merger Date (unless extinguished in full by operation of law in connection with the effectiveness of the Transaction Merger), the Hylsa Loans on the terms and conditions set forth in Exhibit L, (ii) shall be convertible upon or prior to the maturity thereof, at the option of the holder thereof, into shares of capital stock of IMSA having substantially the same terms as the IMSA Shares, (iii) may be freely assigned by the holder thereof to Ternium or any wholly owned Subsidiary of Ternium, subject to the conversion thereof upon such assignment into shares of capital stock of IMSA having substantially the same terms as the IMSA Shares, and (iv) may be redeemed or repaid at the option of the holder thereof subject to the terms of subordination referred to in clause (i) above.

“Optionally Convertible Debt Documents” means the instruments evidencing the Optionally Convertible Debt.

“Participant” has the meaning assigned to that term in Section 11.2.

“Permitted Liens” means, with respect to any Person, the following Liens:

(a) Liens for taxes or assessments or other governmental charges or levies, either not yet due and payable or to the extent that nonpayment thereof shall be permitted by the proviso in Section 9.4,

(b) pledges or deposits securing obligations under workers’ compensation laws or similar legislation (other than any Lien pursuant to Environmental Laws), including Liens of judgments thereunder which are not currently dischargeable,

(c) pledges or deposits securing bids, tenders, performance of tenders, statutory obligations, surety bonds (other than bonds related to judgments or litigation unless permitted under paragraph (f) below), performance bonds, contracts (other than contracts for the payment of money) or leases to which such Person is a party as lessee (other than capital leases) and other similar obligations incurred in the ordinary course of business,

(d) workers’, mechanics’, suppliers’, carriers’, warehousemen’s, materialmen’s, repairmen’s or other like Liens arising in the ordinary course of business which are not delinquent or which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or asset subject to such Lien,

(e) deposits securing or in lieu of surety, appeal or customs bonds in proceedings to which such Person is a party,

(f) Liens created by or resulting from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings; provided that such Lien does not secure a judgment that would constitute a Default under Section 10.1 (j),

(g) leases made or acquired as lessor in the ordinary course of business,

(h) landlords' Liens under leases to which such Person is a party,

(i) rights-of-way, easements, licenses, zoning or other restrictions on the use of real property or minor irregularities in title thereto, which do not, in the opinion of such Person, materially impair the use of such property in the operation of the business of such Person or the value of such property for the purpose of such business, and

(j) Liens arising by operation of law which may be exercised in respect of any amounts standing to the credit of any bank account in the ordinary course of business in connection with ordinary current or deposit accounts with commercial banks.

“Person” means any corporation, natural person, firm, joint venture, limited liability company, partnership, trust, unincorporated organization or government, or any political subdivision, department or agency of any government.

“PP&E” means plant, property and equipment (or its equivalent) as characterized under Applicable NIF.

“Principal Note” means any English and Spanish languages promissory note, executed by the applicable Borrower evidencing the Loans of any Bank, substantially in the form set forth in Exhibit A-1, bearing the legend “non-negotiable” and executed *por aval* (a) by IMSA, if such Note is issued by Hylsa, or by Hylsa, if such Note is issued by IMSA, during the period from the IMSA Assumption Date until, if the Transaction Merger shall become effective, the Transaction Merger Date, and (b) by IMSA Acero, at any time after the IMSA Assumption Date.

“Pro Rata Share” of any Bank means, at any time, the proportion that (a) the sum of the unused portion of the Loan Commitment of such Bank plus the aggregate outstanding principal amount of the Loans owing to such Bank bears to (b) the sum of the Total Loan Commitment plus the aggregate outstanding principal amount of all Loans.

“Purchasing Bank” has the meaning assigned to that term in Section 11.1.

“Reference Banks” means Calyon New York Branch, Citibank, N.A., JPMorgan Chase Bank, N.A. and BNP Paribas.

“Regulatory Change” has the meaning assigned to that term in Section 14.4.

“Remaining Minority Shareholder” means any holder of IMSA Shares, other than the Borrower, the Offering Entity or any other Affiliate of the Borrower holding IMSA Shares, as the case may be, that does not tender the IMSA Shares owned by such holder pursuant to the Tender Offer and that objects to such holder's IMSA Shares being reimbursed pursuant to the Capital Reduction. The term “Remaining Minority Shareholder” shall not include any of the Controlling Shareholders.

“Representative” means, with respect to any Person, any Affiliate of such Person and any director, officer, employee, agent or advisor (including any attorney, accountant, consultant, banker or financial advisor and any representative of such advisor) of such Person or its Affiliates.

“Required Banks” means, at any time, Banks whose aggregate Pro Rata Shares total more than fifty percent (50.00%); provided that solely for the purposes of determining whether a group of Banks constitutes the “Required Banks”, (i) the Total Loan Commitment shall be reduced by the amount of any Loan Commitments held by Affiliates of either Borrower and any Loans held by Affiliates of either Borrower shall be deemed to be not outstanding to the extent that such Loan Commitments and Loans were acquired by such Affiliates pursuant to Section 3.5, 9.14 or 14.4; and (ii) the Total Loan Commitment shall be reduced by the amount of any Loan Commitments held by any Defaulting Bank and such Defaulting Bank shall not be included for purposes of determining the percentage of Banks that constitute the “Required Banks” under this Agreement.

“Responsible Officer” means, with respect to a Borrower, the chief executive officer or the president of such Borrower, or the general manager or any other officer of such Borrower having substantially the same authority and responsibility, or the chief financial officer or the finance director of Ternium.

“Reuters – page LIBOR 1” means the display designated as page LIBOR 1 on the Reuters Service (or such other page as may replace page LIBOR 1 on that service or such other service as may be nominated by the British Bankers Association (“BBA”) as the information vendor for the purpose of displaying BBA Interest Settlement Rates for U.S. Dollars).

“Senior Indebtedness” means, with respect to any Person, Indebtedness of such Person that, by its terms, is not subordinated in right of payment to any other Indebtedness of such Person.

“Subsidiary”, with respect to any Person, at any time, means any entity of which more than fifty percent (50.00%) of the outstanding voting stock or other equity interest entitled ordinarily to vote in the election of the directors or other governing body (however designated) of such entity is at the time beneficially owned or controlled directly or indirectly by such Person, by one or more such entities or by such Person and one or more such entities. Unless otherwise specified, “Subsidiary” means a Subsidiary of a Borrower.

“Surviving Corporation” means the Person surviving the Transaction Merger.

“Taxes” means, with respect to any Person, all taxes, withholdings, assessments, imposts, duties, governmental charges or levies imposed directly or indirectly on such Person or its income, profits or property by any Governmental Authority.

“Tender Offer” means a public cash tender offer made by Ternium or the Offering Entity under Mexican law for all of the IMSA Shares.

“Ternium” means Ternium S.A., a Luxembourg *société anonyme holding*.

“Ternium Administrative Agent” means Calyon New York Branch, as administrative agent under the Ternium Loan Agreement.

“Ternium Loan Agreement” means the loan agreement dated as of June 21, 2007 among Ternium, as borrower, the lenders party thereto and Calyon New York Branch, as administrative agent, as amended, amended and restated, supplemented, waived, or otherwise modified from time to time.

“Total Loan Commitment” means U.S.\$3,750,000,000.

“Tranche A Loan Final Maturity Date” means the date that is 54 months after the Transaction Closing Date or, if the Transaction Closing Date does not occur within 15 Banking Days after the First Closing Date, the date that is 54 months after the First Closing Date.

“Tranche A Loan Payment Dates” means the day numerically corresponding to the Transaction Closing Date in the 18th, 24th, 30th, 36th, 42nd, 48th and 54th month thereafter, calculated on the basis of the number of months elapsed from the Transaction Closing Date. Notwithstanding the foregoing, if the Transaction Closing Date does not occur within 15 Banking Days after the First Closing Date, each reference in the preceding sentence to the Transaction Closing Date shall be deemed to be a reference to the First Closing Date.

“Tranche A Loans” means the Hylsa Tranche A Loans and the IMSA Tranche A Loans.

“Tranche B Loan Final Maturity Date” means the date that is 60 months after the Transaction Closing Date or, if the Transaction Closing Date does not occur within 15 Banking Days after the First Closing Date, the date that is 60 months after the First Closing Date.

“Tranche B Loan Payment Dates” means the day numerically corresponding to the Transaction Closing Date in the 60th month thereafter, calculated on the basis of the number of months elapsed from the Transaction Closing Date. Notwithstanding the foregoing, if the Transaction Closing Date does not occur within 15 Banking Days after the First Closing Date, each reference in the preceding sentence to the Transaction Closing Date shall be deemed to be a reference to the First Closing Date.

“Tranche B Loans” means the Hylsa Tranche B Loans and the IMSA Tranche B Loans.

“Transaction Closing Date” means the first date on which the conditions precedent specified in Section 7.2 are satisfied (or waived by the Required Banks).

“Transaction Closing Date Deposits” means the deposit into the Escrow Account on the Transaction Closing Date of (i) the Optionally Convertible Debt Documents, (ii) the proceeds of the Optionally Convertible Debt and (iii) the IMSA Bank Debt Refinancing Funds, in each case as provided in the Escrow Agreement.

“Transaction Closing Date Loans” means, collectively, (a) Hylsa Loans (x) constituting General Advances the proceeds of which are to be used to (i) purchase, subscribe or otherwise acquire all or a portion of the Optionally Convertible Debt, (ii) pay taxes imposed as a condition to, or consequent of, on in connection with, the IMSA Transaction and/or (iii) pay fees and expenses and other obligations arising out of or in connection with the IMSA Transaction, including in respect of stock options, stock awards, deferred compensation benefits, severance payments, retention and transaction bonuses and other similar obligations, and (y) constituting Fiduciary Trust Advances and (b) the IMSA Loans.

“Transaction Closing Date Releases” means the release from the Escrow Account by the Escrow Agent on the Transaction Closing Date of (i) the IMSA Bank Debt Refinancing Funds, (ii) the Controlling Shareholder Shares, (iii) the Convertible Debt Documents and (iv) the proceeds of the Convertible Debt, in each case as provided in the Escrow Agreement.

“Transaction Merger” means a merger (*fusión*) in accordance with applicable Mexican law involving Hylsa and IMSA, pursuant to which Hylsa and IMSA shall cease to have a separate legal existence from each other, it being understood that there shall be no obligation whatsoever under this Agreement or any of the other Loan Documents to effect the Transaction Merger or any transaction having substantially the same effect as the Transaction Merger.

“Transaction Merger Date” means the date, if any, on which the Transaction Merger shall be effective.

“Transactions” means the execution, delivery and performance of the Loan Documents, the consummation of the IMSA Transaction, the borrowing of the Loans and the use of proceeds thereof.

“Transferee” has the meaning assigned to that term in Section 11.3.

“Trust Agreement” means the *Contrato de Fideicomiso Irrevocable de Garantía Número F/455* dated as of September 25, 2006, among the Controlling Shareholders and IMSA (as successor by merger to Tarida, S.A. de C.V.), as settlors and second place beneficiaries, the Trustee and the IMSA Administrative Agent, as first place beneficiary, as amended, amended and restated, supplemented, waived, or otherwise modified from time to time.

“Trustee” means Deutsche Bank México, S.A., Institución de Banca Múltiple, División Fiduciaria, as *fiduciario* under the Trust Agreement.

“United States” means the United States of America.

1.2 Interpretation. The table of contents and the headings of the articles and sections hereof are for convenience of reference only and shall not affect the meaning or construction of any provision hereof. For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, (a) the terms defined in this Agreement include the plural as well as the singular and vice versa; (b) words importing gender include all genders; (c) any reference to a Section, Annex, Schedule or Exhibit refers to a Section of, or Annex, Schedule or Exhibit to, this Agreement; (d) any reference to “this Agreement” refers to this Agreement, including all Annexes, Schedules and Exhibits hereto, and the words herein, hereof, hereto and hereunder and words of similar import refer to this Agreement and its Annexes, Schedules and Exhibits as a whole and not to any particular Section, Annex, Schedule, Exhibit or any other subdivision; (e) references to days, months and years refer to calendar days, months and years, respectively; (f) all references herein to “include” or “including” shall be deemed to be followed by the words “without limitation”; and (g) the word “from” when used in connection with a period of time means “from and including” and the word “until” means “to but not including”.

2. COMMITMENTS; DISBURSEMENT

2.1 Commitment to Lend.

(a) On the terms and subject to the conditions set forth herein, each Bank severally agrees to make Hylsa Tranche A Loans to Hylsa in one or more (i) General Advances during the General Advance Availability Period and (ii) Fiduciary Trust Advances during the Fiduciary Trust Advance Availability Period, in an aggregate amount not to exceed, as to all Banks, U.S.\$1,097,500,000.

(b) On the terms and subject to the conditions set forth herein, each Bank severally agrees to make Hylsa Tranche B Loans to Hylsa in one or more (i) General Advances during the General Advance Availability Period and (ii) Fiduciary Trust Advances during the Fiduciary Trust Advance Availability Period, in an aggregate amount not to exceed, as to all Banks, U.S.\$1,097,500,000.

(c) On the terms and subject to the conditions set forth herein, each Bank severally agrees to make IMSA Tranche A Loans to Hylsa or, after the IMSA Assumption Date, to IMSA in one or more General Advances during the General Advance Availability Period in an aggregate amount not to exceed, as to all Banks, U.S.\$777,500,000.

(d) On the terms and subject to the conditions set forth herein, each Bank severally agrees to make IMSA Tranche B Loans to Hylsa or, after the IMSA Assumption Date, to IMSA in one or more General Advances during the General Advance Availability Period in an aggregate amount not to exceed, as to all Banks, U.S.\$777,500,000.

(e) The aggregate amount of the Hylsa Tranche A Loans, Hylsa Tranche B Loans, IMSA Tranche A Loans and IMSA Tranche B Loans made by each Bank shall not exceed the amount of such Bank's Loan Commitment. The Borrowers collectively may not request more than (i) three General Advances with respect to the Hylsa Tranche A Loans, (ii) three General Advances with respect to the Hylsa Tranche B Loans, (iii) three General Advances with respect to the IMSA Tranche A Loans, (iv) three General Advances with respect to the IMSA Tranche B Loans and (v) three Fiduciary Trust Advances.

(f) The obligations of the Banks under this Agreement are several but not joint. Failure by any Bank to make such Advances to the applicable Borrower shall not relieve any other Bank of its obligations hereunder or prejudice any rights that such Borrower may have against any Bank as a result of any failure by such Bank to make an Advance hereunder. No Bank shall have any responsibility for any failure by any other Bank to fulfill its obligations hereunder. The obligations of the Banks to make Loans hereunder shall expire on the Commitment Termination Date.

(g) Notwithstanding the foregoing provisions of this Section 2.1, (i) the sum of the aggregate principal amount of the Loans made hereunder plus the aggregate principal amount of all term loans made under the Ternium Loan Agreement shall not in any event exceed U.S.\$3,820,000,000, (ii) the sum of the aggregate principal amount of the Hylsa Loans plus the aggregate principal amount of the term loans made under the Ternium Loan Agreement shall not in any event exceed U.S.\$2,265,000,000 and (iii) the sum of the aggregate principal amount of the Hylsa Loans the proceeds of which are used to purchase, subscribe or otherwise acquire all or a portion of the Convertible Debt and/or fund, directly or indirectly, the Fiduciary Trust and/or to pay fees and expenses related to the IMSA Transaction plus the aggregate principal amount of the term loans made under the Ternium Loan Agreement the proceeds of which are used to finance, directly or indirectly, all or a portion of the Tender Offer Price (as defined in the Ternium Loan Agreement), make purchases of Controlling Shareholder Shares, fund, directly or indirectly, the Fiduciary Trust and purchase, subscribe or otherwise acquire a portion of the Convertible Debt shall not in any event exceed U.S.\$1,800,000,000.

2.2 Notice of Intention and Commitment to Borrow. Each Borrower may request Advances by giving the Administrative Agent notice substantially in the form set forth in Exhibit B, not later than 8:00 a.m. (New York City time) on the second Banking Day preceding the date on which it wishes to borrow such Advances, of (a) such date of borrowing (each, a “Disbursement Date”), which shall be a Banking Day during the Availability Period, (b) the amount of such borrowing, provided that each Advance shall be in an amount equal to U.S.\$50,000,000 or a whole multiple of U.S.\$1,000,000 in excess thereof, (c) whether the applicable Advances are to be General Advances or Fiduciary Trust Advances, (d) whether the applicable Advances are to be Hylsa Tranche A Loans, Hylsa Tranche B Loans, IMSA Tranche A Loans and/or IMSA Tranche B Loans, and the amount of each such Loan, (e) whether the applicable Advances constitute First Closing Date Loans or Transaction Closing Date Loans, (f) the account to which the proceeds of such borrowing should be credited, which account (i) in the case of (x) any IMSA Loan made for the purpose of providing the IMSA Bank Debt Refinancing Funds and (y) any Hylsa Loan made for the purpose of purchasing all or a portion of the Convertible Debt, shall be the Escrow Account, (ii) in the case of any Fiduciary Trust Advance shall be the Fiduciary Trust Account and (iii) in all other cases, shall be an account in New York City, and (g) the initial Interest Period for such borrowing. The giving of such notice shall constitute Hylsa’s irrevocable commitment to borrow on the relevant Disbursement Date an amount equal to the amount set forth on such notice.

2.3 Disbursement. The Administrative Agent shall give notice to each Bank by facsimile transmission of the relevant Disbursement Date promptly on the same day after receipt of notice thereof from the applicable Borrower pursuant to Section 2.2. By 11:00 a.m. (New York City time) on the relevant Disbursement Date, each Bank shall, subject to the conditions set forth herein, make available to the Administrative Agent at the Funding Office an amount equal to the Advance to be made by such Bank, such disbursement to be made in such same-day funds as the Administrative Agent may at the time determine to be customary for the settlement in New York City of international banking transactions denominated in Dollars. Subject to the conditions set forth herein, the Administrative Agent shall, on the relevant Disbursement Date, credit the funds so received to the account specified by the applicable Borrower pursuant to Section 2.2.

2.4 Fees. (a) Each Borrower agrees to pay to the Administrative Agent for account of each Bank a commitment fee, which shall be due and payable monthly in arrears on the date in each month numerically corresponding to the First Closing Date and on the earlier of the Commitment Termination Date and the date that the Loan Commitments otherwise terminate, calculated at the rate of 25 basis points (0.25%) per annum on the average daily unused portion of the Loan Commitment of such Bank available to such Borrower accruing from the date of the First Closing Date until the earlier of the Commitment Termination Date and the date that the Loan Commitments otherwise terminate; provided that, solely for purposes of this Section 2.4 and solely until the Transaction Closing Date, the Loan Commitment of any Bank shall be deemed to be equal to the maximum aggregate principal amount that such Bank would be committed to advance to the Borrowers hereunder after application of Section 2.1(g)(i), assuming, for purposes of such application, that Ternium has borrowed the entire aggregate principal amount of the term loans, if any, that such Bank has committed to make to Ternium under the Ternium Loan Agreement.

(b) Hylsa shall pay to the Administrative Agent a fee for its own account as separately agreed among Ternium, Hylsa and the Administrative Agent.

2.5 Termination and Reduction of the Loan Commitment. (a) Unless previously terminated in accordance with the terms of this Agreement, the Loan Commitment of each Bank shall terminate at 5:00 p.m. (New York City time) on the Commitment Termination Date and, unless previously terminated in accordance with the terms of this Agreement, the unused Total Loan Commitment shall automatically be reduced, for all purposes under this Agreement (including Section 2.4), on the last day of the General Advance Availability Period to an amount equal to the excess of U.S.\$165,000,000 over the aggregate principal amount of Fiduciary Trust Advances made on or prior to such date hereunder and under (and as defined in) the Ternium Loan Agreement.

(b) The Borrowers may at any time terminate, or from time to time reduce, the Total Loan Commitment; provided that each reduction of the Total Loan Commitment pursuant to this Section shall be in an amount of no less than U.S.\$10,000,000.

(c) If the Borrowers wish to terminate or reduce the Total Loan Commitment, the Borrowers shall, on or before the third Banking Day immediately preceding the date the Borrowers wish to designate for such termination or reduction, give the Administrative Agent notice of such date and the amount of the Total Loan Commitment to be reduced (or terminated) on such date.

(d) Any termination or reduction of the Total Loan Commitment shall be permanent. Each reduction of the Total Loan Commitment shall be applied to reduce the Loan Commitments of the Banks ratably in accordance with the amounts of their respective Loan Commitments.

3. REPAYMENT

3.1 Repayment. Except as otherwise expressly provided herein, each Borrower shall repay the entire principal amount of the Loans outstanding as follows:

(a) Hylsa shall pay the Hylsa Tranche A Loans in six equal installments, each in an amount equal to 14.28% of the aggregate principal amount of the Hylsa Tranche A Loans outstanding on the Commitment Termination Date, and one additional installment in an amount equal to the balance of such outstanding amount, one such installment to be paid on each Tranche A Loan Payment Date; provided that any principal amount of the Hylsa Tranche A Loans outstanding on the Tranche A Loan Final Maturity Date shall be paid on such date;

(b) Hylsa shall pay the Hylsa Tranche B Loans on the Tranche B Loan Final Maturity Date;

(c) Hylsa or, if the IMSA Assumption Date shall have occurred, IMSA shall pay the IMSA Tranche A Loans in six equal installments, each in an amount equal to 14.28% of the aggregate principal amount of the IMSA Tranche A Loans outstanding on the Commitment Termination Date, and one additional installment in an amount equal to the balance of such outstanding amount, one such installment to be paid on each Tranche A Loan Payment Date; provided that any principal amount of the IMSA Tranche A Loans outstanding on the Tranche A Loan Final Maturity Date shall be paid on such date; and

(d) Hylsa or, if the IMSA Transaction shall have been consummated, IMSA shall pay the IMSA Tranche B Loans on the Tranche B Loan Final Maturity Date.

3.2 Optional Prepayments. Each Borrower may prepay the Loans made to such Borrower in whole or in part in a principal amount of no less than U.S.\$10,000,000 at any time. If either Borrower wishes to make such a prepayment, such Borrower shall, on or before the fifth Banking Day immediately preceding the date such Borrower wishes to designate for such prepayment, give the Administrative Agent notice of such date and the amount to be prepaid on such date. Such notice shall constitute such Borrower's irrevocable commitment to prepay such amount on such date, together with interest accrued thereon to such date and any amounts payable pursuant to Section 3.5.

3.3 Mandatory Prepayments. Within five Banking Days after (a) any Debt Incurrence (the "Current Debt Incurrence") having an aggregate principal amount that, together with the aggregate principal amount of all prior Debt Incurrences effected during the fiscal year of the Current Debt Incurrence, exceeds U.S.\$300,000,000 or (b) any Equity Issuance, the Borrower consummating such Debt Incurrence or Equity Issuance shall prepay the Loans made to such Borrower in an aggregate amount equal to 100% of the Net Available Proceeds thereof, such prepayment to be effected in each case in the manner and to the extent specified in the last sentence of Section 3.4, provided that, if such prepayment is required to be made before the Loan Commitments have expired or been terminated, the Loan Commitments shall instead be permanently reduced in the same amount (and to the extent that, after giving effect to such permanent reduction, the aggregate principal amount of the Loans would exceed the aggregate amount of the Loan Commitments, such Borrower shall prepay the Loans made to such Borrower as set forth above in an aggregate amount equal to such excess).

3.4 Other Payment Provisions. Any partial repayment or prepayment hereunder shall be allocated among the Banks on the basis of their respective Pro Rata Shares. If either Borrower makes any payment of principal with respect to any Loan on any day that is not an Interest Payment Date, such Borrower shall reimburse each Bank in Dollars on demand for all reasonable losses (other than loss of anticipated profits or margin) arising from the reemployment of funds obtained, or the termination, liquidation or redeployment of deposits received, from third parties; provided, however, that such Borrower shall not be required to make any additional payments pursuant to this Section if such repayment or prepayment is the result of the events or circumstances contemplated in Section 3.3, Section 3.5, Section 9.14 or Section 14.4. For the purpose of calculating losses payable to any Bank under this Section 3.4, such Bank shall be deemed to have (a) actually funded its Loans through the purchase of a deposit bearing interest at LIBOR in an amount equal to the amount of its Loan Commitment and having a maturity comparable to the relevant Interest Period, and (b) reemployed the funds by depositing them at LIBOR for a period having a maturity comparable to the number of days from (x) the day of prepayment through (y) the last day of the relevant Interest Period. Any reimbursement request pursuant to this Section 3.4 shall be accompanied by a certificate of the relevant Bank setting forth in reasonable detail the basis for calculating such losses and shall be delivered to the applicable Borrower and shall be conclusive and binding for all purposes hereunder, absent manifest error. Any prepayments of the Loans hereunder shall be applied, first, to the Tranche B Loans and, second, when the Tranche B Loans shall have been paid in full, pro rata to the remaining installments of the Tranche A Loans (it being understood that, in the event of any prepayment occurring during the period from the IMSA Assumption Date until, if the Transaction Merger shall become effective, the Transaction Merger Date, the amount of any such prepayment made by Hylsa shall be applied to the Hylsa Tranche B Loans or the Hylsa Tranche A Loans, as applicable, and the amount of any such prepayment made by IMSA shall be applied to the IMSA Tranche B Loans or the IMSA Tranche A Loans, as applicable).

3.5 Illegality. (a) If any Bank determines at any time that any law, regulation or treaty or any change therein or in the interpretation or application thereof by any competent Governmental Authority makes or will make it unlawful for such Bank to fulfill its commitment pursuant to Section 2.1, to maintain any of its Loans or to claim or receive any amount payable to it hereunder, such Bank shall give notice of such determination to the applicable Borrower and the Administrative Agent, whereupon the obligations of such Bank hereunder shall terminate. If any such notice is given after the initial Disbursement Date, each Borrower shall, to the extent any such law, regulation, treaty, change, interpretation or application requires such Loans to be prepaid, either (i) cause a designee of such Borrower (which may be an Affiliate of such Borrower, provided that no such Affiliate shall have any right to vote on any amendment, waiver, action or other matter under or in connection with this Agreement, nor any right to participate in any meetings or deliberations of or receive communications among the Banks with respect thereto and the consent of any such Affiliate shall not be required for purposes of any amendment or waiver under Section 15.7) to purchase such Loans of such Bank in accordance with Section 11.1 (any such designee to be reasonably acceptable to the Administrative Agent) for a purchase price equal to the outstanding principal amount of such Loans, accrued interest thereon and all other amounts payable to it hereunder or such other amount as such Bank may in its sole discretion agree with such designee (it being understood and agreed that neither the Administrative Agent nor any Bank shall have any obligation to purchase such Loans) or (ii) prepay such Loans of such Bank made to such Borrower on the Interest Payment Date next succeeding the date such notice is given (or on such earlier date as such Bank determines and certifies to be necessary in order to enable it to comply with such law, regulation, treaty or change), without premium but together with interest accrued to the date of prepayment on such Loans and all other amounts then payable to such Bank by such Borrower hereunder.

(b) Before demanding prepayment pursuant to this Section 3.5, the affected Bank shall use its reasonable best efforts to take any and all reasonable steps and action that would not, in its good faith judgment, be materially disadvantageous to such Bank, to mitigate the effect of any unlawfulness and/or avoid the need for such prepayment, including (i) designating a different Lending Branch or changing the jurisdiction of its Lending Branch; (ii) selling a participating interest in the relevant Loans at par or such other price as such Bank may in its sole discretion agree with the relevant purchaser; and/or (iii) assigning and transferring its interests, rights and obligations under such Loans to a substitute bank on the terms described in subsection (a) above.

(c) Any demand for prepayment pursuant to this Section 3.5 submitted to the applicable Borrower by the affected Bank shall describe in reasonable detail the event by reason of which it is making any such demand and the date of occurrence of such event, and contain a statement and representation by such Bank that it is treating its other similarly situated debtors in a consistent manner and provide certification that such Bank is in compliance with the provisions of subsection (b) above.

(d) Neither Borrower shall have any obligation to indemnify any Bank under this Section 3.5 for any losses or expenses arising as a result of any prepayment made by such Borrower under this Section 3.5 or non-disbursement of the Loans as contemplated in this Section 3.5.

3.6 No Reborrowing. Amounts paid or prepaid pursuant to any provisions of this Agreement may not be reborrowed.

4. INTEREST

4.1 Basic Rate.

(a) Except as otherwise expressly provided in Sections 4.2 and 4.3, interest shall accrue on the Loans during each Interest Period, from and including the first day of such Interest Period to but excluding the last day thereof, at a rate per annum equal to the sum of the Margin and LIBOR for such Interest Period (the "Euro-Dollar Rate").

(b) Except as otherwise expressly provided herein, accrued interest on each Loan shall be payable on each Interest Payment Date and upon any repayment or prepayment of principal hereunder, on the amount of such repayment or prepayment on the date thereof.

(c) The Administrative Agent shall give notice to the applicable Borrower and the Banks of LIBOR promptly after each determination thereof (and, in any case, no later than three Banking Days thereafter).

4.2 Default Interest. Upon the occurrence and during the continuance of an Event of Default of the kind referred to in Section 10.1(a), (a) interest shall accrue on the unpaid principal amount of each Loan owing to each Bank at a rate equal at all times to the sum of (i) 200 basis points (2.00%) and (ii) the rate per annum required to be paid on such Loan pursuant to Section 4.1(a) or 4.3, and (b) to the extent permitted by applicable law, interest shall accrue on the amount of any interest, fee or other amount payable hereunder that is not paid when due during the period from and including the due date thereof, to but excluding the date such amount is paid, at a rate per annum equal for each day in such period to the sum of (i) 200 basis points (2.00%), (ii) the Margin and (iii) LIBOR for a one-month period for value on such day. Interest accruing pursuant to this Section shall be payable on demand of the Administrative Agent made upon request and on behalf of any Bank.

4.3 Alternative Rate Loans. In the event that the Administrative Agent is advised by the Reference Banks that deposits in Dollars (in the applicable amounts) are not being offered to the Reference Banks in the London interbank market for such Interest Period (in circumstances where quotes are requested for determining LIBOR under the definition thereof), the Administrative Agent shall forthwith give notice thereof to the applicable Borrower and to the Banks, whereupon (a) the obligation of each Bank to continue its outstanding Loans at the Euro-Dollar Rate shall be suspended and (b) all outstanding Loans bearing interest at the Euro-Dollar Rate shall be converted into Alternative Rate Loans on the last day of the then current Interest Period applicable thereto (such Alternative Rate Loans bearing interest at the Alternative Rate in effect on the second Banking Day next preceding the commencement of each Interest Period plus the Margin); provided that upon the Administrative Agent being able to determine LIBOR in accordance with the definition thereof, the Administrative Agent shall notify the applicable Borrower thereof and such Borrower shall notify the Administrative Agent of the date on which such Borrower wishes the outstanding Alternative Rate Loans made to such Borrower converted into Loans bearing interest at the Euro-Dollar Rate.

4.4 Interest Period Notice. Each Borrower shall, prior to 11:00 a.m. (New York City time), at least three Banking Days prior to the commencement of each Interest Period, give the Administrative Agent irrevocable notice of such Borrower's election for such Interest Period to have a duration of one, three or six months. Upon receipt of such notice from the applicable Borrower, the Administrative Agent shall promptly notify each Bank thereof. In the event that either Borrower fails to timely select in accordance herewith the duration of any Interest Period, such Borrower will be deemed to have selected an Interest Period of a duration equal to the shorter of (i) the period of time remaining until the next succeeding Loan Payment Date, and (ii) the same duration as the immediately preceding Interest Period.

4.5 Exchange of Notes. Promptly upon (i) the conversion of the installment of any Loan covered by a Principal Note to an Alternative Rate Loan pursuant to Section 4.3 and/or (ii) the election of a Borrower pursuant to Section 4.4 to change the duration of an Interest Period for the installment of any Loan covered by a Principal Note, in each case upon the request of any Bank and in accordance with Section 15.4, the applicable Borrower shall execute and deliver to the Custodian for the account of such Bank, in exchange for such Principal Note theretofore delivered to such Bank a new Principal Note payable to the relevant Bank, in a principal amount equal to the principal amount of such installment and otherwise duly completed.

5. NO SETOFF, COUNTERCLAIM; TAXES

5.1 No Setoff, Counterclaim or Withholding; Gross Up. (a) Each payment by or on behalf of any Obligor under this Agreement or the Notes (including any applicable fees) shall be made without setoff or counterclaim, and without withholding or deduction on account of any present or future Taxes imposed by or within Mexico or any political subdivision or taxing authority thereof or therein (including any withholding tax on interest payments); provided, however, that if such Taxes are required to be withheld from any such payment, the applicable Obligor shall cause such withholding to be made, make payment of the amount withheld to the appropriate Governmental Authority when due and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Bank and the Administrative Agent, free and clear of such Taxes is equal to the amount that such Bank or the Administrative Agent (as the case may be) would have received had no such Taxes been withheld; provided further, however, that (i) in the event of the redesignation of any Bank's Loans to a Lending Branch in another jurisdiction, such Bank shall not be entitled to receive, immediately following such redesignation, any greater amount, paid as additional amounts, than it would have been entitled to receive had such redesignation not taken place, (ii) notwithstanding anything to the contrary provided elsewhere in this Agreement, the Obligors shall not be liable to make any payment to any Bank or taxing authority pursuant to this Section 5.1 for, or in relation to, Taxes, franchise taxes, and any similar taxes imposed on (or assessed on the basis of) the overall net income, profits or capital of such Bank (or its Lending Branch) and any Taxes that would not be imposed but for a connection between such Bank and Mexico or any political subdivision thereof or taxing authority therein (other than a connection arising solely by virtue of the activities of such Bank (or its Lending Branch) pursuant to this Agreement, including making and holding Loans and receiving payments in connection therewith) and (iii) if any Obligor pays any additional amount pursuant to this Section 5.1 and any Bank actually receives a tax refund or a credit against such Bank's tax liabilities as a result of such payment by such Obligor, such Bank shall (provided that no Default or Event of Default shall have occurred and be continuing) promptly pay to such Obligor an amount that such Bank determines in its sole discretion is equal to (A) in the case of a tax refund, the amount of such refund actually received by such Bank as a result of such payment by such Obligor, and (B) in the case of a credit against its tax liabilities, the net tax benefit obtained by such Bank as a result of such payment by such Obligor; provided, however, that (1) with respect to any Bank that on the date of this Agreement would not be entitled to a tax credit or refund, the preceding obligations shall only be applied to the extent that any such Bank becomes entitled to a tax credit or refund as a result of any law or regulation enacted or adopted subsequent to the date of this Agreement which entitles such Bank thereto, and (2) with respect to any Bank that on the date of this Agreement would be entitled to a tax credit or refund, the preceding obligation shall only be applicable to the extent that such Bank becomes entitled to a tax credit or refund as a result of any law or regulation enacted or adopted subsequent to the date of this Agreement which increases the amount of such tax credit or refund to which such Bank is entitled and only with respect to such increase. Each Obligor may request in writing that any Bank claim a tax credit or refund; however, whether or not such Bank claims any such tax credit or refund shall be in the reasonable discretion of such Bank and at no cost to the Bank (which if incurred shall be reimbursed by the applicable Obligor). All such Taxes shall be paid by the applicable Obligor prior to the date on which penalties attach thereto or interest accrues thereon; provided, however, that, if any such penalties or interest become due, the applicable Obligor shall make prompt payment thereof to the appropriate Governmental Authority. If the Administrative Agent or any Bank pays any amount in respect of such Taxes, penalties or interest, the Obligors shall reimburse the Administrative Agent or such Bank in Dollars for such payment on demand. If any Obligor pays any such Taxes, penalties or interest, it shall deliver copies of official tax receipts evidencing such payment to the Administrative Agent on or before the 30th day after such payment.

(b) Notwithstanding anything herein to the contrary, the Obligors shall not be required to pay amounts under Section 5.1 to any Bank (other than a Mexican Bank) that is not registered as a foreign financial institution with the Mexican Ministry of Finance and Public Credit for the purposes of Article 195, Section I (or any successor provision) of the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) in excess of the amount that the Obligors would have been required to pay if such Bank had been so registered and were a resident in a jurisdiction with which Mexico has entered into a treaty for the avoidance of double taxation which is in effect and had met the requirements set forth in such treaty for a reduced withholding tax rate, for so long as such requirement remains applicable.

5.2 Stamp Taxes. Each Borrower shall pay any registration or transfer taxes, stamp duties or similar levies, and any penalties or interest that may be due with respect thereto, that may be imposed by or within Mexico or any political subdivision or taxing authority thereof or therein in connection with the execution of the Loan Documents. If the Administrative Agent or any Bank pays any amount that it is required to pay under applicable law in respect of any such taxes, duties, levies, penalties or interest, the applicable Borrower shall reimburse the Administrative Agent or such Bank for such payment in Dollars within thirty days from written demand.

5.3 Tax Indemnity. Each Borrower agrees to indemnify each Bank and the Administrative Agent for the full amount of any Taxes described in Section 5.1 or 5.2 paid by such Bank or the Administrative Agent, and any liability (including penalties, interest and reasonable expenses) arising there from or with respect thereto, which amounts arise from the failure of such Borrower to pay any such Taxes. Payment of such amount shall be made within thirty days from the date such Bank or the Administrative Agent makes written demand therefor.

6. PAYMENTS; COMPUTATIONS

6.1 Making of Payments. (a) Each payment by either Borrower under the Loan Documents shall be made in Dollars by 3:00 p.m. (New York City time) on the date such payment is due to the Administrative Agent by deposit via Fedwire or via the New York Clearing House Interbank Payments System, or in such other same day funds as the Administrative Agent may at the time determine to be customary for the settlement in New York City of international banking transactions denominated in Dollars, to the account maintained at the Funding Office, designated by the Administrative Agent and notified in writing to the applicable Borrower no later than three Banking Days before each such payment date (each such notice to remain effective unless and until superseded by a subsequent such notice).

(b) Any payment stated to be due hereunder or under any other Loan Document and any Interest Period stated to end on a day numerically corresponding to a given day in a specified month thereafter or on a specified day shall be made or shall end (as the case may be) (i) if there is no such corresponding day, on the last Banking Day of such month or (ii) if such corresponding day or specified day is not a Banking Day, on the next succeeding Banking Day, unless such next succeeding Banking Day falls in a different month, in which case such payment shall be made or such Interest Period shall end on the next preceding Banking Day.

6.2 Computations. Interest and fees payable hereunder shall be computed on the basis of a 360 day year and actual days elapsed; provided, however, that to the extent the Alternative Rate is used at times when such Alternative Rate is calculated pursuant to clause (a) of the definition thereof, such rate shall be determined on the basis of a year of 365 or 366 days and actual days elapsed.

7. CONDITIONS PRECEDENT

7.1 Conditions to First Closing Date Loans. The effectiveness of the obligation of each Bank to make First Closing Date Loans to be made by it hereunder is subject to the condition that the Administrative Agent shall have received duly executed copies of each of the documents listed below, dated the date of its delivery (except as otherwise indicated below):

(a) Executed counterparts of this Agreement.

(b) Executed counterparts of the Escrow Agreement.

(c) Evidence satisfactory to the Administrative Agent that the Tender Offer has been launched.

(d) A certificate of Hylsa, substantially in the form set forth in Exhibit D, together with the attachments specified therein (including the true and correct copies of the IMSA Transaction Agreement, the by-laws (*estatutos sociales*) of Hylsa, the certified board resolutions authorizing the consummation of the Transactions and the authority of each officer of Hylsa executing the Loan Documents).

(e) An irrevocable written acceptance by CT Corporation System of its appointment as the agent of Hylsa to receive service of process, in such form as the Administrative Agent may reasonably require (together with a power-of-attorney, substantially in the form set forth in Exhibit F, duly notarized under Mexican law to that effect).

(f) Copies of the financial statements of Hylsa referred to in Section 8.1(j).

(g) A certificate dated the First Closing Date, substantially in the form set forth in Exhibit G, to the effect that (i) all authorizations, actions or filings by or with any Governmental Authority and any approvals, consents or waivers of any third party necessary in connection with the Transactions or the continuing operations of Hylsa (other than, with respect to IMSA and the IMSA Transaction, (x) governmental and third party authorizations, actions, filings, approvals, consents and waivers that do not constitute a condition precedent to the deposit on the First Closing Date of the proceeds of the Mandatorily Convertible Debt in the Escrow Account, as provided in the IMSA Transaction Agreement and Escrow Agreement, and (y) any such approvals and authorizations that have been obtained subject to the fulfillment of certain conditions (including the sale, divestment or disposition of assets of Ternium, Hylsa, IMSA, or their respective Affiliates) to the extent that such approvals and authorizations, as so conditioned, do not prevent the consummation of the IMSA Transaction) shall have been obtained and be in full force and effect; and (ii) as of the First Closing Date, no Default or Event of Default has occurred and is continuing.

(h) A certificate substantially in the form set forth in Exhibit H, to the effect that (i) on or prior to the First Closing Date, all conditions precedent to the deposit into the Escrow Account of the proceeds of the Mandatorily Convertible Debt (other than the making of Loans under this Agreement and the making of term loans under the Ternium Loan Agreement) have been satisfied or waived and (ii) the IMSA Transaction will not violate or result in a default, or give rise to a right to require any payment in excess of U.S.\$150,000,000 to be made by Hylsa under (x) any material indenture, agreement or other instrument binding upon Hylsa, or (y) any material indenture, agreement or other instrument governing or evidencing Indebtedness of IMSA and its material Subsidiaries (as identified in the IMSA Transaction Agreement) to the extent the repayment, redemption or defeasance of such Indebtedness is not provided for hereunder, under the Ternium Loan Agreement or otherwise on terms and conditions that do not materially and adversely affect the consummation of the Transactions and are not materially adverse to the interests of the Banks.

(i) An opinion of Ritch Mueller, S.C., special Mexican counsel to Hylsa, substantially in the form set forth in Exhibit F and dated the First Closing Date.

(j) An opinion of Jáuregui, Navarrete y Nader, S.C., special Mexican counsel to the Administrative Agent, in such form as the Administrative Agent and the Banks may reasonably require and dated the First Closing Date.

(k) An opinion of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel to the Administrative Agent, in such form as the Administrative Agent and the Banks may reasonably require and dated the First Closing Date.

(l) Copies of wire transfers, receipts or similar documents evidencing payment of all costs, fees, expenses and other compensation that are payable on or prior to the First Closing Date to the Global Coordinator, the Joint Bookrunners, the Mandated Lead Arrangers, the Administrative Agent and the Banks (including the reasonable and documented fees and expenses of counsel to the Administrative Agent) and of any tax, duty, fee or other charge payable on or before such date, in each case in connection with this Agreement and the transactions contemplated herein.

7.2 Conditions to Transaction Closing Date Loans to Hylsa. The obligation of each Bank to make the Transaction Closing Date Loans to be made by it to Hylsa hereunder is subject to the conditions that:

(a) The First Closing Date shall have occurred.

(b) The Administrative Agent shall have received a certificate dated the Transaction Closing Date substantially in the form set forth in Exhibit I, to the effect that all conditions precedent to each of (i) the deposit into the Escrow Account of the proceeds of the Optionally Convertible Debt (other than the deposit into the Escrow Account of (x) the General Advances (as defined in the Ternium Loan Agreement) and the Hylsa Loans the proceeds of which are to be used to purchase, subscribe or otherwise acquire all or a portion of the Optionally Convertible Debt and (y) the IMSA Bank Debt Refinancing Funds) and (ii) the Transaction Closing Date Releases have been satisfied or waived.

7.3 Condition to Transaction Closing Date Loans to IMSA. The obligation of each Bank to make the Transaction Closing Date Loans to be made by it to IMSA hereunder is subject to the condition that the IMSA Assumption Date shall have occurred.

7.4 Conditions to All Loans. The obligation of each Bank to make the Loans to be made by it hereunder on any Disbursement Date (including the initial Disbursement Date) is subject to the further conditions that, on such Disbursement Date:

(a) The Administrative Agent shall have received a notice of borrowing pursuant to Section 2.2.

(b) After giving effect to the disbursement of the Loans on such Disbursement Date, the following statements shall be true and correct (and the giving of the notice of borrowing pursuant to Section 2.2 shall constitute a representation and warranty by the applicable Borrower that on such Disbursement Date such statements are true and correct):

(i) there shall not have occurred and be continuing a Default or an Event of Default; and

(ii) the representations and warranties of each Obligor set forth in Section 8.1 (except the representations and warranties set forth in Section 8.1(l) to the extent there has been a change in applicable law or regulation or in the interpretation thereof since the date of this Agreement), and the representations and warranties of each Obligor made pursuant to the other Loan Documents to which such Obligor is a party, shall be true and correct on and as of such Disbursement Date as if made on and as of such Disbursement Date.

(c) The Administrative Agent shall have received a Principal Note for each Bank in an amount equal to each installment of such Bank's Loans to be made on such Disbursement Date, dated such Disbursement Date, each substantially in the form set forth in Exhibit A-1 and duly completed.

8. REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties of the Obligors. Each Borrower and IMSA Acero represents and warrants to the Administrative Agent and each Bank as follows (provided, however, that (i) each Obligor, notwithstanding any reference in this Section 8.1 to any other Obligor or to any Loan Document or agreement to which such Obligor is not a party, or any action or event involving any other Obligor and not involving such Obligor, makes the following representations and warranties as to itself only and only from and after the date on which such Obligor becomes a party hereto, and no Obligor makes any representation or warranty as to any other Obligor and (ii) IMSA Acero makes only the representations and warranties contained in clauses (a), (b) and (c) below, and makes no other representation or warranty):

(a) Such Obligor is an entity duly organized and validly existing under the laws of its jurisdiction of organization and has all requisite power and authority to own or lease its property and assets and to conduct its business as currently conducted and as proposed to be conducted, and such Obligor has all requisite power and authority to consummate the Transactions. Such Obligor is registered to do business in each jurisdiction in which the nature of the activities carried on by it requires such registration unless failure to so register would not reasonably be expected to have a Material Adverse Effect.

(b) No corporate or shareholder action is required to authorize the Transactions, except for the resolution of the board of directors of such Obligor authorizing the same and, in the case of IMSA, the approval of IMSA's shareholders' meeting and of the committees of IMSA's board of directors.

(c) This Agreement (in the case of each Obligor) and the Joinder Agreement (in the case of IMSA and IMSA Acero) has been duly executed and delivered by such Obligor and constitutes, and each of other Loan Documents to which it is a party, when duly executed and delivered by such Obligor, will constitute, a legal, valid and binding obligation of such Obligor, enforceable against such Obligor in accordance with its terms, subject to applicable bankruptcy, *concurso mercantil*, insolvency, moratorium and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(d) Schedule 2 hereto sets forth the correct name of each Material Subsidiary, the jurisdiction of its organization and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by Hylsa and each other Material Subsidiary, all as of the Transaction Closing Date after giving effect to the IMSA Transaction.

(e) From and after the First Closing Date, all governmental authorizations, approvals, licenses and actions of any kind, including exchange control approvals (if any), necessary for such Borrower to authorize the Transactions (other than, with respect to IMSA and the IMSA Transaction, (x) governmental authorizations, approvals, licenses and actions that do not constitute a condition precedent to the deposit on the First Closing Date of the proceeds of the Mandatorily Convertible Debt in the Escrow Account, as provided in the IMSA Transaction Agreement and Escrow Agreement, and (y) any such authorizations and approvals that will have been obtained subject to the fulfillment of certain conditions (including the sale, divestment or disposition of assets of Ternium, Hylsa, IMSA or their respective Affiliates) to the extent that such authorizations and approvals, as so conditioned, do not prevent the consummation of the IMSA Transaction), or required for the validity or enforceability against such Borrower of the Loan Documents to which it is a party, or (except where failure to obtain the same would not reasonably be expected to have a Material Adverse Effect) necessary for such Borrower to operate its business, will have been obtained or performed and will be valid and in full force and effect, will be final and not subject to appeal or renewal, and will be held in the name of such Borrower.

(f) No event has occurred and is continuing or will exist upon the consummation of the Transactions, that constitutes a Default or an Event of Default and none of the execution, delivery and performance of the Loan Documents or consummation of the Transactions (i) requires any consent, authorization, approval or notice under any material indenture, agreement or other instrument of such Borrower (other than notice required to be given by IMSA to the holders of the IMSA Public Debt as a result or consequence of the IMSA Transaction), (ii) would result in a violation of or conflict with any provision of the charter or organization documents of such Borrower, (iii) would result in a material violation of or conflict with any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award applicable to such Borrower or to any of its property or (iv) would result in the creation of (or impose any obligation on such Borrower to create) any Lien upon any of the properties or assets of such Borrower. Such Borrower is in compliance in all material respects with all laws and regulations applicable to it, except where non-compliance would not reasonably be expected to have a Material Adverse Effect.

(g) There are no actions, litigation, proceedings or claims pending or, to the best knowledge of such Borrower, threatened against such Borrower or any of its Material Subsidiaries the adverse determination of which would reasonably be expected to have a Material Adverse Effect.

(h) Such Borrower has good title to its properties and assets free and clear of all Liens except for Permitted Liens and other Liens permitted pursuant to Section 9.12; they enjoy peaceful and undisturbed possession under all leases necessary in any material respect for the operation of their properties and assets; and all such leases are valid and subsisting and are in full force and effect, except where such failure would not reasonably be expected to have a Material Adverse Effect. Such Borrower owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by such Borrower does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, would not be reasonably expected to result in a Material Adverse Effect.

(i) The obligations of such Borrower under this Agreement rank, and its obligations under the other Loan Documents to which such Borrower is a party will rank in priority of payment at least *pari passu* with all its other present or future unsecured and unsubordinated Indebtedness, except for Indebtedness having priority by operation of law.

(j) Hylsa's consolidated financial statements as at December 31, 2006 for the fiscal year ended on such date, and for the three-month period ended on March 31, 2007, are complete and correct, have been prepared in accordance with Mexican NIF, and fairly present in all material respects the consolidated financial condition of Hylsa as at such dates and the results of its consolidated operations for such fiscal year or period; Hylsa's consolidated annual financial statements as at December 31, 2006 and for the fiscal year ended on such date have been audited by PriceWaterhouseCoopers; and no financial statements have been prepared by Hylsa for any period subsequent to March 31, 2007, except such as have been delivered pursuant to Section 9.6.

(k) Since December 31, 2006, there has been no event, development or circumstance that has had or would reasonably be expected to have a material adverse effect on (i) the business, assets, property or financial condition of such Borrower and its Subsidiaries taken as a whole, or (ii) the validity or enforceability of any of the Loan Documents to which such Borrower is a party or the rights or remedies of the Administrative Agent and the Banks hereunder or thereunder, excluding, in each case, any event or circumstance that results solely from (u) the announcement, the pendency or the consummation of the IMSA Transaction, (v) changes in any relevant accounting methodology or official interpretations thereof after the date hereof that apply to such Borrower or any of its Subsidiaries, (w) changes in the economy or financial markets generally in the United States, Mexico or other countries in which such Borrower and its Subsidiaries operate, (x) changes that are the result of factors generally affecting the principal industries and geographic areas in which such Borrower and its Subsidiaries operate, (y) the commencement, occurrence, continuation or escalation of any war, armed hostilities or acts of terrorism in any geographic region in which such Borrower and its Subsidiaries operate; and (z) a decline in the trading price of the shares of such Borrower and/or a failure by such Borrower to meet any estimates of revenues or earnings.

(l) The execution and delivery of the Loan Documents to which such Borrower is a party are not subject to any tax, duty, fee or other charge, including any registration or transfer tax, stamp duty or similar levy, imposed by or within Mexico or any political subdivision or taxing authority thereof or therein.

(m) No withholding in respect of any taxes imposed by or within Mexico or any political subdivision or taxing authority thereof or therein is required to be made from any payment by such Borrower under the Loan Documents to which such Borrower is a party, except that payments in respect of the Loan Documents made to the Administrative Agent or the Banks, to the extent such payments represent interest and commitment fees, will be subject to withholding in respect of Mexican income tax at the rate in effect at the time such payments are made.

(n) Neither such Borrower nor the property of such Borrower has any right of immunity on the ground of sovereignty or otherwise from jurisdiction, attachment (before or after judgment) or execution in respect of any action or proceeding relating in any way to the Loan Documents to which such Borrower is a party that may be brought in the courts of Mexico.

(o) The execution or signing (as the case may be) and the delivery and performance by such Borrower of the Loan Documents to which such Borrower is a party constitute commercial transactions and such Borrower is subject to civil and commercial law with respect to its obligations under the Loan Documents to which such Borrower is a party.

(p) Such Borrower has filed all tax returns required by law to be filed by it and has paid all Taxes levied upon it or any of its properties, assets, income or franchises which are due and payable, except the filing of such tax returns or the payment of such Taxes where the failure so to file or to pay, individually or in the aggregate, would not be reasonably be expected to have a Material Adverse Effect, and except for Taxes being contested in good faith and for which appropriate reserves have been established if required by Applicable NIF. There are no tax liens upon any material assets of such Borrower except for statutory liens for Taxes accruing but not yet due and payable. The charges, accrual and reserves on the books of such Borrower in respect of Taxes for all periods are adequate in the reasonable opinion of such Borrower, and such Borrower does not know of any unpaid assessment for additional taxes for any period or any basis for any such assessment for which adequate provision has not been made in its account.

(q) None of the reports, financial statements, documents, certificates, instruments or other written (including by electronic transmission) information (including the information memorandum dated May 2007) furnished by or on behalf of such Borrower to the Banks in connection with this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. There is no fact known (other than matters of a general economic or political nature which do not affect such Borrower uniquely) to such Borrower which, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect which has not been disclosed in the documents, certificates and instruments delivered to the Banks by or on behalf of such Borrower specifically for use in connection with the transactions contemplated by this Agreement.

(r) Such Borrower will use the proceeds of the Loans solely as set forth in Section 9.1. None of the transactions contemplated in this Agreement (including the borrowings hereunder and the use of the proceeds thereof) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended (or any regulations issued pursuant thereto, including Regulations T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II, as amended). Margin Stock does not constitute more than 25% of the value of the consolidated assets of such Borrower and its Material Subsidiaries, and such Borrower does not have any present intention that Margin Stock will constitute more than 25% of the value of such assets.

(s) Such Borrower is not an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

(t) Such Borrower does not maintain or contribute to, is not required to maintain or contribute to, and does not have any direct or contingent liability with respect to, any “employee welfare benefit plan”, “employee pension benefit plan” or any other employee benefit, pension, deferred compensation, retirement, welfare benefit or other plan, fund, policy or program that is subject to the laws, rules or regulations of the United States.

(u)(i) Such Borrower is in compliance with any and all applicable laws and regulations relating to the National Workers’ Housing Fund Institute (*Instituto del Fondo Nacional de la Vivienda para los Trabajadores* or “INFONAVIT”) and the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social* or “IMSS”) and (ii) the retirement accounts maintained by such Borrower for employees is managed by an approved *Administradora de Fondos para Retiro* or “AFORES” and are fully funded by the Borrower under applicable law as set forth in this Section 8.1(u), except where non-compliance therewith would not reasonably be expected to have a Material Adverse Effect.

(v) Such Borrower is (i) in compliance with any and all applicable laws, regulations and technical standards (*normas técnicas*) relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“Environmental Laws”), (ii) has received all permits, licenses and other approvals required of it under applicable Environmental Laws to conduct its business and (iii) is in compliance with all terms and conditions of each such permit, license and approval, except where such noncompliance with such applicable Environmental Laws, failure to receive such required permits, licenses or approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and in the reasonable judgment of such Borrower the costs and liabilities associated with the effect of Environmental Laws on such Borrower (including capital or operating expenditures required with respect thereto) would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(w) This Agreement is, and upon execution each of the other Loan Documents to which such Borrower is a party will be, in proper legal form for the enforcement thereof in Mexico against such Borrower; provided that in the event of any legal proceedings brought in the courts of Mexico, a Spanish translation of the documents required in such proceedings that are in the English language prepared by a court-approved translator would have to be approved by the court after such Borrower has been given an opportunity to be heard with respect to the accuracy of the translation and proceedings would thereafter be based on such translated documents. To ensure the enforceability, priority or admissibility in evidence in Mexico of this Agreement or any of the other Loan Documents, it is not necessary that this Agreement or any of the other Loan Documents or any other document or instrument be registered, recorded or filed with any court or other authority in Mexico or be notarized or that any stamp or similar tax be paid on or in respect of this Agreement or any of the other Loan Documents.

(x) No receiver, *conciliador* or liquidator (or similar person) has been appointed in respect of such Borrower in respect of any part of the material assets of such Borrower; no resolution, order of any court, regulatory body, governmental body or otherwise, or petition or application for an order, has been passed, made or presented for the winding up, *concurso mercantil*, dissolution or liquidation of such Borrower or for the protection of such Borrower from its creditors; such Borrower has not stopped or suspended payments of its debts, become unable to pay its debts; and, under Applicable NIF, the assets of such Borrower are and, immediately after giving effect to the making of the Loans hereunder and the use of proceeds thereof will be, greater than its liabilities.

9. COVENANTS

9.1 Use of Proceeds. The Borrowers shall use the proceeds of the Loans (a) in the case of the Hylsa Loans, (i) in an aggregate principal amount up to U.S.\$1,800,000,000, solely to (x) purchase, subscribe or otherwise acquire all or a portion of the Convertible Debt and/or (y) fund, directly or indirectly, the Fiduciary Trust, (ii) in an aggregate principal amount up to U.S.\$200,000,000, solely to effect the Hylsa Debt Refinancing and (iii) in an aggregate principal amount up to U.S.\$400,000,000, solely to (x) pay taxes imposed as a condition to, or consequence of, or in connection with, the IMSA Transaction, (y) pay fees and expenses related to the IMSA Transaction and/or (z) pay other obligations arising out of or in connection with the IMSA Transaction, including in respect of stock options, stock awards, deferred compensation benefits, severance payments, retention and transaction bonuses and other similar obligations and (b) in the case of the IMSA Loans, solely to (i) effect the IMSA Bank Debt Refinancing and the IMSA Public Debt Refinancing and/or (ii) pay fees and expenses related to the IMSA Bank Debt Refinancing and the IMSA Public Debt Refinancing. No part of the proceeds from the Loans will be used in violation of Section 7 of the Securities Exchange Act of 1934, as amended (or any regulations issued pursuant thereto, including Regulations T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II, as amended). Margin Stock shall not at any time constitute more than 25% of the value of the consolidated assets of the Borrowers and their Subsidiaries.

9.2 Maintenance of Existence; Properties. Each Borrower shall at all times preserve and keep in full force and effect (i) its corporate existence and (ii) except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect, its respective rights, properties and franchises necessary or desirable in the normal course of business, except as permitted under Section 9.14; provided, however, that the Borrowers may consummate the Transaction Merger and any merger or consolidation permitted under Section 9.15. Without limiting the generality of the foregoing, except as permitted under Section 9.14 or 9.15, each Borrower shall preserve and maintain all of its material properties, owned or leased, used or useful in the conduct of its business, in good working order and condition, ordinary wear and tear and casualty and condemnation excepted.

9.3 Maintenance of Insurance. Each Borrower shall maintain insurance on its property, assets and businesses with financially sound and reputable insurers against the risks and in such amounts as are generally customary for companies of like size in similar businesses or as may be required by applicable law, regulation, rule or order, except to the extent that failure to do so would not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

9.4 Payment of Taxes and other Obligations. (a) Each Borrower shall pay all Taxes imposed upon it or any of its properties or assets or in respect of any of its franchises, business, income or profits when the same become due and payable, but in any event before any penalty or interest accrues thereon, which by law have, or are reasonably expected to, become a Lien upon any of the properties or assets of such Borrower; provided that no such Tax need be paid if (i) failure to do so would not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect, or (ii) it is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and if such reserves or other appropriate provision, if any, as shall be required by Applicable NIF shall have been made therefor. No Borrower shall consent to or permit the filing of or be a party to any consolidated income tax return on behalf of itself or any Subsidiary with any Person (other than a Subsidiary).

(b) Each Borrower shall pay all of its obligations and all claims (including claims for labor, services, materials and supplies) for sums which have become payable, in each case which by law have, or are reasonably expected to, become a Lien upon any of the properties or assets of such Borrower; provided that no such obligation or claim need be paid if (i) failure to do so would not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect, or (ii) it is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and if such reserves or other appropriate provision, if any, as shall be required by Applicable NIF shall have been made therefor.

9.5 Governmental Authorizations; Compliance with Laws and Material Contractual Obligations. Each Borrower shall obtain, make and keep in full force and effect all authorizations, approvals, licenses and actions from and registrations with Governmental Authorities that may be required or necessary for the validity or enforceability against such Borrower of the Loan Documents to which such Borrower is a party and that may be required for the issuance, validity or enforceability of the Notes. Each Borrower shall comply with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees, determinations and awards (including any Environmental Laws) and all indentures, agreements or other instruments binding on, or necessary for the operation of the business of, such Borrower, except where (i) they are being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and if reserves or other appropriate provisions are made if required by Applicable NIF or (ii) the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

9.6 Reporting Requirements of the Borrowers. Each Borrower shall deliver to the Administrative Agent for distribution to the Banks:

(a) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrowers, consolidated statements of income and changes in financial position of such Borrower and its Subsidiaries for such quarter, and the related consolidated balance sheets as at the end of such period, setting forth in each case in comparative form the corresponding figures for the corresponding quarter in the preceding fiscal year, accompanied by a certificate of a Responsible Officer of such Borrower, which certificate shall (i) state that said financial statements fairly present in all material respects the consolidated financial condition and results of operations of such Borrower and its Subsidiaries in accordance with Applicable NIF, consistently applied, as at the end of, and for, such quarter (subject to normal year-end audit adjustments), (ii) that no Default or Event of Default has occurred and is continuing and (iii) for every fiscal quarter ending after the First Closing Date, set forth in reasonable detail the calculations necessary to demonstrate as of the last day of such fiscal quarter compliance with Sections 9.10 and 9.11;

(b) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrowers, consolidated statements of income and changes in financial position of such Borrower and its Subsidiaries for such year and the related consolidated balance sheets as at the end of such year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, and accompanied by an opinion thereon of independent certified public accountants of recognized international standing, which opinion shall state that said financial statements fairly present in all material respects the consolidated financial condition and results of operations of such Borrower and its Subsidiaries as at the end of, and for, such fiscal year in accordance with Applicable NIF, consistently applied, and a certificate of a Responsible Officer of such Borrower (i) stating that no Default or an Event of Default has occurred and is continuing, (ii) setting forth, in reasonable detail, the sales of assets which have occurred in such fiscal year pursuant to Section 9.14 and the Capital Expenditures made by the Borrowers in such fiscal year pursuant to Section 9.16 and (iii) setting forth in reasonable detail the calculations necessary to demonstrate compliance with Sections 9.10 and 9.11;

(c) promptly (and in any event within five days) after a Responsible Officer of any Borrower knows that any Default or Event of Default has occurred, to the extent such Default or Event of Default is continuing, a written notice of such event describing the same in reasonable detail and, together with such notice, a description of the action that the Borrowers have taken and propose to take with respect thereto;

(d) from time to time such other information regarding the financial condition, operations or business of such Borrower and its Material Subsidiaries as any Bank may reasonably request; provided that such Borrower shall not be required to provide commercially, tax, corporate or regulatory sensitive information or projections; and

(e) no later than ten Banking Days after a Responsible Officer of either Borrower obtains knowledge thereof, notice of (i) all legal or arbitral proceedings and all proceedings by or before any governmental or regulatory authority or agency affecting such Borrower or a Subsidiary of such Borrower that would reasonably be expected to materially adversely affect such Borrower and its Subsidiaries, taken as a whole, and, if requested by the Administrative Agent, any development in respect of such legal or other proceedings, and (ii) any proceedings by or before any Governmental Authority for the purpose of revoking, terminating, withdrawing, suspending, modifying or withholding any government approval necessary for the execution, delivery or performance by such Borrower or any other Person of its respective obligations, or the exercise of its respective rights, under the Loan Documents to which it is a party, in each case that would reasonably be expected to result in a Material Adverse Effect.

9.7 Inspection Rights. Each Borrower shall keep proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to their business and activities. Each Borrower shall permit representatives of the Administrative Agent, at the Administrative Agent's expense, with reasonable prior notice and during normal business hours, to visit and inspect any of its properties, and to discuss its affairs, finances and accounts with a Responsible Officer, all at such reasonable times and as often as may reasonably be desired.

9.8 Change of Business. Each Borrower shall ensure that there is no material change in the nature of its business, whether by a single transaction or a number of related or unrelated transactions, whether at one time or over a period of time and whether by disposal, acquisition or otherwise. Investments permitted by Section 9.18 in the nature of vertical integration or horizontal integration in businesses ancillary or related to the existing businesses of the Borrowers and their Subsidiaries taken as a whole shall not be deemed to violate this Section 9.8.

9.9 Pari Passu. Each Borrower agrees that obligations hereunder and under the Loan Documents to which it is a party will rank in priority of payment at least *pari passu* with all its other present and future unsecured and unsubordinated obligations resulting from any Indebtedness, except for Indebtedness having priority by operation of law.

9.10 Leverage Ratio. The Borrowers shall not permit the Leverage Ratio to be greater than the following respective ratios at any time during the following respective periods:

<u>Period</u>	<u>Ratio</u>
From the First Closing Date until the first anniversary of the First Closing Date	3.75 to 1.00
From the first anniversary of the First Closing Date until the third anniversary of the First Closing Date	3.50 to 1.00
Thereafter	3.00 to 1.00

9.11 Interest Coverage Ratio. The Borrowers shall not permit the ratio of EBITDA for any period of four consecutive fiscal quarters of the Borrowers to Interest Expense for such period to be less than 3.00 to 1.0.

9.12 Liens and Encumbrances of the Borrowers. Neither Borrower shall create, assume, incur or suffer to be created, assumed or incurred or to exist any Lien in respect of any property of any character of such Borrower (whether held on the date hereof or hereafter acquired); provided that the provisions of this Section shall not prohibit:

(a)(i) Liens existing on the date hereof as set forth in Schedule 1 hereto, and the replacement, extension or renewal of any such Liens, provided that (A) such extension, renewal or replacement does not extend to any property other than that originally subject to the Lien being extended, renewed or replaced, (B) such extension, renewal or replacement is in connection with the renewal or refinancing of the Indebtedness or other obligation secured thereby and (C) the principal amount of such Indebtedness or other obligation secured by such Lien is not increased;

(ii) Liens on short-term Existing Accounts Receivable pledged to secure Indebtedness to any entity pursuant to trade financing agreements; provided the amount of short term Existing Accounts Receivable subject to such Liens does not at any time exceed U.S.\$200,000,000 in the aggregate (computed, prior to the Transaction Merger Date, on a combined basis as to Hylsa and IMSA);

(iii) Liens (other than Liens otherwise permitted by any other clause of this Section) to secure Indebtedness and/or Derivatives Obligations, provided that on the date of creation of any such Lien and the addition of any property or assets to be covered by such Lien, the fair value of the property or other assets subject to such Liens does not exceed U.S.\$200,000,000 in the aggregate (computed, prior to the Transaction Merger Date, on a combined basis as to Hylsa and IMSA);

(iv) Liens existing on property at the time of its acquisition, but only if (A) any such Lien was not created in connection with such acquisition and (B) the principal amount of the Indebtedness or other obligation secured by any such Lien is not increased after such acquisition, and the extension, renewal or replacement of any such Lien, provided that (1) such extension, renewal or replacement does not extend to any property other than that originally subject to the Lien being extended, renewed or replaced, (2) such extension, renewal or replacement is in connection with the renewal or refinancing of the Indebtedness or other obligation secured thereby and (3) the principal amount of such Indebtedness or other obligation secured by such Lien is not increased;

(v) Liens on property of a Person existing at the time such Person is merged into or consolidated with either Borrower, but only if (A) such Liens were not created in connection with such merger or consolidation, (B) such Liens do not extend to any assets other than those of the Person merged into or consolidated with the applicable Borrower and (C) the principal amount of the Indebtedness or other obligation secured by such Liens is not increased after such merger or consolidation, and the extension, renewal or replacement of any such Lien; provided that (1) such extension, renewal or replacement does not extend to any property other than that originally subject to the Lien being extended, renewed or replaced, (2) such extension, renewal or replacement is in connection with the renewal or refinancing of the Indebtedness or other obligation secured thereby and (3) the principal amount of such Indebtedness or other obligation secured by such Lien is not increased; and

(vi) Liens not otherwise permitted by clauses (i) through (v) above which secure Indebtedness and other obligations, provided that, immediately after giving effect thereto, (A) the aggregate amount of all outstanding Indebtedness and other obligations secured by Liens pursuant to this clause (vi) does not exceed U.S.\$200,000,000 (computed, prior to the Transaction Merger Date, on a combined basis as to Hylsa and IMSA) and (B) no Default or Event of Default shall have occurred and be continuing.

(b) any Lien on any property acquired by either Borrower after the date hereof securing the purchase price of such property or securing Indebtedness incurred or assumed to finance all or any part of the purchase price of such property, but only if such Lien is confined solely to the property so acquired and such Lien is created within three months after the acquisition of such property by the applicable Borrower, and the extension, renewal or replacement of any such Lien; provided that (i) such extension, renewal or replacement does not extend to any property other than that originally subject to the Lien being extended, renewed or replaced, (ii) such extension, renewal or replacement is in connection with the renewal or refinancing of the Indebtedness or other obligation secured thereby and (iii) the principal amount of such Indebtedness or other obligation secured by such Lien is not increased;

(c) Liens on capital stock of any Person acquired by either Borrower after the date hereof; and

(d) Permitted Liens.

9.13 Transactions with Affiliates. Neither Borrower shall enter into directly or indirectly any transaction or group of related transactions (including the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than transactions between or among the Borrowers and their Subsidiaries and/or between or among the Borrower's Subsidiaries), except upon commercially reasonable terms that comply with applicable laws and regulations.

9.14 Sales of Assets. Neither Borrower shall sell, transfer, lease or otherwise dispose of any Material Tangible Assets owned as of the date hereof (the "Existing Material Tangible Assets") or any Material Tangible Assets (excluding capital stock of entities other than special purpose vehicles created for holding property, plant and equipment) hereafter acquired that directly or indirectly replace, renew, improve or repair Existing Material Tangible Assets or other Material Tangible Assets (excluding, in the case of such other Material Tangible Assets, capital stock of entities other than special purpose vehicles created for holding property, plant and equipment) that directly or indirectly have replaced, renewed, improved or repaired Existing Material Tangible Assets except (i) sales, transfers and other dispositions of Material Tangible Assets in the ordinary course of business on commercially reasonable terms; (ii) sales, transfers, leases or other dispositions of Material Tangible Assets to Ternium or any of its Subsidiaries upon commercially reasonable terms that comply with applicable laws and regulations; (iii) sales, transfers, leases or other dispositions of Material Tangible Assets to the extent that the net proceeds thereof received by the applicable Borrower are applied directly or indirectly within 180 days after such receipt to (x) permanently repay or prepay outstanding Indebtedness of the types described in clauses (a) and (b) of the definition thereof of such Borrower and/or to acquire or construct, or (y) refinance Indebtedness incurred not more than three months prior to the date of such sale, transfer, lease or other disposition for the purpose of acquiring or constructing, assets (including a controlling stake in any Person directly or indirectly holding assets) to be used by such Borrower in the same or related lines of business; (iv) sales, transfers, leases or other dispositions of Material Tangible Assets not otherwise permitted pursuant to subsections (i) through (iii) above, provided that each such sale, transfer, lease or other disposition under this subsection (iv) is for fair market value and at the time of such transaction and after giving effect thereto (A) the aggregate book value of such Material Tangible Assets subject to all such dispositions made after the date hereof pursuant to this subsection (iv) (calculated, in the case of each such disposition, by reference to the financial statements of each Borrower referred to in Section 9.6(a) or (b), as the case may be, most recently delivered to the Administrative Agent prior to the date of such disposition) does not exceed in the aggregate in any fiscal year the sum of U.S.\$200,000,000 (computed, prior to the Transaction Merger Date, on a combined basis as to Hylsa and IMSA and pro rated, in the case of the fiscal year ending in 2007, for the number of days in such fiscal year from and after the date hereof) *plus* the Asset Sale Carryover Amount with respect to the previous fiscal year and (B) no Default or Event of Default shall have occurred and be continuing; and (v) sales, transfers, leases or other dispositions of Material Tangible Assets to any Person if, prior to the consummation of such transaction, the applicable Borrower delivers to the Administrative Agent a certificate demonstrating in reasonable detail that, after giving pro forma effect to such transaction, the Borrowers would reasonably be expected to be in compliance with Sections 9.10 and 9.11.

9.15 Consolidations, Mergers, Etc. Neither Borrower shall, nor shall either Borrower permit any of its Material Subsidiaries to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with such Borrower or such Material Subsidiary, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of such Borrower's or such Material Subsidiary's assets, or all or substantially all of the capital stock or other equity interests of any of such Borrower's Material Subsidiaries that such Borrower beneficially owns (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default or Event of Default shall have occurred and be continuing: (i) subject to clause (vi) below, any Person may merge into either Borrower in a transaction in which such Borrower is the surviving corporation, (ii) any Person may merge into any Material Subsidiary in a transaction in which the surviving entity is a Material Subsidiary or a Person that is a direct Subsidiary of either Borrower that such Borrower has, by written notice to the Administrative Agent, designated as a "Material Subsidiary" for all purposes of this Agreement, (iii) any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to either Borrower or to another Subsidiary, (iv) this Section shall not prohibit any transaction that constitutes the sale, transfer, lease or other disposition of assets of either Borrower or any Material Subsidiary that is permitted by Section 9.14 and shall not permit any transaction that constitutes the sale, transfer, lease or other disposition of assets of either Borrower that is prohibited by Section 9.14, (v) any Material Subsidiary of either Borrower may enter into any such transaction with Ternium or any Subsidiary of Ternium if, prior to the consummation of such transaction, such Borrower delivers to the Administrative Agent a certificate demonstrating in reasonable detail that, after giving pro forma effect to such transaction, (a) Free Cash Flow for the period of four consecutive fiscal quarters of the Borrowers ending on or most recently ended prior to the date such transaction is consummated would not have been reduced by more than 15% if such transaction had occurred on the first day of such period and (b) the sum of the percentage reductions referred to in the preceding clause (a) for all such transactions consummated after the date hereof shall not exceed 15% and (vi) Hylsa and IMSA may merge pursuant to the Transaction Merger, provided that, prior to or concurrently with the effectiveness of the Transaction Merger, the Administrative Agent shall have received (A) a certified copy of the agreement governing the Transaction Merger, duly executed and delivered by each party thereto, and/or certified copies of the relevant shareholder resolutions of Hylsa and IMSA, (B) an opinion of counsel reasonably acceptable to the Administrative Agent, dated the Transaction Merger Date, covering the Transaction Merger and the matters applicable to the Surviving Corporation, mutatis mutandis, covered by the opinion delivered by Hylsa pursuant to Section 7.1(i) and (C) an irrevocable written acceptance by CT Corporation System of its appointment as the agent of the Surviving Corporation to receive service of process, in such form as the Administrative Agent may reasonably require (together with a power-of-attorney, substantially in the form set forth in Exhibit F, duly notarized under Mexican law to that effect), but only to the extent that the Surviving Corporation would not be covered by any acceptances by CT Corporation System theretofore delivered hereunder.

9.16 Capital Expenditures. Neither Borrower will permit the aggregate amount of Capital Expenditures by such Borrower to exceed U.S.\$300,000,000 in the aggregate (computed, prior to the Transaction Merger Date, on a combined basis as to Hylsa and IMSA) in any fiscal year plus any Capex Carryover Amount with respect to the previous fiscal year, provided that this Section 9.16 shall not restrict the amount of Capital Expenditures made by any Borrower during any fiscal year ending on or after the last day of any period of two consecutive fiscal quarters during which the Leverage Ratio is less than 3.00 to 1.0.

9.17 Restricted Payments. If at the time thereof or immediately after giving effect thereto any Default or Event of Default shall have occurred and be continuing or would result there from, neither Borrower will pay any dividend on, or repurchase or redeem, any of the shares of its capital stock.

9.18 Investments. Neither Borrower will make any Investment, other than Investments which are part of, or are related to, the lines of business of one or more of the businesses of such Borrower, its Subsidiaries, Ternium or any of its Subsidiaries.

9.19 Accounting Changes. Neither Borrower will change the dates on which its fiscal quarters will end, provided that each Borrower may make such a change if such change shall be required by applicable Mexican law or regulation or as a result of any change in Applicable NIF.

9.20 No Restrictions on Dividends by Material Subsidiaries. Neither Borrower will suffer to be created, assumed or remain outstanding any contractual restriction that would directly or indirectly prohibit or materially restrict any Material Subsidiary from declaring or paying any dividend on the capital stock of such Material Subsidiary or the such Borrower from receiving, directly or indirectly, the proceeds of such dividend; provided, however, that each Borrower may permit any such prohibition or restriction in any agreement governing Indebtedness solely to the extent that it imposes a condition that no default or event of default shall have occurred under such agreement and/or a condition that such action must comply with applicable laws and regulations.

9.21 Convertible Debt. Neither Borrower (to the extent such Borrower holds any Convertible Debt) shall, nor shall such Borrower permit any of its Subsidiaries (to the extent any such Subsidiary holds any Convertible Debt) to, (x) consent to any amendment, modification or waiver of the terms or conditions of any of the Convertible Debt Documents that would affect the convertibility or the terms of subordination of, or bring forward the date of any payment of principal, interest or other amounts under, the Mandatorily Convertible Debt or the Optionally Convertible Debt or (y) purchase, redeem, retire or otherwise acquire for value, or set apart any money for a sinking, defeasance or other analogous fund for the purchase, redemption, retirement or other acquisition of, or make any voluntary payment or prepayment of the principal or interest on, or any other amount owing in respect of, any of the Convertible Debt, except, for regularly scheduled payments, prepayments or redemptions of principal and interest in respect thereof required pursuant to the Convertible Debt Documents.

10. EVENTS OF DEFAULT

10.1 Events of Default. If one or more of the following events of default (each an “Event of Default”) shall have occurred and be continuing, the Administrative Agent and the Banks shall be entitled to the remedies set forth in Section 10.2.

(a) Either Borrower fails to pay any principal of or interest on any Loan or other amount hereunder or under the Notes issued by such Borrower as and when such amount becomes payable (whether at stated maturity, prepayment, acceleration, demand or otherwise); provided that in the case of any failure to pay interest on any Loan or any other amount other than principal due hereunder or under the Notes, such failure shall continue unremedied for three Banking Days following the date such interest or other amount became due and payable.

(b) Any Borrower fails to perform or observe any covenant or agreement applicable to it set forth in Article 9 (excluding clause (ii) of Section 9.2 and Sections 9.3, 9.4, 9.5, 9.6(a), (b) and (d), 9.7, 9.13, 9.14 (but only to the extent any such breach of Section 9.14 results from a disposition of an asset to a Person other than an Affiliate of the Borrowers), 9.15 and 9.19).

(c) Any Borrower fails to perform or observe any covenant or agreement applicable to it set forth in clause (ii) of Section 9.2 or in Sections 9.3, 9.4, 9.5, 9.6(a), (b) and (d), 9.7, 9.13, 9.14 (to the extent any such breach of Section 9.14 results from a disposition of an asset to a Person other than an Affiliate of the Borrowers), 9.15 and 9.19 and such failure continues unremedied for 30 days after the earlier of the date on which (x) any Responsible Officer knows of such failure and (y) written notice thereof shall have been given to the applicable Borrower by the Administrative Agent or any Bank.

(d) Any Borrower fails to perform or observe any other covenant or agreement contained in any Loan Document to which such Borrower is a party other than those referred to in paragraphs (a), (b) and (c) above to be performed or observed by it and such failure continues unremedied for 30 days after written notice thereof has been given to the applicable Borrower by the Administrative Agent or any Bank.

(e) Any representation or warranty of any Obligor in any Loan Document to which such Obligor is a party or any other document delivered in connection therewith proves to have been incorrect, incomplete or misleading in any material respect at the time it was made or repeated or deemed to have been made or repeated.

(f) Any Borrower (i) shall fail (as principal or as guarantor or other surety) to make any payment of principal or interest (regardless of amount) under one or more agreements, indentures or instruments relating to any other Indebtedness or Derivative Obligations of such Borrower having principal amounts (or, in the case of Derivative Obligations, Agreement Values) in excess of U.S.\$50,000,000 (or its equivalent in any other currency) in the aggregate principal amount outstanding, when and as the same shall become due and payable after giving effect to any applicable grace of period, if any, provided in the instrument or agreement under which such Indebtedness or Derivative Obligation was created, except when the failure to make such payment resulted from the malfunctioning or shutdown of any wire transfer or other payment system to make such payment and (x) such Borrower's debt is not accelerated due to its failure to pay as already stated, and (y) such Borrower makes alternate payment arrangements within two Banking Days of such malfunction or shutdown, or (ii) is in default in the performance of or compliance with any term of one or more agreements, indentures or instruments relating to any other Indebtedness or Derivative Obligations of such Borrower having principal amounts (or, in the case of Derivative Obligations, Agreement Values) in excess of U.S.\$50,000,000 (or its equivalent in any other currency) in the aggregate principal amount outstanding or any other condition exists, and as a consequence of such default or condition such Indebtedness or Derivative Obligations has become, or has been declared, due and payable before its scheduled maturity or before its regularly scheduled dates of payment (or otherwise requires the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity); provided that any declaration by the holders (or the trustee or custodian for the holders) of the IMSA Public Debt that the principal amount thereof has become due and payable before its scheduled maturity shall not constitute an Event of Default so long as IMSA repays in full such principal amount within 30 days of such declaration.

(g) Any Borrower initiates a proceeding for liquidation or is dissolved (other than, in the case of any Material Subsidiary, as a result of a merger of such Material Subsidiary into either Borrower or a Subsidiary of either Borrower permitted under Section 9.15), or any Borrower (i) fails or is unable to pay its debts generally as they become due, (ii) commences a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors' rights that is similar to a bankruptcy or *concurso mercantil* law, (iii) consents by answer or otherwise to the commencement against it of an involuntary case in *concurso mercantil*, *quiebra*, bankruptcy or any other such action or proceeding, or a proceeding is commenced in an involuntary case in *concurso mercantil*, *quiebra* or bankruptcy in respect of such Borrower or any of its property if such proceeding is not dismissed or stayed on or before the 60th Court Day after the entry thereof or if any such dismissal or stay ceases to be in effect or if any relief sought in any such proceeding is granted, (iv) applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, *conciliador*, *síndico*, trustee or liquidator of itself or of all or a substantial part of its property, (v) makes a general assignment for the benefit of its creditors, (vi) files a petition seeking to take advantage of any other law relating to bankruptcy, *concurso mercantil*, *quiebra*, insolvency, reorganization, liquidation, winding-up, or composition or readjustment of debts, or seeks to take advantage of any applicable insolvency law or (vii) passes a resolution or takes any similar corporate action for the purpose of effecting any of the foregoing or the equivalent thereof (if any) under the law of Mexico or any other jurisdiction.

(h) A final judgment or judgments shall be rendered by any Governmental Authority against any Borrower for the payment of money in excess of U.S.\$50,000,000 (or its equivalent in any other currency) in the aggregate, and any one of such judgments shall not be discharged or execution thereon stayed pending appeal (or other legal proceeding relating to such judgments) within 60 Court Days after service of the relevant enforcement petition upon such Borrower, or, in the event of such a stay, such judgment shall not be paid or discharged within 60 Court Days after such stay expires.

(i) Any governmental or other consent, license, approval, permit or authorization which is now or may in the future be necessary under any applicable of law for the execution, delivery, or performance by any Borrower of any of the Loan Documents to which such Borrower is a party or to make any such Loan Document legal, valid, enforceable and admissible in evidence shall not be obtained or shall be withdrawn or revoked or shall cease to be in full force and effect, or shall be modified in any manner that would have a material adverse effect on the rights or remedies of the Administrative Agent or the Banks.

(j) It is or becomes unlawful for any Borrower to perform or comply with any one or more of its material obligations under any of the Loan Documents to which such Borrower is a party as a result of any law, regulation or decree being promulgated by any Governmental Authority or any of such Borrower's obligations under any such Loan Document shall cease to be valid, binding or enforceable (or such Borrower shall so assert in writing) or such Borrower shall deny or disaffirm any of its obligations thereunder.

(k) Ternium, or such of Ternium's successors and assigns who shall have assumed Ternium's obligations under the Ternium Loan Agreement, fails to maintain Control of Hylsa or, after the Transaction Closing Date, IMSA.

(l) Either IMSA and IMSA Acero fails to, within six Banking Days after the Transaction Closing Date, (i) duly execute and deliver to the Administrative Agent the Joinder Agreement (and each Lender hereby consents to the execution of the Joinder Agreement by the Administrative Agent), and (ii) deliver to the Administrative Agent (x) a certificate of each of IMSA and IMSA Acero, in each case dated the IMSA Assumption Date and covering the Joinder Agreement and the matters applicable to such Obligor, mutatis mutandis, covered by the certificate delivered by Hylsa pursuant to Section 7.1(d), (y) an opinion of counsel reasonably acceptable to the Administrative Agent, dated the IMSA Assumption Date, covering the Joinder Agreement and the matters applicable to IMSA or IMSA Acero, mutatis mutandis, covered by the opinion delivered by Hylsa pursuant to Section 7.1(i) and (z) an irrevocable written acceptance by CT Corporation System of its appointment as the agent of IMSA and IMSA Acero to receive service of process, in such form as the Administrative Agent may reasonably require (together with a power-of-attorney, substantially in the form set forth in Exhibit F, duly notarized under Mexican law to that effect).

10.2 Default Remedies. If any Event of Default shall occur and be continuing, the Administrative Agent shall, upon the request of the Required Banks, by written notice to the Borrowers, (a) declare the Loan Commitments terminated, whereupon the Loan Commitment of each Bank hereunder shall terminate, and (b) declare all amounts payable by the Borrowers hereunder and under the Notes that would otherwise be due after the date of such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or further notice of any kind, which are expressly waived by the Borrowers; provided, however, that if any event of any kind referred to in Section 10.1(g) occurs, then the Loan Commitment of each Bank hereunder shall immediately terminate, and all amounts payable by the Borrower hereunder and under the Notes that would otherwise be due after the occurrence of such event shall become immediately due and payable without any such notice or other preliminary action by the Banks, all of which are expressly waived by the Borrowers.

10.3 Rights Not Exclusive. The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

11. ASSIGNMENTS AND ASSUMPTIONS.

11.1 Assignment. Any Bank may at any time and from time to time assign to a Mexican Bank (acting through a Mexican or offshore Lending Branch) or to a bank or other financial institution that is registered as a foreign financial institution with the Mexican Ministry of Finance and Public Credit for purposes of Article 195, Section I (or any successor provision), of the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) for so long as such requirement remains applicable and that is (or the main office of which is, if acting through a branch or agency) in a jurisdiction with which Mexico has entered into a treaty for the avoidance of double taxation that is in effect (“Purchasing Bank”), pursuant to, and subject to the terms of, an Assignment Agreement executed by such Purchasing Bank, such transferor Bank and the Administrative Agent, all or any part of the Loan owing to and any Notes held by such Bank and any other interest of such Bank hereunder; provided, however, that (a) any transfer or assignment by a Bank to any Purchasing Bank, other than to an Affiliate of such assigning Bank or to another Bank or an Affiliate of another Bank, of a portion of its rights hereunder or under its Notes shall not be for an amount less than U.S.\$10,000,000 or a higher integral multiple of U.S.\$500,000 in each instance, (b) each such assignment shall be of a uniform, and not varying, percentage of all rights and obligations under this Agreement, (c) each such assignment shall be of an equal percentage of Hylsa Tranche A Loans, Hylsa Tranche B Loans, IMSA Tranche A Loans and IMSA Tranche B Loans, (d) the Administrative Agent shall have consented to such proposed assignment (which consent shall not be unreasonably withheld), unless the assignment is to an Affiliate of the assigning Bank or to another Bank or an Affiliate of another Bank, (e) the Administrative Agent shall have notified the Borrowers of such proposed assignment and provided contact information for such Purchasing Bank to the Borrowers and, unless the assignment is to an Affiliate of the assigning Bank or to another Bank or an Affiliate of another Bank (so long as any such assignment to an Affiliate of the assigning Bank, another Bank or an Affiliate of another Bank does not result in amounts payable to such Purchasing Bank under Section 5.1(a) or Section 14.4, immediately after giving effect to such assignment, being greater than the amount payable to or for the benefit of the assigning Bank), or an Event of Default has occurred and is continuing, the Borrowers shall have notified the assigning Bank and the Administrative Agent, within ten Banking Days of the Borrowers’ receipt of such notice, of the Borrowers’ approval of such assignment (such approval not to be unreasonably withheld or delayed; it being understood that it would be reasonable for the Borrowers to withhold their approval if, immediately after giving effect to such assignment, the amounts payable to or for the benefit of the Purchasing Bank under Section 5.1(a) or Section 14.4 would be greater than the amounts payable to or for the benefit of the assigning Bank on the date of such assignment) and if the Borrowers have not notified the assigning Bank and the Administrative Agent of their approval or disapproval of such assignment by such date, the Borrowers shall be deemed to have given their approval and (f) the Borrowers shall in no event be responsible for the payment of any taxes, fees, expenses or other costs associated with any assignment of all or any part of any Loan hereunder by any Bank. Upon (i) such execution of such Assignment Agreement, (ii) delivery of an executed copy thereof to the Borrowers and the Administrative Agent, (iii) receipt by the Administrative Agent of a recordation fee of U.S.\$5,000, provided that no such fee shall be payable in the case of an assignment to an Affiliate of the assigning Bank and (iv) payment by such Purchasing Bank to such transferor Bank of an amount equal to the purchase price agreed between them, such Purchasing Bank shall for all purposes be a Bank party to this Agreement and shall have all the rights of a Bank under this Agreement to the same extent as if it were an original party hereto, and no further consent or action by the Borrowers, the Banks or the Administrative Agent shall be required. Such Assignment Agreement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Bank as a Bank. Promptly after the consummation of any transfer of all or any part of a Loan to a Purchasing Bank pursuant hereto, the transferor Bank, the Administrative Agent and the Borrowers shall make appropriate arrangements so that replacement Notes are issued to such transferor Bank, if applicable, and new Notes are issued to such Purchasing Bank, in each case in principal amounts reflecting the principal amount of the Loan so transferred. No Note shall be assigned except in connection with the assignment by a Bank of such Bank’s related rights under this Agreement.

11.2 Participations. Any Bank may at any time sell to one or more banks or financial institutions (each a "Participant") participating interests in the Loans owing to or Notes held by such Bank or any other interest of such Bank hereunder. Notwithstanding any such sale by a Bank of participating interests to a Participant, such Bank's rights and obligations under this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Notes for all purposes under this Agreement (except as expressly provided below), and the Borrowers and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. The Borrowers agree that each Participant shall be entitled to the benefits of Sections 5.1 and 14.4; provided that no Participant shall be entitled to receive any greater amount pursuant to such sections than the transferor Bank would have been entitled to receive in respect of the amount of the participating interest transferred by such transferor Bank to such Participant had no such transfer occurred. In no event shall a Bank that sells a participation agree with the Participant to take or refrain from taking any action hereunder or under any Notes and each Bank agrees that any agreement between such Bank and any such Participant in respect of such participating interest shall provide that such Bank shall retain the sole right, responsibility and discretion to enforce the obligations of the Borrowers hereunder or under any Notes including the right to agree to any amendment, supplement, waiver or modification to this Agreement or any other document delivered hereunder; provided that such Bank may agree with the Participant that it will not, without the consent of the Participant, agree to extend the final maturity of any amount owing hereunder or under the Notes or any regularly scheduled installment thereof or reduce the rate or extend the time of payment of interest thereon or fees payable hereunder or reduce the principal amount thereof (except as expressly provided herein or in the Notes) or increase the amount of such Bank's Loans hereunder or modify such Bank's Pro Rata Share hereunder.

11.3 Disclosure of Information. Each Borrower authorizes each Bank to disclose to any Participant or Purchasing Bank (each, a “Transferee”) and any prospective Transferee any and all financial and other information in such Bank’s possession concerning such Borrower that has been delivered to such Bank by either Borrower pursuant to this Agreement or which has been delivered to such Bank by either Borrower prior to entering into this Agreement in connection with such Bank’s credit evaluation of the Borrowers; provided that no such information shall be furnished to a Transferee or a prospective Transferee that has not agreed in writing to be bound by the terms of Section 15.15.

11.4 Pledge by Banks. Any Bank may at any time pledge, or assign a security interest in, all or any portion of its rights under this Agreement to secure obligations of such Bank to any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the U.S. Federal Reserve System (or any successor regulation), and this Article 11 shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Bank from any of its obligations hereunder or substitute any such pledgee or assignee for such Bank as a party hereto.

12. APPLICATION, DISTRIBUTION AND SHARING OF PAYMENTS

12.1 Application and Distribution of Payments. All payments received by the Administrative Agent from any Obligor pursuant to any Loan Document to which such Obligor is a party shall, regardless of the application designated by such Obligor, be applied, first, to any sum due and owing pursuant to Section 3.4 or Article 14, second, to any fees due and owing to the Administrative Agent, third, to any interest or fees due and owing on the Loans and, fourth, to the repayment of the principal of the Loans. Such payments shall be distributed promptly upon receipt among the Administrative Agent and the Banks in like funds as received, in proportion to the respective amounts of the sums payable pursuant to Section 3.4 or Article 14, fees payable to the Administrative Agent, interest, fees or principal, as the case may be, at the time due and owing to each of them.

12.2 Sharing of Payments. If any Bank at any time obtains total or partial payment of any amount payable hereunder other than pursuant to Section 3.4, 3.5, 5.1 or 14.4 or by distribution by the Administrative Agent pursuant to Section 12.1, such Bank shall forthwith pay to the Administrative Agent the amount so obtained, and the Administrative Agent shall apply and distribute such amount pursuant to the provisions of Section 12.1 as if such amount were a payment made by the applicable Borrower; provided, however, that, if any Bank at any time obtains total or partial payment of any amount payable hereunder by exercising a right of setoff (if any), banker’s lien or counterclaim, such Bank shall forthwith purchase from the other Banks such participations in the Loans made by such other Banks as shall be necessary to cause such purchasing Bank to share such amount ratably with such other Banks; and provided further, however, that, if all or any portion of such amount is thereafter recovered from such purchasing Bank, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but with such adjustments of interest as shall be equitable. Any Bank so purchasing a participation from another Bank pursuant to this Section may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such participation as fully as if such Bank were the direct creditor of the applicable Borrower in the amount of such participation. Nothing herein contained shall in any way affect the right of any Bank to retain any amount obtained with respect to indebtedness other than indebtedness under this Agreement or the Notes.

13. THE ADMINISTRATIVE AGENT

13.1 Appointment. Each Bank hereby irrevocably designates and appoints the Administrative Agent as the agent of such Bank under this Agreement and the other Loan Documents, and each such Bank irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall have no duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

13.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in fact selected by it with reasonable care.

13.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys in fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Banks for any recitals, statements, representations or warranties made by any Borrower or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any party thereto to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Borrower or any of such Borrower's Subsidiaries.

13.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to any Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Banks (or, if so specified by this Agreement, all Banks) as it deems appropriate or it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Banks (or, if so specified by this Agreement, all Banks), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks and all future holders of the Loans.

13.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Bank or either Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Banks. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Banks (or, if so specified by this Agreement, all Banks or any other instructing group of Banks specified by this Agreement); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Banks.

13.6 Non-Reliance on Administrative Agent and Other Banks. Each Bank expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys in fact or affiliates have made any representations or warranties to it and that no act by the Administrative Agent hereafter taken, including any review of the affairs of any Borrower or any affiliate of any Borrower, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Bank. Each Bank represents to the Administrative Agent that such Bank has, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrowers and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrowers and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Borrower or any of such Borrower's affiliates that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys in fact or affiliates.

13.7 Indemnification. The Banks agree to indemnify the Administrative Agent in its capacity as such (to the extent not reimbursed by any Borrower and without limiting the obligation of each Borrower to do so), ratably according to their respective Pro Rata Shares in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Loan Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Pro Rata Shares immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of, the Loan Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided that no Bank shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the Administrative Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

13.8 Non Receipt of Funds by Administrative Agent. (a) Unless the Administrative Agent has received written notice from the applicable Borrower prior to the date on which any payment by such Borrower is due hereunder that such Borrower does not intend to make such payment as and when due, the Administrative Agent may assume that such Borrower has so made such payment and, in reliance upon such assumption, the Administrative Agent may (but shall not be required to) make available to each Bank on the date such payment is due an amount equal to the portion of such assumed payment that such Bank is entitled to hereunder. If the applicable Borrower has not in fact made such payment to the Administrative Agent, such Bank shall, on demand, repay to the Administrative Agent the amount so made available to it, together with interest on such amount accrued for each day from and including such payment date to but excluding the date of such repayment at a rate per annum determined by the Administrative Agent to be the Administrative Agent's overnight offered rate for a deposit in Dollars in the London interbank market for value on such day.

(b) On each Disbursement Date, the Administrative Agent shall be entitled to assume that each Bank (other than any Bank that has given the Administrative Agent notice to the contrary) has made funds available to the Administrative Agent as required by Section 2.3, and the Administrative Agent, acting in reliance upon such assumption, may (but shall not be required to) credit funds to the applicable Borrower in an amount equal to the aggregate of such funds of all Banks from which no such notice has been received. If any Bank that has not given such notice fails to make funds available as required by Section 2.3 (each such Bank, a “Defaulting Bank”) and the Administrative Agent has credited to the applicable Borrower an amount equal to such aggregate of funds required by Section 2.3, the Administrative Agent shall be entitled at its option to recover an amount equal to such funds of such Defaulting Bank on demand from either such Defaulting Bank or such Borrower (without prejudice to the rights of such Borrower against such Defaulting Bank; it being understood that the Administrative Agent shall make such demand on such Defaulting Bank prior to making any such demand on such Borrower, and such Defaulting Bank shall not, solely by each Borrower’s agreement in this sentence be relieved of its obligations to each Borrower for its failure to make its Advance available), together with interest on such amount accrued for each day from and including the applicable Disbursement Date to but excluding the date of such recovery at (i) if recovered from such Defaulting Bank, a rate per annum determined by the Administrative Agent to be the Administrative Agent’s overnight offered rate for a deposit in Dollars in such amount in the London interbank market for value on such day, and (ii) if recovered from the applicable Borrower, the then applicable Eurodollar Rate or Alternative Rate, if the terms of Section 4.3 shall apply; provided, that, if the Administrative Agent shall recover such corresponding amount from such Defaulting Bank (i) such amount (excluding interest) recovered will constitute such Defaulting Bank’s Loan for purposes of this Agreement and (ii) if the Administrative Agent shall have also recovered such amount from the applicable Borrower, the Administrative Agent shall thereupon promptly remit to the applicable Borrower such amount (including interest) recovered from such Borrower not to exceed the amount (including interest) recovered from such Defaulting Bank.

13.9 Administrative Agent in its Individual Capacity. The Administrative Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with either Borrower and any of its affiliates as though the Administrative Agent were not acting as the Administrative Agent hereunder. With respect to its Loans made or renewed by it, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Bank and may exercise the same as though it were not acting as the Administrative Agent hereunder, and the terms “Bank” and “Banks” shall include the Administrative Agent in its individual capacity.

13.10 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days’ notice to the Banks and the Borrowers. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Banks shall appoint from among the Banks a successor agent for the Banks, which successor agent shall (unless an Event of Default under Section 10.1(a) or Section 10.1(g) with respect to either Borrower shall have occurred and be continuing) be subject to approval by the Borrowers (which approval shall not be unreasonably withheld or delayed, it being understood that it would be reasonable for either Borrower to withhold its approval if the successor agent is not a commercial bank organized under the laws of the United States of America, or has a combined capital and surplus of less than U.S.\$250,000,000), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term “Administrative Agent” shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent’s rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 30 days following a retiring Administrative Agent’s notice of resignation, the retiring Administrative Agent’s resignation shall nevertheless thereupon become effective and the Banks shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Banks appoint a successor agent as provided for above; provided that, until the appointment of a successor agent shall become effective, each Borrower shall remain obligated to pay to the Administrative Agent any fees payable under Section 2.4(b), and the Administrative Agent shall continue to have all of the rights accorded to it as the Administrative Agent under this Agreement and the other Loan Documents; provided, however, that until the appointment of a successor agent shall become effective, neither Borrower shall be obligated to pay any fees to the successor agent.

13.11 No Other Duties. Except as expressly set forth herein, the Administrative Agent shall have no duties or responsibilities hereunder in its capacity as such.

13.12 The Global Coordinator, the Joint Bookrunners and the Mandated Lead Arrangers. None of the Global Coordinator, the Joint Bookrunners and the Mandated Lead Arrangers, in its respective capacity as such, shall have any duties or responsibilities, or incur any liability, under this Agreement or the other Loan Documents.

14. INDEMNIFICATION

14.1 Initial Expenses. Subject to such limitations as have been separately agreed between Ternium, Hylsa and the Joint Bookrunners, the Borrowers shall reimburse the Administrative Agent in Dollars on demand for all reasonable and documented expenses (including printing and other reproduction costs, computer, search, filing and recording fees, travel and communication costs, due diligence expenses, the costs of any advertisement incident to the transactions contemplated herein and the reasonable and documented fees and expenses of special Mexico and special New York counsel to the Administrative Agent) incurred by the Administrative Agent and the Joint Bookrunners in connection with the negotiation, preparation and execution of the Loan Documents, the syndication of the Loans and Loan Commitments and the preparation of any information memorandum relating hereto. Notwithstanding any provision to the contrary contained in this Agreement, no expenses shall be paid or reimbursed to (i) the Administrative Agent if the Transactions are not consummated as a result of the gross negligence or willful misconduct of, or a breach of this Agreement or the Ternium Loan Agreement by, the Administrative Agent or the Joint Bookrunners (or any of their Affiliates) or (ii) any Bank if the Transactions are not consummated as a result of the gross negligence or willful misconduct of, or a breach of this Agreement or the Ternium Loan Agreement by, such Bank (or any of its Affiliates).

14.2 Amendment and Enforcement Expenses. The Borrowers shall reimburse the Administrative Agent and each Bank in Dollars within fifteen days of written demand to that effect for all reasonable expenses incurred as a consequence of, or in connection with, (a) the negotiation, preparation or execution of any amendment to or waiver under this Agreement for whatever reason (including any change of law or change of circumstance) other than an amendment resulting solely from causes attributable to the Administrative Agent or the Banks, (b) any Event of Default or (c) the preservation or enforcement of any right of the Administrative Agent or any Bank under the Loan Documents as regards the Borrowers.

14.3 Other Expenses. If either Borrower (a) fails, after giving any notice referred to in Section 2.2, to fulfill the conditions set forth in Article 7 at or before the respective times specified for their fulfillment or otherwise defaults in its irrevocable commitment pursuant to Section 2.2 or (b) fails to pay any amount payable hereunder as and when due, such Borrower shall reimburse each Bank in Dollars on demand for all reasonable losses (other than loss of anticipated profits or margin) arising from the reemployment of funds obtained, or the termination, liquidation or redeployment of deposits received, from third parties. For the purpose of calculating losses payable to any Bank under this Section 14.3, such Bank shall be deemed to have (a) actually funded its Loans through the purchase of a deposit bearing interest at LIBOR in an amount equal to the amount of its Loan Commitment and having a maturity comparable to the relevant Interest Period, and (b) reemployed the funds by depositing them at LIBOR for a period having a maturity comparable to the number of days from (x) the day of such failure through (y) the last day of the relevant Interest Period. Any reimbursement request pursuant to this Section 14.3 shall be accompanied by a certificate of the relevant Bank setting forth in reasonable detail the basis for calculating such losses and shall be delivered to the applicable Borrower and shall be conclusive and binding for all purposes hereunder, absent manifest error.

14.4 Increased Costs. The Borrowers shall reimburse each Bank in Dollars upon at least ten Banking Days' prior demand for all increased costs incurred and reductions in amounts received or receivable and reductions in the rate of return on capital of such Bank (or, if such costs or reductions are incurred as a result of capital adequacy regulations, without duplication, the ultimate bank holding company affected by such increased costs of which such Bank is a Subsidiary), as reasonably determined and documented by such Bank, that are attributable to such Bank's Loans or the performance by such Bank of its obligations under this Agreement and that occur by reason of the promulgation of any law, regulation or treaty or any change therein or in the application or interpretation thereof since the date of this Agreement, or by reason of compliance by such Bank (or, if such costs or reductions are incurred as a result of capital adequacy regulations, without duplication, the ultimate bank holding company affected by such increased costs of which such Bank is a Subsidiary) with any direction, requirement or request (whether or not having the force of law) of any Governmental Authority issued after the date of this Agreement (any such promulgation or change, a "Regulatory Change"), including any such cost or reduction resulting from (a) the imposition or amendment of any Taxes other than (i) any Taxes, franchise taxes and similar taxes measured by the net income, profits or capital of such Bank or its Lending Branch and imposed by the jurisdiction in which such Bank's principal office or Lending Branch is situated, (ii) any Taxes referred to in Section 5.1 or (iii) any United States withholding tax, except such a tax imposed at a rate in excess of the rate in effect on the date hereof as the result of a change in law (including any change in an applicable tax treaty) or (b) the imposition or amendment of any reserve, contribution, special deposit, capital adequacy or similar requirement against assets of, liabilities of, deposits with or for the account of, or loans by, such Bank; provided, however, that neither Borrower shall be responsible for (i) such costs incurred or reductions in amounts received or receivable if the Regulatory Change in respect of any item in clause (b) above is not of a general nature and is such that it affects only a particular bank, (ii) any portion of the costs incurred or reductions in amounts received or receivable that is not

reasonably allocable to such Borrower, (iii) such reimbursement if notice by the relevant Bank is given to such Borrower more than 90 days after the Regulatory Change occurred, (iv) such reimbursement to the extent that the costs incurred or reductions in amounts received or receivable are derived (x) from a failure of such Bank to comply with any Regulatory Change, or (y) solely and simultaneously with a change of the Lending Branch or the assignment of any Loan to another lending office of such Bank (except if such change is required by such Borrower) or (v) such reimbursement to the extent that the costs incurred or reductions in amounts received or receivable are applicable to any assignee in the case of any assignment or transfer by any Bank (other than any assignment or transfer made at the request of such Borrower) to such assignee if, at the time of such assignment or transfer, such assignee would be entitled to claim compensation (and the relevant assignor Bank was not then so entitled) or if, at the time of such assignment or transfer, any Regulatory Change applicable to such assignee had been enacted into law but not yet implemented; and provided further that in the event that either Borrower elects to prepay the Loans made by the affected Bank to avoid making payments under this Section 14.4 such Borrower shall not be responsible for paying any broken funding costs or losses under Section 3.4. Each Bank that may become entitled to compensation under this Section 14.4 will (A) designate a different Lending Branch if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the reasonable judgment of the Bank, (x) reduce the amount of any payment receivable by such Bank under this Agreement or the Notes or otherwise be materially disadvantageous to such Bank or (y) result in a combined amount payable by the applicable Borrower under Section 5.1(a) and this Section 14.4 that is higher than the combined amount that would otherwise have been payable by such Borrower pursuant to such Sections before such Bank became entitled to compensation under this Section 14.4, or (B) assign its Loans, if such assignment will avoid the need for, or materially reduce the amount of, such compensation and will not, in the reasonable judgment of the Bank, be materially disadvantageous to such Bank, to a designee of such Borrower (which may be an Affiliate of such Borrower, provided that no such Affiliate shall have any right to vote on any amendment, waiver, action or other matter under or in connection with this Agreement, nor any right to participate in any meetings or deliberations of or receive communications among the Banks with respect thereto and the consent of any such Affiliate shall not be required for the purpose of Section 15.7), which designee shall be reasonably acceptable to the Administrative Agent, in accordance with Section 11.1, for a purchase price equal to the outstanding principal amount of such Loans, accrued interest thereon and all other amounts payable to such Bank hereunder or such other amount as such Bank may in its sole discretion agree with such designee (it being understood and agreed that neither the Administrative Agent nor any Bank shall have any obligation to purchase such Loans).

Any demand for payment of any amounts pursuant to this Section 14.4 shall describe in reasonable detail the event by reason of which the relevant Bank is making any such demand and the date of occurrence of such event.

Neither Borrower shall be under any obligation to pay any amounts under this Section 14.4 to the extent that: (i) the Regulatory Change had been promulgated prior to the date hereof; or (ii) such amounts would not have arisen or been imposed had such Bank (x) been registered for tax purposes as a foreign financial institution with the Mexican Ministry of Finance and Public Credit for purposes of Article 195, Section I (or any successor provision) of the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) and been resident in a jurisdiction with which Mexico has entered into a treaty for the avoidance of double taxation which is in effect and met the requirements set forth in such treaty for a reduced withholding tax rate, for so long as such requirement remains applicable, or (y) been a Mexican Bank acting through a Mexican or offshore Lending Branch; or (iii) such amounts have resulted from such Bank (or its Lending Branch) having exceeded a lending or loan allocation limit imposed by any Governmental Authority; or (iv) such amounts are attributable to the implementation or application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework, Comprehensive Version" published by the Basel Committee on Banking Supervision in June 2006, known as "Basel II", substantially in the form existing on the date of this Agreement or any other law or regulation which implements the same.

In the event of any assignment or transfer of any rights, obligations or benefits of any Bank in respect of its Loans, no assignee or transferee of any such rights, obligations or benefits shall be entitled to demand payment of any amounts under this Section 14.4 if (i) at the time of any such assignment or transfer such assignee was entitled to demand such payment (and the assignor was not then so entitled); or (ii) the Regulatory Change (a) already existed or had been promulgated at the time of any such assignment or transfer, or (b) implements national or international recommendations or guidelines existing at the time of any such assignment or transfer.

14.5 Information. Each Borrower agrees to indemnify and hold harmless the Administrative Agent, each of its Affiliates, directors, officers and employees to the fullest extent permitted by law, from and against all losses, claims, damages or liabilities (or actions in respect thereof) arising out of or based upon any misstatement or alleged misstatement of a material fact contained in any information approved by such Borrower for use in the assignment or other transfer of any Loan or Loan Commitment, or any portion thereof, or any omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, it being understood that neither Borrower shall make any representation or warranty concerning estimates or projections contained in any information delivered for the above purpose, except that each Borrower represents and warrants that such estimates and projections were made in good faith by the management of such Borrower on the basis of assumptions believed by such management to be reasonable (it being understood that projections and estimates are subject to significant uncertainties and contingencies, many of which are beyond such Borrower's control, and that no assurance can be given that the projections or estimates will be realized).

14.6 General Indemnification. Each Borrower agrees to indemnify to the fullest extent permitted by law the Administrative Agent, the Banks and each Affiliate thereof and their respective directors, officers and employees (each such Person, together with the Administrative Agent and the Banks, an "Indemnified Party") from and against any and all losses, liabilities, claims or damages (and any related reasonable and documented legal fees and disbursements of counsel and costs of investigations) to which any Indemnified Party may become subject, insofar as such losses, liabilities, claims or damages arise out of or result from (i) any actual or proposed use by such Borrower of the proceeds of the Loans or breach by such Borrower of the Loan Documents to which it is a party or (ii) any investigation, litigation, arbitration or other proceeding (including any threatened investigation or proceeding), whether or not such Borrower and/or any Indemnified Party is a party thereto, relating to the foregoing, and such Borrower shall reimburse such Indemnified Party upon demand for any reasonable and documented expenses (including any legal fees and fees of engineers, environmental consultants and similar technical personnel) incurred in connection with any such investigation or proceeding (but excluding any such losses, liabilities, claims, damages or expenses found in a final non-appealable judgment of a court of competent jurisdiction to have resulted primarily from such Indemnified Party's breach in bad faith of its obligations hereunder or from the gross negligence or willful misconduct of such Indemnified Party). Each Indemnified Party will give the applicable Borrower reasonably prompt notice of the commencement of any action or proceeding as to which it is entitled to indemnification hereunder; provided, however, that the failure of any Indemnified Party to give any such notice shall not relieve such Borrower from its obligations hereunder, except to the extent that such Borrower has been materially prejudiced by such failure. In no event shall any Indemnified Party be liable for any special, indirect, consequential or punitive damages in connection with this Agreement, the Notes, the Loans or the use of proceeds thereof.

15. GENERAL

15.1 Choice of Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

15.2 Jurisdiction. (a) Any action or proceeding against any party to this Agreement relating in any way to this Agreement or any Notes may be brought and enforced in the Federal courts of the United States for the Southern District of New York, the courts of the State of New York sitting in the Borough of Manhattan, New York City, and the courts of the corporate domicile of each of the parties hereto in respect of actions brought against each such party as a defendant, and each of the parties hereto irrevocably submits to the jurisdiction of each such court in respect of any such action or proceeding. Each Obligor irrevocably appoint CT Corporation System, which currently maintains an office situated at 111 Eighth Avenue, New York, New York 10011, United States, as its agent to receive service of process or other legal summons for purposes of any such action or proceeding. So long as any Obligor has any obligation under this Agreement, such Obligor will maintain a duly appointed agent in New York City for the service of such process or summons, and if such Obligor fails to maintain such an agent, any such process or summons may be served by mailing a copy thereof by registered mail, or a form of mail substantially equivalent thereto, addressed to such Obligor at its address as provided for notices hereunder. Nothing in this Section 15.2 shall affect the right of a Bank or the Administrative Agent to serve legal process in any other manner permitted by applicable law.

(b) Each Obligor irrevocably waives to the fullest extent permitted by law all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, attachment (both before and after judgment) and execution to which it might otherwise be entitled in any action or proceeding relating in any way to this Agreement or any Notes in the courts of Mexico, of the United States, of the State of New York or of any other country or jurisdiction, and no Obligor will raise or claim or cause to be pleaded any such immunity at or in respect of any such action or proceeding.

(c) Each of the parties hereto irrevocably waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any such action or proceeding in the United States District Court for the Southern District of New York, or the Supreme Court of the State of New York, County of New York and any claim that any such action or proceeding brought in any such court has been brought in an inconvenient forum, and each party hereto waives any jurisdiction rights it may have by virtue of its present or any other future domicile, or otherwise.

(d) EACH OF THE OBLIGORS, THE ADMINISTRATIVE AGENT AND THE BANKS IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY NOW OR HEREAFTER HAVE TO A TRIAL BY JURY IN RESPECT OF THE LOAN DOCUMENTS.

15.3 Loan Currency. (a) If any expense or other amount required to be reimbursed pursuant to this Agreement is originally incurred in a currency other than Dollars, the applicable Borrower shall nonetheless make reimbursement of such expense or other amount in Dollars, in an amount equal to the amount in Dollars that would have been required for the Person that incurred such expense or other amount to have purchased, in accordance with normal banking procedures, the sum paid in such other currency (after any reasonable and duly documented premium and costs of exchange) on the day such expense or other amount was originally incurred. Any interest accruing thereon pursuant to Section 4.2 shall be computed on the basis of such amount in Dollars.

(b) If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or under the Notes in U.S. Dollars into another currency, the parties hereto agree, to the fullest extent they may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, the Administrative Agent could purchase U.S. Dollars with such other currency in New York City on the Banking Day preceding that on which final, non-appealable judgment is given.

(c) Each reference in this Agreement to Dollars is of the essence. The obligation of each Borrower in respect of any amount due under the Loan Documents to which it is a party shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in Dollars that the Person entitled to receive such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Banking Day immediately following the day on which such Person receives such payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due, the applicable Borrower shall pay such additional amounts, in Dollars, as may be necessary to compensate for such shortfall. Any obligation of either Borrower not discharged by such payment shall be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect.

15.4 Notes. (a) Each Borrower's obligations to pay the principal of, and interest on, each installment of each Loan made by each Bank to such Borrower shall be evidenced by a Note. Each Note shall (i) evidence the aggregate principal of, and interest on, a single installment of each Loan made by the relevant Bank, (ii) bear interest at the default rate as specified in Section 4.2, and (iii) be held in Mexico by the Custodian on behalf of the relevant Bank. The Custodian shall be appointed by the Banks, the Administrative Agent and the Borrowers pursuant to a separate agreement governed by the laws of the State of New York and setting forth the terms and conditions of such appointment (the "Custodian Agreement").

(b) The Custodian shall (i) at the request of any Bank through the Administrative Agent made on or after 5:00 p.m. (Mexico City time) on each Loan Payment Date or the fifth day after each Interest Payment Date on which either Borrower does not pay in full to the Administrative Agent, for the account of such Bank, the aggregate principal of or interest on the installment of the Loans of such Bank which is due on such Loan Payment Date or such Interest Payment Date, as applicable, deliver to such Bank its Note or Notes issued in respect of such installment and give notice to the Administrative Agent and the applicable Borrower of such delivery, (ii) upon the acceleration of the Loans in accordance with Section 10.2, at the request of any Bank through the Administrative Agent but only after written notice by the Administrative Agent to the Custodian (with a copy to the Borrowers) to the effect that such acceleration of the Loans has occurred, deliver to such Bank all of its Notes and give notice to the Administrative Agent and the Borrowers of such delivery, and (iii) exchange Notes as provided in Section 4.5 hereof; provided that, if (x) the Margin set forth in any Principal Note or Principal Notes required to be delivered to one or more Banks pursuant to clause (i) or (ii) above is different from the Margin in effect at the time such Principal Note or Principal Notes are required to be delivered to such Bank or Banks and (y) the applicable Borrower notifies the Administrative Agent of such Borrower's intent to replace such Principal Note or Principal Notes as provided in clause (B) below, any such notice to be promptly remitted to the Custodian by the Administrative Agent, then (A) the Custodian shall not deliver such Principal Note or Principal Notes to the applicable Bank or Banks prior to the expiration of the applicable period provided for in clause (B) below, (B) the applicable Borrower may, not later than the close of business, Mexico City time, on the third Banking Day after the applicable Loan Payment Date, the third Banking Day after the fifth day after the applicable Interest Payment Date or the third Banking Day after the date of receipt of any notice of acceleration, as applicable, execute and deliver to the Custodian, in replacement for each such Principal Note, a new Principal Note dated the date of issuance of such new Principal Note (with the applicable signatures *por aval*) reflecting the Margin in effect at such time and otherwise substantially identical to the replaced Principal Note, and a new Default-Interest Note dated the date of issuance of such new Default-Interest Note (with the applicable signatures *por aval*) evidencing any accrued and unpaid interest on the principal amount of the Loans evidenced by the replaced Principal Note, and (C) the Custodian shall either (1) if the applicable Borrower fails to deliver any such new Note or Notes within the applicable period provided for in clause (B) above, immediately upon the expiration of such period deliver the applicable non-replaced Principal Note or Principal Notes to the applicable Bank or Banks and/or (2) if the applicable Borrower delivers any such new Note or Notes within the applicable period provided for in clause (B) above, immediately upon receipt thereof deliver to the applicable Bank or Banks such new Note or Notes and promptly cancel and return to the applicable Borrower the applicable replaced Principal Note or Principal Notes. Notwithstanding the fact that each Note shall be payable on demand, no Bank shall exercise such demand right unless and until the principal or interest evidenced by such Note shall have become due and payable (as a result of failure to pay the amounts due under such Note or as a result of acceleration) in accordance with the terms of this Agreement.

(c) Promptly upon (i) the payment in full of all amounts due to any Bank under a Note issued for the account of such Bank, the Custodian shall, upon request by the applicable Borrower to the Administrative Agent and the Custodian and confirmation by the Administrative Agent to the Custodian that all relevant amounts have been paid, promptly cancel and return such Note to such Borrower; (ii) the partial prepayment by either Borrower pursuant to Section 3.2 or 3.3 of any amount due to any Bank under a Note issued for the account of such Bank, the Custodian shall, upon request by such Borrower to the Administrative Agent and the Custodian and confirmation by the Administrative Agent to the Custodian that all relevant amounts have been paid, cancel and return such Note to such Borrower in simultaneous exchange for a replacement Note which will be a new Principal Note executed and delivered by such Borrower to the Custodian for the account of such Bank in an amount equal to the amount of principal that remains due to such Bank after giving effect to such prepayment and evidencing interest thereon; and (iii) the payment in full of any installment of principal or interest on any Loan Payment Date or any Interest Payment Date occurring after the first Loan Payment Date, as the case may be, the Administrative Agent shall, promptly at the request of the applicable Borrower, confirm its receipt of such payment for the account of the Banks to such Borrower in substantially the form of Exhibit J. In addition, (x) on the IMSA Assumption Date, the Custodian shall, upon confirmation by the Administrative Agent that the IMSA Assumption Date has occurred, cancel and return to Hylsa each Note theretofore issued by Hylsa in simultaneous exchange for replacement Notes for each Bank which will be (A) (1) a new Principal Note dated the IMSA Assumption Date executed and delivered by Hylsa (with the signature *por aval* of both IMSA and IMSA Acero) to the Custodian for the account of each Bank in an amount equal to the amount of principal of the Hylsa Tranche A Loans that remains due to such Bank under each of the applicable replaced Principal Notes after the occurrence of the IMSA Assumption Date and (2) a new Accrued-Interest Note dated the IMSA Assumption Date executed and delivered by Hylsa (with the signature *por aval* of both IMSA and IMSA Acero) to the Custodian for the account of each Bank evidencing accrued and unpaid interest on the Hylsa Tranche A Loans evidenced by each of the replaced Principal Notes, (B) (1) a new Principal Note dated the IMSA Assumption Date executed and delivered by Hylsa (with the signature *por aval* of both IMSA and IMSA Acero) to the Custodian for the account of each Bank in an amount equal to the amount of principal of the Hylsa Tranche B Loans that remains due to such Bank under each of the applicable replaced Principal Notes after the occurrence of the IMSA Assumption Date and (2) a new Accrued-Interest Note dated the IMSA Assumption Date executed and delivered by Hylsa (with the signature *por aval* of both IMSA and IMSA Acero) to the Custodian for the account of each Bank evidencing accrued and unpaid interest on the Hylsa Tranche B Loans evidenced by each of the replaced Principal Notes, (C) (1) a new Principal Note dated the IMSA Assumption Date executed and delivered by IMSA (with the signature *por aval* of both Hylsa and IMSA Acero) to the Custodian for the account of each Bank in an amount equal to the amount of principal of the IMSA Tranche A Loans that remains due to such Bank under each of the applicable replaced Principal Notes after the occurrence of the IMSA Assumption Date and (2) a new Accrued-Interest Note dated the IMSA Assumption Date executed and delivered by IMSA (with the signature *por aval* of both Hylsa and IMSA Acero) to the Custodian for the account of each Bank evidencing accrued and unpaid interest on the IMSA Tranche A Loans evidenced by each of the replaced Principal Notes and (D) (1) a new Principal Note dated the IMSA Assumption Date executed and delivered by IMSA (with the signature *por aval* of both Hylsa and IMSA Acero) to the Custodian for the account of each Bank in an amount equal to the amount of principal of the IMSA Tranche B Loans that remains due to such Bank under each of the applicable replaced Principal

Notes after the occurrence of the IMSA Assumption Date and (2) a new Accrued-Interest Note dated the IMSA Assumption Date executed and delivered by IMSA (with the signature *por aval* of both Hylsa and IMSA Acero) to the Custodian for the account of each Bank evidencing accrued and unpaid interest on the IMSA Tranche B Loans evidenced by each of the replaced Principal Notes and (y) if the Transaction Merger shall become effective, on the Transaction Merger Date, immediately upon the assumption by the Surviving Corporation of the obligations of Hylsa and IMSA hereunder in respect of the Loans pursuant to the Assumption Agreement, the Custodian shall, upon confirmation by the Administrative Agent that the Transaction Merger Date has occurred, cancel and return to the Surviving Corporation each Note theretofore issued by Hylsa and IMSA in simultaneous exchange for replacement Notes for each Bank which will be (A) (1) a new Principal Note dated the Transaction Merger Date executed and delivered by the Surviving Corporation (with the signature *por aval* of IMSA Acero) to the Custodian for the account of each Bank in an amount equal to the amount of principal of the Tranche A Loans that remains due to such Bank under each of the applicable replaced Principal Notes after the occurrence of the Transaction Merger Date and (2) a new Accrued-Interest Note dated the Transaction Merger Date executed and delivered by the Surviving Corporation (with the signature *por aval* of IMSA Acero) to the Custodian for the account of each Bank evidencing accrued and unpaid interest on the Tranche A Loans evidenced by each of the applicable replaced Principal Notes and (B) (1) a new Principal Note dated the Transaction Merger Date executed and delivered by the Surviving Corporation (with the signature *por aval* of IMSA Acero) to the Custodian for the account of each Bank in an amount equal to the amount of principal of the Tranche B Loans that remains due to such Bank under each of the applicable replaced Principal Notes after the occurrence of the Transaction Merger Date and (2) a new Accrued-Interest Note dated the Transaction Merger Date executed and delivered by the Surviving Corporation (with the signature *por aval* of IMSA Acero) to the Custodian for the account of each Bank evidencing accrued and unpaid interest on the Tranche B Loans evidenced by each of the applicable replaced Principal Notes.

(d) Upon the loss, theft, destruction or mutilation of any Note and (i) in the case of loss, theft or destruction, upon receipt by each Borrower of indemnity or security reasonably satisfactory to it (except that if the holder of such Note is a financial institution of recognized responsibility, the holder's own agreement of indemnity shall be deemed to be satisfactory) or (ii) in the case of mutilation, upon surrender to the applicable Borrower of such mutilated Note, such Borrower shall execute and deliver in lieu thereof a new Note, dated the same date as the lost, stolen, destroyed or mutilated Note, in the same principal amount.

(e) Neither the execution, delivery or assignment of any Note nor the commencement of any proceeding in respect thereto shall be deemed to be a waiver of any right of the Banks and the Administrative Agent under this Agreement or an amendment of any provision of this Agreement, including Section 15.1.

(f) Notwithstanding discharge in full of any Note, if the amount (including default interest) paid or payable to a Bank under such Note (whether arising from the enforcement thereof in Mexico or otherwise, including any shortfall of such amount paid in Dollars caused by the application of Mexican foreign exchange regulations) is less than the amount due and payable to such Bank in accordance with this Agreement with respect to the Loans, or portion thereof, evidenced by such Note, each Borrower agrees, to the fullest extent it may effectively do so, to pay such Bank upon demand such difference in accordance with Section 6.1(a) and as otherwise specified in this Agreement.

15.5 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Banking Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of each Borrower and the Administrative Agent, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Banks, or to such other address as may be hereafter notified by the respective parties hereto:

Each Borrower: Ave. Leandro N. Alem 1067, piso 18
C1001ADA Buenos Aires
Argentine Republic
Attention: Pablo Brizzio
Facsimile: (5411) 4018 2786
Telephone: (5411) 4018 2434
Email: pbrizzio@ternium.com

Administrative Agent: Calyon New York Branch
1301 Avenue of the Americas
New York, NY 10019
Attention: Marisol Ortiz
Client Banking Services
Facsimile: (212) 459-3172
Telephone: (212) 261-3710
Email: marisol.ortiz@us.calyon.com

provided that any notice, request or demand to or upon the Administrative Agent or the Banks shall not be effective until received.

Notices and other communications to the Banks hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article 2 unless otherwise agreed by the Administrative Agent and the applicable Bank. The Administrative Agent or either Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

15.6 Remedies and Waivers. No failure or delay on the part of the Administrative Agent or any Bank in exercising any right hereunder shall operate as a waiver of, or impair, any such right. No single or partial exercise of any such right shall preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right shall be effective unless given in writing. No waiver of any such right shall be deemed a waiver of any other right hereunder.

15.7 Amendment. This Agreement and any other Loan Document may be amended, and any provisions hereunder waived, only by an instrument in writing executed by the Borrowers and the Required Banks; provided, however, that no such instrument shall (a) increase the Loan Commitment of any Bank (it being understood that a waiver of any Default or Event of Default shall not constitute an increase of any Loan Commitment) or extend the expiry date thereof or otherwise subject any Bank to any additional obligation hereunder without the written consent of such Bank, (b) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any commitment fees payable hereunder, without the written consent of each Bank directly affected thereby, (c) alter the provisions of Section 12.1 or 12.2 relating to the manner in which payments or prepayments of principal, interest or any commitment fee payable hereunder shall be applied as among the Banks without the written consent of each Bank directly affected thereby, (d) postpone any date fixed for, or change the currency of, payment of the principal amount of any Loan, or any interest thereon, or any commitment fees payable hereunder, or reduce the amount of, waive or excuse any such payment, without the written consent of each Bank directly affected thereby, (e) change the percentage of Banks, or the manner of determining the percentage of Banks, required for the Banks or any of them to take any action hereunder or otherwise alter this Section without the written consent of each Bank or (f) waive or amend any provisions providing for the pro rata nature of disbursements by Banks; and provided further, however, that amendment or waiver of any provision of this Agreement or any other Loan Document affecting the rights or duties of the Administrative Agent hereunder shall, in addition, require execution of such instrument by the Administrative Agent. Any amendment or waiver, supplement or modification shall apply equally to each of the Banks and shall be binding upon the Borrowers, the Banks, the Administrative Agent and any future Purchasing Bank. In the case of any waiver, the Borrowers, the Banks and the Administrative Agent shall be restored to their former position and rights under the Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent Default or Event of Default, or impair any right consequent thereon.

15.8 Successors. This Agreement shall be binding upon and inure to the benefit of the Borrowers, the Administrative Agent and the Banks and their respective successors and assigns; provided, however, that neither Borrower may assign any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each of the Banks.

15.9 Determinations by the Administrative Agent or any Bank. Each determination by the Administrative Agent or any Bank hereunder shall, in the absence of manifest error, be conclusive and binding on the parties.

15.10 Survival. The obligations of each Borrower under Section 5.1, Section 5.2, Section 5.3, Article 14, Section 15.1, Section 15.2 and Section 15.3 shall survive the repayment of the Loans of such Borrower and the cancellation of the Notes of such Borrower and the termination of the other obligations of such Borrower hereunder.

15.11 Severability of Provisions. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, to the fullest extent permitted by applicable law, without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

15.12 Counterparts. This Agreement may be executed in any number of counterparts, and all such counterparts taken together shall be deemed to constitute one and the same agreement.

15.13 Language. Each document to be delivered by either Borrower with respect to this Agreement shall be in the English language or shall be accompanied by an English translation thereof certified by such Borrower (as the case may be) to be complete and correct, provided that financial statements delivered pursuant to Section 9.06 may be delivered in the language in which they are prepared.

15.14 Integration of Terms; Effectiveness; Joinder of Parties. The Loan Documents contain the entire agreement of the parties relating to the subject matter hereof and supersede all oral statements and prior writings with respect thereto, except for any separate letter agreements with respect to fees payable to the Administrative Agent, the Escrow Agent and Citigroup Global Markets Inc., which letter agreements do not affect the rights and obligations of the Banks hereunder. Except as provided in Sections 7.1 and 7.2, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of Hylsa and the Banks. Each of IMSA and IMSA Acero shall become a party hereto on the IMSA Assumption Date by executing and delivering to the Administrative Agent counterparts of the Joinder Agreement and complying with the other requirements of Section 10.1(1). If the Transaction Merger shall become effective, the Surviving Corporation shall become a party hereto on the Transaction Merger Date by complying with the requirements of the proviso to Section 9.15.

15.15 Confidentiality. (a) This Agreement, the information contained herein, any non-public information obtained by any Bank or the Administrative Agent as a result of the exercise of the rights afforded by this Section and Section 9.6 and any non-public information furnished by either Borrower prior to entering into this Agreement in connection with the transactions contemplated hereby and/or the syndication of the facility hereunder (collectively, "Confidential Information") shall be kept confidential by the Banks and the Administrative Agent and used for the sole purpose of assessing the performance by such Borrower of its obligations; provided that the provisions contained herein shall not in any way restrict or impair any Bank's or the Administrative Agent's right to use, disclose or otherwise deal with any Confidential Information disclosed to such Bank or the Administrative Agent that (i) is or becomes generally available to the public by publication or otherwise, through no breach of any obligation herein, (ii) was in such Bank's or the Administrative Agent's possession independently of disclosure by either Borrower and, to such Bank's or the Administrative Agent's best knowledge, without violation of any confidentiality obligation of any other Person to such Borrower and was not acquired from such Borrower, or (iii) now or in the future is made available to such Bank or the Administrative Agent by or through a third party that, to such Bank's or the Administrative Agent's best knowledge, has no obligation of confidentiality to such Borrower with respect to such Confidential Information. Notwithstanding the foregoing, this Agreement shall not be construed to

prohibit disclosure of, and such Bank or the Administrative Agent may disclose, (A) any information (1) to its Representatives (it being understood that each Representative to whom such disclosure is made will be informed of the confidential nature of such information and such Bank or the Administrative Agent, as the case may be, will cause such Representative to keep such information confidential and to use such information exclusively in connection with the administration of the Loans), (2) pursuant to any applicable law or regulation, (3) pursuant to any subpoena, civil investigative demand or similar demand of any court, arbitrator, or tribunal, (4) for evidentiary purposes in any relevant action, proceeding or arbitration to which such Bank or the Administrative Agent, as the case may be, or any of their respective Representatives is a party and (5) in accordance with Section 11.3, or (B) with such notice as is reasonable under the circumstances (which notice will be prior to disclosure if reasonable under the circumstances), any information upon the request of any Governmental Authority having or claiming authority to regulate or oversee any aspect of such Bank's or the Administrative Agent's business or that of its separate Affiliates, but agrees to advise them of the confidential nature of such information and request confidential treatment of such information; provided that, in the case of any disclosure pursuant to clause (2), (3) or (4) above, such Bank or the Administrative Agent, as the case may be, will give the applicable Borrower prior notice of the information to be disclosed to the extent that such notice is permissible and practicable under the circumstances and, upon the request of such Borrower, will seek to obtain confidential treatment of such information by the Persons to whom it is disclosed; and provided further that, in the case of any disclosure made to any bank examiners pursuant to clause (B) immediately above, such Bank or the Administrative Agent, as the case may be, shall not be required to give either Borrower notice thereof unless the circumstances so allow such Bank or the Administrative Agent, as the case may be.

(b) Each Bank and the Administrative Agent (i) represents and warrants to each Borrower that each of its Representatives that has received Confidential Information is apprised of his or her obligations concerning the confidentiality of the Confidential Information and (ii) undertakes that each of its Representatives who is provided with Confidential Information will comply with the provisions of Section 15.15(a).

(c) Each Bank and the Administrative Agent hereby expressly (i) acknowledges that it is aware (and undertakes to advise its Representatives who are apprised of the matters that are subject to this Section 15.15) that Ternium has outstanding publicly-held securities in the United States of America, and that applicable securities laws prevent any person in possession of non-public information about a company from purchasing or selling securities of such company, and from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person may purchase or sell such securities, and (ii) agrees not to use, and to take all actions necessary to cause that none of its Representatives use, any Confidential Information in contravention of any applicable securities laws.

(d) This Section 15.15 supersedes the terms and conditions of any confidentiality agreements entered into before the date hereof to the extent relating to Confidential Information furnished exclusively in connection with the transactions contemplated hereby and/or the syndication of the facility hereunder; provided, however, that (i) the foregoing shall not affect the survival of any such terms and conditions with respect to any confidential information furnished by either Borrower prior to the date of this Agreement to the extent relating to any other transaction or matter contemplated by such confidentiality agreement or that is not otherwise expressly contemplated hereby and (ii) in the event of any conflict between the provisions of this Section 15.15 and the terms and conditions of any such confidentiality agreement with respect to the transactions contemplated hereby and/or the syndication of the facility hereunder, the former shall prevail over the latter.

15.16 USA PATRIOT Act Notice. Each Bank and the Administrative Agent (for itself and not on behalf of any Bank) hereby notifies each Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), it may be required to obtain, verify and record information that identifies such Borrower, which information includes the name and address of such Borrower and other information that will allow such Bank or the Administrative Agent, as applicable, to identify such Borrower in accordance with said Act.

16. THE GUARANTEES

16.1 Guarantees.

(a) In consideration of the Loan Commitments and the making of Loans, and for other good and valuable consideration, receipt of which is hereby acknowledged, Hylsa, in its capacity as a guarantor hereunder (in such capacity, a "Guarantor"), from and after the IMSA Assumption Date hereby guarantees to each Bank and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans made by the Banks to IMSA and all other amounts from time to time owing to the Banks or the Administrative Agent by IMSA under this Agreement and the other Loan Documents to which IMSA is a party, in each case strictly in accordance with the terms hereof and thereof (such obligations being herein collectively called the "Hylsa Guaranteed Obligations"). Hylsa hereby further agrees that if, from and after the IMSA Assumption Date, IMSA shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Hylsa Guaranteed Obligations, Hylsa will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Hylsa Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal. Hylsa's obligations under this Article 16 constitute a guarantee of payment and not merely of collection.

(b) In consideration of the Loan Commitments and the making of Loans, and for other good and valuable consideration, receipt of which is hereby acknowledged, IMSA, in its capacity as a guarantor hereunder (in such capacity, a "Guarantor"), from and after the IMSA Assumption Date hereby guarantees to each Bank and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans made by the Banks to Hylsa and all other amounts from time to time owing to the Banks or the Administrative Agent by Hylsa under this Agreement and the other Loan Documents to which Hylsa is a party, in each case strictly in accordance with the terms hereof and thereof (such obligations being herein collectively called the "IMSA Guaranteed Obligations"). IMSA hereby further agrees that if, from and after the IMSA Assumption Date, Hylsa shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the IMSA Guaranteed Obligations, IMSA will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the IMSA Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal. IMSA's obligations under this Article 16 constitute a guarantee of payment and not merely of collection.

(c) In consideration of the Loan Commitments and the making of Loans, and for other good and valuable consideration, receipt of which is hereby acknowledged, IMSA Acero, in its capacity as a guarantor hereunder (in such capacity, a “Guarantor”), from and after the IMSA Assumption Date hereby guarantees to each Bank and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans made by the Banks to each of Hylsa and IMSA and all other amounts from time to time owing to the Banks or the Administrative Agent by each of Hylsa and IMSA under this Agreement and the other Loan Documents to which Hylsa or IMSA, as applicable, is a party, in each case strictly in accordance with the terms hereof and thereof (such obligations being herein collectively called the “IMSA Acero Guaranteed Obligations” and, collectively with the Hylsa Guaranteed Obligations and the IMSA Guaranteed Obligations, the “Guaranteed Obligations”). IMSA Acero hereby further agrees that if, from and after the IMSA Assumption Date, either Hylsa or IMSA shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the IMSA Acero Guaranteed Obligations, IMSA Acero will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the IMSA Acero Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal. IMSA Acero’s obligations under this Article 16 constitute a guarantee of payment and not merely of collection.

16.2 Obligations Unconditional. The obligations of each Guarantor under Section 16.1 are absolute, unconditional and irrevocable, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of the other Guarantors under this Agreement, any other Loan Document or any other agreement or instrument referred to herein or therein, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Article 16 that the obligations of each Guarantor hereunder shall be absolute and unconditional under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of any Guarantor hereunder, which shall remain absolute and unconditional as described above:

(i) at any time or from time to time, without notice to the applicable Guarantor, the time for any performance of or compliance with any of the applicable Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of this Agreement, any other Loan Document or any other agreement or instrument referred to herein shall be done or omitted;

(iii) the maturity of any of the applicable Guaranteed Obligations shall be accelerated, or any of the applicable Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under this Agreement or any other agreement or instrument referred to herein shall be waived;

(iv) any moratorium or other similar action is declared by Mexico or any Governmental Authority therein affecting the obligations of the applicable Guarantor to effect payment hereunder or to perform its other material obligations hereunder; or

(v) it becomes unlawful for any other Guarantor to perform or comply with any one or more of its material obligations under this Agreement or any other Loan Document to which it is a party as a result of any law, regulation or decree being promulgated by any Governmental Authority or any of such other Guarantor's obligations under this Agreement or any other Loan Document to which it is a party shall cease to be valid, binding or enforceable (or such other Guarantor shall so assert in writing) or such other Guarantor shall deny or disaffirm any of its obligations thereunder.

Each Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any Bank exhaust any right, power or remedy or proceed against any other Guarantor under this Agreement, any other Loan Document or any other agreement or instrument referred to herein or therein.

16.3 Reinstatement. The obligations of each Guarantor under this Article shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any other Guarantor in respect of the applicable Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the applicable Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Guarantor agrees that it will indemnify the Administrative Agent and each Bank on demand for all reasonable costs and expenses (including fees of counsel) incurred by the Administrative Agent or such Bank in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

16.4 Subrogation. Each Guarantor hereby agrees that until the payment and satisfaction in full of all the applicable Guaranteed Obligations and the expiration and termination of the Loan Commitments of the Banks under this Agreement it shall not exercise any right or remedy arising by reason of any performance by it of its guarantee in Section 16.1, whether by subrogation or otherwise, against any of the other Guarantors.

16.5 Acceleration. Each Guarantor agrees that, as between such Guarantor and the Banks, the obligations of each Borrower under this Agreement may be declared to be forthwith due and payable as provided in Section 10.2 (and shall be deemed to have become automatically due and payable in the circumstances provided in Section 10.2) for purposes of Section 16.1 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the applicable Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by the applicable Borrower) shall forthwith become due and payable by such Guarantor for purposes of Section 16.1.

16.6 Instrument for the Payment of Money. Each Guarantor hereby acknowledges that the guarantee in this Article 16 constitutes an instrument for the payment of money, and consents and agrees that any Bank or the Administrative Agent, at its sole option, in the event of a dispute by such Guarantor in the payment of any moneys due hereunder, shall have the right to bring motion-action under New York CPLR Section 3213.

16.7 Continuing Guarantee. The guarantee in this Article 16 is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the day and year first written above.

HYLSA, S.A. DE C.V., as Borrower

By: _____ By: _____

Title: _____ Title: _____

CALYON NEW YORK BRANCH, as Administrative Agent

By: _____ By: _____

Title: _____ Title: _____

CALYON NEW YORK BRANCH

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Lending Branch: New York

Address:

1301 Avenue of the Americas,
New York, NY 10019, USA
Attention: Jean-Philippe Adam
Facsimile: (212) 261-3311
Email: adam@us.calyon.com

Loan
Commitment

U.S.\$1,875,000,000

CITIBANK, N.A.

By: _____
Name: _____
Title: _____

Lending Branch: New York

Address:

390 Greenwich Street,
New York, NY 10013, USA
Attention: Chris Herzog
Facsimile: +1 (212) 723-6711
Email: christopher.herzog@citi.com

Loan
Commitment

U.S.\$1,528,125,000

Loan
Commitment

U.S.\$346,875,000

CITIBANK, N.A.

By: _____

Name: _____

Title: _____

Lending Branch: Nassau Bahamas Branch

Address:

Av. Batallon de San Patricio #109 Sur

Torre CNCI, Piso 5

Garza Garcia, Nuevo Leon

Mexico 66269

Attention: Jesus Cantu and Sergio Gallegos

Telephone: + (5281) 1226-8505

Facsimile: + (5281) 1226-8538

AMENDMENT No. 1

AMENDMENT NO.1 dated as of July 18, 2007 between HYLSA, S.A. DE C.V. (the "Borrower"), the Banks executing this Amendment No.1 on the signature pages hereto and CALYON NEW YORK BRANCH, in its capacity as Administrative Agent under the Loan Agreement referred to below.

The Borrower, the banks party thereto (including the Banks executing this Amendment No.1 on the signature pages hereto), and Calyon New York Branch, as Administrative Agent, are parties to a Loan Agreement dated as of July 12, 2007 (as modified and supplemented and in effect from time to time, the "Loan Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit (by means of loans) to be made by said banks to the Borrower in an aggregate principal amount up to U.S.\$3,750,000,000.

The Borrower and the Banks party hereto wish now to amend the Loan Agreement in certain respects, and accordingly, the parties hereto hereby agree as follows:

Section 1. Definitions. Except as otherwise defined in this Amendment No.1, terms defined in the Loan Agreement are used herein as defined therein.

Section 2. Amendments. Subject to the satisfaction of the conditions precedent specified in Section 4 below, but effective as of the date hereof, the Loan Agreement shall be amended as follows:

2.01. References Generally. References in the Loan Agreement (including references to the Loan Agreement as amended hereby) to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein" and "hereof") shall be deemed to be references to the Loan Agreement as amended hereby.

2.02. Definitions. Section 1.01 of the Loan Agreement shall be amended by amending the following definitions:

"Assignment Agreement" means each assignment and assumption agreement, substantially in the form set forth in Exhibit C, or any other form approved by the applicable Borrower and the Administrative Agent, entered into pursuant to Section 11.1 between the Assignor or Assignors and the Purchasing Bank or Purchasing Banks named therein.

"Interest Period" means, with respect to any Advance, the period commencing on the Disbursement Date for such Advance (in the case of the initial Interest Period) or on the last day of the next preceding Interest Period for such Advance (in the case of any subsequent Interest Period) and, subject to Section 6.1(b), ending on the day numerically corresponding to the Disbursement Date for such Advance or such last day (as the case may be) in the next, third or sixth month, as the applicable Borrower may select by notice provided under Section 4.4, following such Disbursement Date or such last day; provided, however, that (i) any Interest Period that would otherwise extend beyond a Loan Payment Date shall end on such Loan Payment Date, (ii) in the case of any Advance that is made to either Borrower during an outstanding Interest Period for any Advance theretofore made to such Borrower (except on the last day of such Interest Period), the initial Interest Period for such Advance shall end on the last day of such outstanding Interest Period and (iii) in the case of any Advance that is made to either Borrower prior to the Transaction Closing Date, the initial Interest Period for such Advance shall end on the Transaction Closing Date.

“LIBOR”, with respect to any Interest Period, means the British Bankers Association (“BBA”) Interest Settlement Rate for U.S. Dollar LIBOR for the period corresponding to such Interest Period as displayed on Reuters -page LIBOR 1 as of 11:00 a.m. London time on the second London Banking Day next preceding the commencement of such Interest Period. If for any reason LIBOR cannot be determined by reference to the Reuters -page LIBOR 1 or such other page as may replace page LIBOR 1 on that service or such other service as may be nominated by the BBA as the information vendor for the purpose of displaying BBA Interest Settlement Rates for U.S. Dollars, the Administrative Agent shall determine LIBOR for the relevant Interest Period using the arithmetic average (rounded upward, if necessary, to the nearest 1/16 of 1%) of such offered rates quoted by the Reference Banks. In the case of any Interest Period that is shorter than seven days (other than the initial Interest Period for any Advance) and in respect of which LIBOR cannot be determined as provided in this definition, LIBOR for such Interest Period shall be calculated as provided above in this definition as if such Interest Period had a duration of seven days.

“Transaction Closing Date Loans” means, collectively, (a) Hylsa Loans constituting General Advances the proceeds of which are to be used to (i) purchase, subscribe or otherwise acquire all or a portion of the Optionally Convertible Debt, pay taxes imposed as a condition to, or consequent of, on in connection with, the IMSA Transaction, (iii) pay fees and expenses and other obligations arising out of or in connection with the IMSA Transaction, including in respect of stock options, stock awards, deferred compensation benefits, severance payments, retention and transaction bonuses and other similar obligations, and/or (iv) pay interest with respect to the initial Interest Period for any Advance that is made prior to the Transaction Closing Date, and constituting Fiduciary Trust Advances and (b) the IMSA Loans.

2.03. Interest Period Notice. Section 4.4 of the Loan Agreement is hereby amended by adding the following sentence at the end thereof:

“Notwithstanding anything herein to the contrary, except as contemplated in clause (ii) of the proviso to the definition of the term ‘Interest Period’, with respect to the Advances made to each Borrower there shall be only one Interest Period outstanding at any time.”

2.04. Use of Proceeds. Section 9.1 of the Loan Agreement is hereby amended by adding the following sentence at the end thereof:

“9.1 Use of Proceeds. The Borrowers shall use the proceeds of the Loans (a) in the case of the Hylsa Loans, (i) in an aggregate principal amount up to U.S.\$1,800,000,000, solely to (x) purchase, subscribe or otherwise acquire all or a portion of the Convertible Debt and/or (y) fund, directly or indirectly, the Fiduciary Trust, (ii) in an aggregate principal amount up to U.S.\$200,000,000, solely to effect the Hylsa Debt Refinancing and (iii) in an aggregate principal amount up to U.S.\$400,000,000, solely to (x) pay taxes imposed as a condition to, or consequence of, or in connection with, the IMSA Transaction, (y) pay fees and expenses related to the IMSA Transaction and/or pay interest with respect to the initial Interest Period for any Advance that is made prior to the Transaction Closing Date and/or (z) pay other obligations arising out of or in connection with the IMSA Transaction, including in respect of stock options, stock awards, deferred compensation benefits, severance payments, retention and transaction bonuses and other similar obligations and (b) in the case of the IMSA Loans, solely to (i) effect the IMSA Bank Debt Refinancing and the IMSA Public Debt Refinancing and/or (ii) pay fees and expenses related to the IMSA Bank Debt Refinancing and the IMSA Public Debt Refinancing. No part of the proceeds from the Loans will be used in violation of Section 7 of the Securities Exchange Act of 1934, as amended (or any regulations issued pursuant thereto, including Regulations T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II, as amended). Margin Stock shall not at any time constitute more than 25% of the value of the consolidated assets of the Borrowers and their Subsidiaries. “

2.05. Notice of Borrowing. Exhibit B to the Loan Agreement shall be amended by adding the following words at the end of clause (3) thereof, immediately prior to the period:

“[shall end on [—]]”.

Section 3. Representations and Warranties. The Borrower represents and warrants to the Banks and the Administrative Agent that (a) the representations and warranties of the Borrower set forth in Section 8.1 of the Loan Agreement (except the representations and warranties set forth in Section 8.1 (1) to the extent there has been a change in applicable law or regulation or in the interpretation thereof since the date of this Agreement), and the representations and warranties of the Borrower made pursuant to the other Loan Documents to which the Borrower is a party are true and correct on the date hereof as if made on and as of the date hereof (or, if any such representation or warranty is expressly stated to have been made as of a specific date, such representation or warranty shall be true and correct as of such specific date), and as if each reference in said Section 8.1 to “this Agreement” included reference to this Amendment No.1 and (b) no Default or Event of Default has occurred and is continuing.

Section 4. Condition Precedent. The amendments set forth in Section 2 hereof shall become effective, as of the date hereof, upon receipt by the Administrative Agent of counterparts of this Amendment No.1 executed by the Borrower and Banks party to the Loan Agreement constituting the Required Banks.

Section 5. Miscellaneous. Except as herein provided, the Loan Agreement shall remain unchanged and in full force and effect. This Amendment No. 1 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 1 by signing any such counterpart. This Amendment No. 1 shall be governed by, and construed in accordance with, the law of the State of New York.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No.1 to be duly executed and delivered as of the day and year first above written. HYLSA, S.A. DE C.V.

HYLSA, S.A. DE C.V.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

BANKS

CALYON NEW YORK BRANCH

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

CITIBANK, N.A.

By: _____
Name: _____
Title: _____

CITIBANK, N.A., NASSAU, BAHAMAS BRANCH

By: _____
Name: _____
Title: _____

ADMINISTRATIVE AGENT

CALYON NEW YORK BRANCH as Administrative Agent

By: _____
Name: _____
Title: _____

November , 2007

To: Calyon New York Branch as Administrative Agent under, and the Banks from time to time parties to the Loan Agreement referred to below.

Re.: Consent

Ladies and Gentlemen:

We make reference to the Loan Agreement, dated as of July 12, 2007 (as amended by Amendment No. 1 dated as of July 18, 2007, the "Loan Agreement"), among Hylsa, S.A. de C.V. ("Hylsa"), Grupo IMSA, S.A.B. de C.V. ("IMSA") and together with Hylsa, the "Borrowers"), IMSA Acero, S.A. de C.V. ("Imsa Acero"), the Banks parties thereto and Calyon New York Branch, as Administrative Agent, providing for loans to the Borrowers in an aggregate principal amount of up to U.S.\$3,750,000,000. All terms defined in the Agreement and used but not otherwise defined herein have the meanings given to them in the Loan Agreement.

A. WHEREAS, each of the Borrowers and Imsa Acero are direct or indirect wholly-owned Subsidiaries of Ternium, and Ternium owns various other direct or indirect Subsidiaries incorporated or organized, as applicable, under the laws of Mexico (collectively, together with the Borrowers and Imsa Acero, the "Mexican Subsidiaries")

B. WHEREAS, Ternium deems advisable and in the best interest of its Mexican Subsidiaries to undertake a reorganization in the corporate structure of its Mexican Subsidiaries, by way of the transactions described in Recitals C, D, E, F and G below (all such transactions, the "Corporate Restructuring");

C. WHEREAS, I.I.I. Industrial Investments Inc. S.A. de C.V. ("I.I.I."), a Mexican Subsidiary, has undertaken all corporate actions necessary to merge with and into IMSA, in a transaction expected to become effective in the near future, in which IMSA would be the surviving corporation and would be renamed as Ternium Mexico S.A. de C.V. ("Ternium Mexico") and I.I.I. would cease to exist as a separate entity (the "I.I.I.-Ternium Merger"). As a result of the I.I.I.-Ternium Merger, Ternium Mexico would hold 100% of the share capital of Imsa Acero and 70% of the share capital of Hylsamex S.A. de C.V. ("Hylsamex"), which will in turn hold 100% of the share capital of Hylsa;

D. WHEREAS, Hylsa intends to spin-off and transfer all of its assets and liabilities (including its rights and obligations under the Loan Agreement) to a newly created corporation, to be named Hylsa Industrias, S.A. de C.V. ("Hylsa Industrias"), with Hylsa retaining all of its current employees and related obligations (the "Hylsa Spin-Off");

E. WHEREAS, substantially simultaneously with the consummation of the Hylsa Spin-Off, Hylsa Industrias (as successor to Hylsa under the Loan Agreement as a result of the Hylsa Spin-Off) intends to merge with and into Ternium Mexico (as successor of IMSA under the Loan Agreement as a result of IMSA being renamed Ternium Mexico), in a transaction in which Ternium Mexico would be the surviving corporation and Hylsa Industrias would cease to exist as a separate entity (the "Hylsa Industrias-Ternium Merger"). After consummation of the Hylsa Industrias-Ternium Merger, Ternium Mexico would hold 100% of the share capital of Imsa Acero and 100% of the share capital of Hylsa;

F. WHEREAS, substantially simultaneously with the consummation of the Hylsa Spin-Off and the Hylsa Industrias-Ternium Merger, Hylsamex intends to merge with and into Ternium Mexico, in a transaction in which Ternium Mexico would be the surviving corporation and Hylsamex would cease to exist as a separate entity (the “Hylsamex-Ternium Merger”). After consummation of the Hylsamex-Ternium Merger, Ternium Mexico would hold 100% of the share capital of Imsa Acero and 100% of the share capital of Hylsa;

G. WHEREAS, Imsa Acero and its Subsidiary Industrias Monterrey, S.A. de C.V., a Mexican Subsidiary, intend to merge with and into Ternium Mexico, in a transaction in which Ternium Mexico would be the surviving corporation and Imsa Acero and Industrias Monterrey would cease to exist as separate entities (the “IMSA Acero-Ternium Merger”). After consummation of the IMSA Acero-Ternium Merger, Ternium Mexico would hold 100% of the share capital of Hylsa;

H. WHEREAS, the consummation of the Hylsa Spin-Off and the Hylsa Assignment (as defined below) requires the consent of each of the Banks as a consequence of certain provisions of the Loan Agreement;

I. WHEREAS, under Sections 15.7 and 15.8 of the Loan Agreement, this Consent shall be entered into in writing by the Borrowers, the Administrative Agent and each of the Banks; and

J. WHEREAS, the banks and other financial institutions parties to this Consent constitute all of the Banks parties to the Loan Agreement as of the date of Effectiveness Date (as defined below).

NOW, THEREFORE, it being understood that certain of the transactions contemplated by the Corporate Restructuring are permitted under the Loan Agreement and the other Loan Documents, the Borrowers, the Administrative Agent and the Banks hereby agree as follows:

SECTION 1. Consent and Agreement

1.1 Notwithstanding any provision to the contrary in the Loan Agreement, or in any other Loan Document, the Administrative Agent and the Banks hereby consent to the I.I.I.-Ternium Merger, the Hylsa Spin-Off (subject to Section 1.2. below), the Hylsa Industrias-Ternium Merger (subject to Section 1.3 below), the Hylsamex-Ternium Merger and the IMSA Acero-Ternium Merger.

1.2 Without limiting the generality of the foregoing, the Administrative Agent and the Banks hereby consent to the Hylsa Spin-Off so that, at any time after the date hereof, Hylsa may transfer any of its assets and liabilities to Hylsa Industrias pursuant to the Hylsa Spin-Off and may assign to Hylsa Industrias, and Hylsa Industrias may assume from Hylsa, all of Hylsa’s rights and obligations, as Borrower and Guarantor, under the Loan Agreement and all other Loan Documents (the “Hylsa Assignment”), by executing an assignment and assumption agreement in the form attached as Exhibit A hereto, and each of the Banks hereby consents to the execution by the Administrative Agent on such Bank’s behalf of such an assignment and assumption agreement, provided that, (i) the Hylsa Spin-Off is consummated substantially simultaneously with the consummation of the Hylsa Assignment, or (ii) if any transfer of assets and liabilities by Hylsa to Hylsa Industrias pursuant to the Hylsa Spin-Off (an “Asset Transfer”) is not effected substantially simultaneously with the consummation of the Hylsa Assignment, Hylsa Industrias shall, prior to or simultaneously with the occurrence of such Asset Transfer, sign *por aval* each of the Notes theretofore issued by Hylsa and at such time held by the Custodian. For purposes of this Section two transactions shall be deemed to have been consummated “substantially simultaneously” if the last to occur of such transactions is consummated no later than on the Business Day next succeeding the day on which the first to occur of such transactions has been consummated.

1.3 Without limiting the generality of the foregoing, the Administrative Agent and the Banks hereby agree that (x) the Hylsa Industrias-Ternium Merger shall be deemed to constitute the Transaction Merger contemplated under the Loan Agreement notwithstanding the fact that, after the consummation of the Hylsa Industrias-Ternium Merger, Hylsa (which shall have ceased to be a Borrower under the Loan Agreement upon consummation of the Hylsa Assignment) and Ternium Mexico (as successor to IMSA) will continue to have a separate legal existence from each other, (y) the date of effectiveness of the Hylsa Industrias-Ternium Merger shall be deemed to constitute the Transaction Merger Date contemplated under the Loan Agreement, and (z) as a result of the Hylsa Industrias-Ternium Merger, and once effective, Ternium Mexico will be deemed to be the Surviving Corporation under the Loan Agreement and will assume all of Hylsa Industrias' rights and obligations under the Loan Agreement and all other Loan Documents, provided, that, prior to, or concurrently with, the effectiveness of the Hylsa Industrias-Ternium Merger, Sections 9.15(vi) and 15.4(c) of the Loan Agreement shall have been satisfied, it being agreed that Sections 9.15(vi) and 15.4(c) of the Loan Agreement shall be deemed satisfied when the Administrative Agent shall have received:

(a) certified copies of (i) Hylsa's corporate resolution approving the Hylsa Spin-Off, (ii) Hylsa Industrias and Ternium Mexico corporate resolutions approving the Hylsa Industrias-Ternium Merger and (iii) the agreement governing the Hylsa Industrias-Ternium Merger, if any.

(b) an opinion of Ritch Mueller, S.C., special Mexican counsel to Hylsa, substantially in the form set forth in Exhibit B hereto.

(c) an irrevocable written acceptance by CT Corporation System of its appointment as the agent of Ternium Mexico as the Surviving Corporation to receive service of process (together with a power-of-attorney, duly notarized under Mexican law to that effect substantially in the form set forth in Exhibit C hereto).

(d) upon confirmation by the Administrative Agent to the Custodian that the Hylsa Industrias-Ternium Merger has occurred, cancel and return to Ternium Mexico each Note theretofore issued by Hylsa and IMSA in simultaneous exchange for replacement Notes for each Bank which will be (A) (1) a new Principal Note dated the Transaction Merger Date executed and delivered by Ternium Mexico (with the signature *por aval* of IMSA Acero, to the extent that the IMSA Acero-Ternium Merger has not then become effective) to the Custodian for the account of each Bank in an amount equal to the amount of principal of the Tranche A Loans that remains due to such Bank under each of the applicable replaced Principal Notes after the occurrence of the Transaction Merger Date and (2) a new Accrued-Interest Note dated the Transaction Merger Date executed and delivered by Ternium Mexico (with the signature *por aval* of IMSA Acero, to the extent that the IMSA Acero-Ternium Merger has not then become effective) to the Custodian for the account of each Bank evidencing accrued and unpaid interest on the Tranche A Loans evidenced by each of the applicable replaced Principal Notes and (B) (1) a new Principal Note dated the Transaction Merger Date executed and delivered by Ternium Mexico (with the signature *por aval* of IMSA Acero, to the extent that the IMSA Acero-Ternium Merger has not then become effective) to the Custodian for the account of each Bank in an amount equal to the amount of principal of the Tranche B Loans that remains due to such Bank under each of the applicable replaced Principal Notes after the occurrence of the Transaction Merger Date and (2) a new Accrued-Interest Note dated the Transaction Merger Date executed and delivered by Ternium Mexico (with the signature *por aval* of IMSA Acero, to the extent that the IMSA Acero-Ternium Merger has not then become effective) to the Custodian for the account of each Bank evidencing accrued and unpaid interest on the Tranche B Loans evidenced by each of the applicable replaced Principal Notes.

SECTION 2. Representations and Warranties.

2.1(i) Each Borrower represents and warrants to the Administrative Agent and each Bank that, as of the date hereof and the Effectiveness Date, no Default or Event of Default has occurred and is continuing; and (ii) each Borrower and IMSA Acero represents and warrants, as to itself only and not as to any other Obligor, to the Administrative Agent and each Bank that, as of the date hereof and the Effectiveness Date the representations and warranties made by such Obligor in Section 8.1 (except the representations and warranties set forth in Section 8.1(l) to the extent there has been a change in applicable law or regulation or in the interpretation thereof since the date of the Loan Agreement), and the representations and warranties of such Obligor made pursuant to the other Loan Documents to which such Obligor is a party, are true and correct on and as of the date hereof and the Effectiveness Date as if made on and as of each such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, such representation or warranty shall be true and correct as of such specific date).

SECTION 3. Effectiveness.

This Consent shall become effective (the “Effectiveness Date”) on and as of the first Business Day on which the Administrative Agent shall have received counterparts of this Consent executed by each of the Banks, or, as to any of the Banks, evidence satisfactory to the Administrative Agent that such Bank has executed this letter. This Consent is subject to the provisions of Section 14.2 of the Loan Agreement.

SECTION 4. Confirmation of Guarantees.

Each of the Guarantors, by its execution of this letter, hereby confirms and ratifies that all of its obligations as a Guarantor under Section 16 of the Loan Agreement shall continue in full force and effect for the benefit of the Banks with respect to the Loan Agreement after giving effect to this letter.

SECTION 5. Miscellaneous.

5.1. This Consent shall constitute a “Loan Document” for all purposes of the Loan Agreement.

5.2 This Consent may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Consent by telecopier shall be effective as delivery of a manually executed counterpart of this Consent.

5.3. Other than as expressly stated herein, this Consent is made solely and specifically among and for the benefit of the parties hereto and their respective successors and permitted assigns, and no other person shall have any rights, interest or claims hereunder or be entitled to any benefits under or on account of this letter as a third-party beneficiary or otherwise. Notwithstanding the generality of the foregoing, Ternium shall be entitled to the benefits under this letter as a third-party beneficiary.

5.4. This Consent shall be governed by, and construed in accordance with, the law of the State of New York.

Very truly yours,

HYLSA, S.A. de C.V.,
as a Borrower and a Guarantor

By: _____
Name:
Title:

By: _____
Name:
Title:

GRUPO IMSA, S.A.B. de C.V.
as a Borrower and a Guarantor

By: _____
Name:
Title:

By: _____
Name:
Title:

IMSA ACERO, S.A. de C.V.
as a Guarantor

By: _____
Name:
Title:

By: _____
Name:
Title:

AGREED AND ACCEPTED BY:

CALYON NEW YORK BRANCH, as Administrative Agent and as a Lender

By _____
Name:
Title:

By: _____
Name:
Title:

[BANKS]

ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement"), dated as of March 31, 2008, is entered into by and among HYLSA, S.A. de C.v., a *sociedad anonima de capital variable* ("Hylsa" or the "Assignor"), HYLSA INDUSTRIAS, S.A. de C.V., a *sociedad anonima de capital variable*, ("Hylsa Industrias" or the "Assignee") and CALYON NEW YORK BRANCH, as Administrative Agent (the "Administrative Agent") under the Loan Agreement, dated as of July 12, 2007 (as amended as of the date hereof, the "Loan Agreement"), among Hylsa, TERNIUM MEXICO, S.A de C.V. ("Ternium Mexico", formerly known as Grupo IMSA, S.A.B. de C.V. and, collectively with Hylsa, the "Borrowers"), IMSA Acero, S.A. de C.V. ("IMSA Acero"), the Banks parties thereto and the Administrative Agent, providing for loans to the Borrowers in an aggregate principal amount of up to U.S.\$3,750,000,000. All capitalized terms used and not defined herein have the respective meanings ascribed to them in the Loan Agreement.

WITNESSETH

WHEREAS, the shareholders of the Assignor have adopted such resolutions as are necessary to spin-off the Assignor thereby creating the Assignee and to assign all of the Assignor's rights and obligations under the Loan Agreement and the other Loan Documents to the Assignee (the "Spin-Off"). As a result of the Spin-Off, the Assignee will to assume all of such rights and obligations and will accede to the Loan Agreement and the other Loan Documents as Borrower and Guarantor thereunder;

NOW THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION I. Assignment and Assumption.

- (a) Effective upon satisfaction of the conditions set forth in Section 2 hereof and upon the terms and subject to the conditions otherwise set forth in this Agreement, as a result of the Spin-Off and the provisions of this Agreement, the Assignor hereby irrevocably assigns, transfers and conveys to the Assignee, and the Assignee hereby expressly assumes, takes and acquires from the Assignor, without recourse, all of the Assignor's rights, benefits and obligations under the Loan Agreement and the Loan Documents and hereby accedes to the Loan Agreement and the Loan Documents as Borrower and Guarantor thereunder (the "Assignment").
- (b) Without limiting the generality of the provisions of clause (a) above, effective upon the Assignment,
 - (i) the Assignee shall succeed to the rights and be obligated to perform the obligations of the Assignor as Borrower under the Hylsa Tranche A Loans and Hylsa Tranche B Loans heretofore made by the Banks to the Assignor in accordance with the terms thereof and shall be bound by all other provisions applicable to the Assignor, as Borrower under the Hylsa Tranche A Loans and the Hylsa Tranche B Loans, under the Loan Agreement and the other Loan Documents to which it is a party and shall be substituted for the Assignor as the Borrower under the Hylsa Tranche A Loans and the Hylsa Tranche B Loans, under the Loan Agreement and the other Loan Documents to which the Assignor is a party with the same effect as if the Assignee had been named as the Borrower thereof under the Loan Agreement and the other Loan Documents to which the Assignor is a party, and agrees that the Assignee shall hereafter be deemed to be the "Borrower" under the Hylsa Tranche A Loans and the Hylsa Tranche B Loans for all purposes of the Loan Agreement and the other Loan Documents to which the Assignor is a party and the Assignor shall relinquish its rights and be released from its obligations as Borrower under the Loan Agreement and the other Loan Documents to which the Assignor is party,

(ii) the Assignee shall guarantee to the Banks and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of all Hylsa Guaranteed Obligations (as defined in Section 16.1 (b) of the Loan Agreement) in the same manner and to the same extent as is provided in Article 16 of the Loan Agreement, and

(iii) the Assignee shall become a party to the Custodian Agreement, as a Borrower, and shall become party to the Loan Agreement and each Loan Document, in its capacity as set forth therein.

(c) The parties hereto acknowledge and agree that this Agreement does not affect in any way the validity or enforceability of the Loan Agreement or any other Loan Document, and that by virtue of this Agreement the obligations of the Borrowers under the Loan Agreement are neither altered nor replaced by new obligations.

SECTION 2. Effectiveness. The Assignment shall be effective (the "Assignment Effective Date") on and as of the first Business Day on which each of the following conditions has been satisfied or waived by each of the Banks:

(a) Execution of this Agreement by all parties hereto (in the case of the Administrative Agent, with the consent of each of the Banks).

(b) Receipt by the Administrative Agent of:

(i) A certificate of the Assignor, substantially in the form set forth in Exhibit A, together with the attachments specified therein (including the certified corporate resolution approving the Spin Off, authorizing the execution of this Agreement, the consummation of the Assignment, and the authority of each officer of the Assignor executing this Agreement).

(ii) A certificate of the Assignee, substantially in the form set forth in Exhibit B, together with the attachments specified therein (including the true and correct copies of the by-laws (*estatutos sociales*) of the Assignee, the certified corporate resolution authorizing the execution of this Agreement, the consummation of the Assignment, the assumption of the rights and obligations under the Loan Agreement and other Loan Documents, and the authority of each officer of the Assignee executing this Agreement).

(iii) An opinion of Ritch Mueller, S.C., special Mexican counsel to the Assignee, dated the Assignment Effective Date, substantially in the form set forth in Exhibit C.

(iv) An irrevocable written acceptance by CT Corporation System of its appointment as the agent of the Assignee to receive service of process.

SECTION 3. Representations and Warranties of the Assignor. The Assignor represents and warrants to each of the Assignee, the Administrative Agent and the Banks, as of the date of this Agreement, as follows:

(a) It is a *sociedad anonima de capital variable*, duly organized and validly existing under the jurisdiction of its organization, and has all power and authority to execute and deliver this Agreement, to incur the obligations to be incurred as provided in this Agreement, and to perform the terms and provisions of this Agreement.

(b) It has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and the consummation of the Assignment. It has duly executed and delivered this Agreement, and this Agreement constitutes the legal, valid and binding obligations of the Assignor enforceable against the Assignor in accordance with its terms, subject to applicable bankruptcy, *concurso mercantil*, insolvency, moratorium and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) The execution, delivery and performance by the Assignor of this Agreement and the consummation of the Assignment are within the Assignor's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) conflict or be inconsistent with or, or result in a breach of, or constitute a default under, or result in the creation or imposition of any Lien upon any assets of the Assignor pursuant to the terms of, any contract, indenture, mortgage, deed of trust, credit agreement, loan agreement, note, lease or other instrument to which the Assignor is a party or by which it or any of its assets may be bound or subject, (ii) violate any provision of the organizational documents of the Assignor or any law binding on the Assignor, or (iii) require any approval, authorization, consent, order, license, registration, filing or qualification of or with any court or other Governmental Authority; except, in all cases, for any conflict, Lien, violation, approval or authorization that would not reasonably be expected to have a Material Adverse Effect.

(d) No Default or Event of Default has occurred and is continuing or will result from the execution, delivery or performance of this Agreement or the consummation of the Assignment.

(e) The representations and warranties of the Assignor set forth in Section 8.1 (except the representations and warranties set forth in Section 8.1(1) to the extent there has been a change in applicable law or regulation or in the interpretation thereof since the date of the Loan Agreement), and the representations and warranties of the Assignor made pursuant to the other Loan Documents to which the Assignor is a party, are true and correct on and as of the date hereof and the Assignment Effective Date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, such representation or warranty shall be true and correct as of such specific date).

SECTION 4. Representations and Warranties of the Assignee. The Assignee represents and warrants to each of the Assignor, the Administrative Agent and the Banks, as of the date of this Agreement, as follows:

(a) It is a *sociedad anonima de capital variable*, duly organized and validly existing under the jurisdiction of its organization, and has all power and authority to execute and deliver this Agreement and to consummate the Assignment, to incur the obligations to be incurred by it as provided in this Agreement, and to perform the terms and provisions of this Agreement.

(b) It has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and the consummation of the Assignment. It has duly executed and delivered this Agreement, and this Agreement and the Loan Documents constitute, the legal, valid and binding obligations of the Assignee enforceable against the Assignee in accordance with its terms, subject to applicable bankruptcy, *concurso mercantil*, insolvency, moratorium and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) The execution, delivery and performance by the Assignee of this Agreement, the consummation of the Assignment and the performance of the obligations under the Loan Documents are within the Assignee's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) conflict or be inconsistent with or, or result in a breach of, or constitute a default under, or result in the creation or imposition of any Lien upon any assets of the Assignee pursuant to the terms of, any contract, indenture, mortgage, deed of trust, credit agreement, loan agreement, note, lease or other instrument to which the Assignee is a party or by which it or any of its assets may be bound or subject, (ii) violate any provision of the organizational documents of the Assignee or any law binding on the Assignee, or (iii) require any approval, authorization, consent, order, license, registration, filing or qualification of or with any court or other Governmental Authority; except, in all cases, for any conflict, Lien, violation, approval or authorization that would not reasonably be expected to have a Material Adverse Effect.

(d) No Default or Event of Default has occurred and is continuing or will result from the execution of this Agreement or the consummation of the Assignment.

SECTION 5. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 6. Rights of Parties. Other than as expressly stated herein, this Agreement is made solely and specifically among and for the benefit of the parties hereto and their respective successors and permitted assigns, and no other person (other than the Banks) shall have any rights, interest or claims hereunder or be entitled to any benefits under or on account of this letter as a third-party beneficiary or otherwise.

SECTION 7. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, to the fullest extent permitted by applicable law, without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 8. Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. No party may assign this Agreement, or delegate any of its duties hereunder, without the prior written consent of each other party hereto, including the Administrative Agent, provided that, the Administrative Agent may not, and will not have any liability to any Person for failure to, consent to any assignment of this Agreement by Hylsa Industrias or delegation of duties hereunder by Hylsa Industrias without the prior written consent of each of the Banks.

SECTION 9. Loan Document. This Agreement shall constitute a "Loan Document" for all purposes of the Loan Agreement.

SECTION 10. Confirmation of Guarantees. Each of Ternium Mexico and IMSA Acero, by its execution of this Agreement, hereby confirms and ratifies that all of its obligations as a Guarantor under Section 16 of the Loan Agreement shall continue in full force and effect for the benefit of the Banks with respect to the Loan Agreement after giving effect to this Agreement and the Assignment.

SECTION 11. Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York.

SECTION 12. Jurisdiction.

(a) Any action or proceeding against any party to this Agreement relating in any way to this Agreement may be brought and enforced in the Federal courts of the United States for the Southern District of New York, the courts of the State of New York sitting in the Borough of Manhattan, New York City, and the courts of the corporate domicile of each of the parties hereto in respect of actions brought against each such party as a defendant, and each of the parties hereto irrevocably submits to the jurisdiction of each such court in respect of any such action or proceeding.

(b) Each of the Assignor and Assignee irrevocably waives to the fullest extent permitted by law all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, attachment (both before and after judgment) and execution to which it might otherwise be entitled in any action or proceeding relating in any way to this Agreement in the courts of Mexico, of the United States, of the State of New York or of any other country or jurisdiction, and neither the Assignor nor the Assignee will raise or claim or cause to be pleaded any such immunity at or in respect of any such action or proceeding.

(c) Each of the parties hereto irrevocably waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any such action or proceeding in the United States District Court for the Southern District of New York, or the Supreme Court of the State of New York, County of New York and any claim that any such action or proceeding brought in any such court has been brought in an inconvenient forum, and each party hereto waives any jurisdiction rights it may have by virtue of its present or any other future domicile, or otherwise.

(d) EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY NOW OR HEREAFTER HAVE TO A TRIAL BY JURY IN RESPECT OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

HYLSA, S.A. de C.V., as Assignor

By: _____
Name:
Title:

By: _____
Name:
Title:

HYLSA INDUSTRIAS, S.A. de C.V., as Assignee

By: _____
Name:
Title:

By: _____
Name:
Title:

TERNIUM MEXICO, as Guarantor

By: _____
Name:
Title:

By: _____
Name:
Title:

IMSA ACERO, S.A. de C.V., as Guarantor

By: _____
Name:
Title:

By: _____
Name:
Title:

CALYON NEW YORK BRANCH, as Administrative Agent

By _____
Name:
Title:

By: _____
Name:
Title:

[BANKS]

March 31, 2008

Calyon New York Branch
1301 Avenue of the Americas
New York, NY 10019

Attn. Marisol Ortiz
Client Banking Services
Facsimile No.: (212) 459-3172

We make reference to (i) the U.S.\$3,750,000,000 Loan Agreement, dated as of July 12, 2007 (as amended by Amendment No. 1 dated as of July 18, 2007, the "Loan Agreement"), among Hylsa, S.A. de C.V. ("Hylsa"), Ternium Mexico, S.A. de C.V. ("Ternium Mexico", formerly known as Grupo IMSA, S.A.B. de C.V.) as Borrowers, IMSA Acero, S.A. de C.V. ("Imsa Acero"), the Banks parties thereto and Calyon New York Branch, as Administrative Agent, and (ii) the consent from the Banks, dated as of December 21, 2007 (the "Consent"). All terms defined in the Loan Agreement or in the Consent and used but not otherwise defined herein have the meanings given to them in the Loan Agreement or in the Consent, as the case may be.

Please be informed that, effective as of March 31, 2008, the Hylsa Spin-Off, the Hylsa Assignment and the Hylsa Industrias-Ternium Merger (deemed to constitute the Transaction Merger contemplated under the Loan Agreement) have been consummated.

Pursuant to Section 1.2 of Consent, on the date hereof, Hylsa, Hylsa Industrias, Ternium Mexico and Imsa Acero have executed and delivered to the Administrative Agent, and the Administrative Agent acknowledges to have received and executed on the Banks' behalf, the assignment and assumption agreement, substantially in the form attached as Exhibit A to the Consent (the "Assignment and Assumption Agreement"), together with the certificates and documents required to be delivered pursuant to Section 2(b) of the Assignment and Assumption Agreement.

Pursuant to Section 1.3 of the Consent, we hereby deliver to the Administrative Agent, and the Administrative Agent hereby acknowledges receipt of:

(a) true and correct copies of (i) Hylsa's corporate resolution approving the Hylsa Spin-Off, attached as Attachment 1 hereto, and (ii) Hylsa Industrias and Ternium Mexico corporate resolutions approving the Hylsa Industrias-Ternium Merger and the agreement governing the Hylsa Industrias-Ternium Merger, attached as Attachment 2 hereto.

(b) an opinion of Ritch Mueller, S.C., special Mexican counsel to Hylsa, substantially in the form set forth in Exhibit B to the Consent, attached as Attachment 3 hereto.

(c) an irrevocable written acceptance by CT Corporation System of its appointment as the agent of Ternium Mexico as the Surviving Corporation to receive service of process (together with a power-of-attorney, duly notarized under Mexican law to that effect substantially in the form set forth in Exhibit C to the Consent), attached as Attachment 4 hereto.

(d) the Notes required to be delivered pursuant to Section 1.3(d) of the Consent, enclosed herewith.

Truly yours,

TERNIUM MEXICO S.A. DE C.V., as

Borrower under the Loan Agreement

By _____

Name:

Title:

By _____

Name:

Title:

AGREED AND ACCEPTED BY:

CALYON NEW YORK BRANCH, as
Administrative Agent under the Loan
Agreement

By _____

Name:

Title:

By: _____

Name:

Title:

[BANKS]

AMENDMENT No. 2

AMENDMENT NO. 2 to the Loan Agreement referred to below, dated as of November 18, 2008, by and among TERNIUM MÉXICO, S.A. DE C.V. (as Surviving Corporation under the Loan Agreement, the “Borrower”), Imsa Acero, S.A. de C.V. (“Imsa Acero”), as guarantor, the Banks executing this Amendment No. 2 on the signature pages hereto and CALYON NEW YORK BRANCH, in its capacity as Administrative Agent under the Loan Agreement referred to below (the “Administrative Agent”).

WHEREAS, Hylsa, S.A. de C.V. (“Hylsa”), from and after the IMSA Assumption Date, Grupo IMSA, S.A.B. de C.V., renamed as Ternium México, S.A. de C.V. (“Ternium México”), Imsa Acero, the banks party thereto, and the Administrative Agent, entered into a Loan Agreement, dated as of July 12, 2007, as modified by Amendment No. 1, dated as of July 18, 2007 (the “Loan Agreement”), providing for loans to the Borrower in an aggregate principal amount of up to U.S.\$3,750,000,000.

WHEREAS, effective as of March 31, 2008, (i) Hylsa assigned to Hylsa Industrias, S.A. de C.V. (“Hylsa Industrias”) all of its rights and obligations under the Loan Agreement and the other Loan Documents and Hylsa Industrias assumed all of such rights and obligations and acceded to the Loan Agreement and the other Loan Documents, as provided under the Assignment and Assumption Agreement, dated as of March 31, 2008, among Hylsa, Hylsa Industrias and the Administrative Agent; and (ii) Hylsa Industrias merged with and into Ternium México, with Ternium México being the surviving corporation and Hylsa Industrias ceasing to exist as a separate entity, as a result of which Ternium México is deemed to be the Surviving Corporation under the Loan Agreement.

WHEREAS, the Borrower and the Banks party hereto wish now to amend the Loan Agreement in certain respects, and accordingly, the parties hereto hereby agree as follows:

Section 1. Definitions. Except as otherwise defined in this Amendment No. 2, terms defined in the Loan Agreement are used herein as defined therein.

Section 2. Amendments. Subject to the satisfaction of the conditions precedent specified in Section 4 below, but effective as of the date hereof, the Loan Agreement shall be amended as follows:

2.01. **References Generally.** References in the Loan Agreement (including references to the Loan Agreement as amended hereby) to “this Agreement” (and indirect references such as “hereunder”, “hereby”, “herein” and “hereof”) shall be deemed to be references to the Loan Agreement as amended hereby.

2.02. **Definitions.** Section 1.01 of the Loan Agreement is hereby amended as follows:

(a) The defined term “Debt Incurrence” is deleted in its entirety.

(b) The defined term “Net Available Proceeds” is restated in its entirety to read as follows:

“Net Available Proceeds” means, with respect to any Equity Issuance, the aggregate amount of all cash received by the Borrower in respect of such Equity Issuance, as applicable, net of reasonable fees and expenses incurred by the Borrower in connection with such Equity Issuance.”

2.03 Mandatory Prepayments. Section 3.3 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

“3.3. *Mandatory Prepayments*.

Within five Banking Days after any Equity Issuance, the Borrower shall prepay the Loans in an aggregate amount equal to 100% of the Net Available Proceeds thereof, such prepayment to be effected in each case in the manner and to the extent specified in the last sentence of Section 3.4.”

Section 3. Representations and Warranties. The Borrower represents and warrants to the Administrative Agent and each Bank, as of the date of this Amendment No. 2, as follows:

3.01 The Borrower is a *sociedad anonima de capital variable*, duly organized and validly existing under the laws of Mexico and has all power and authority to execute and deliver this Amendment No. 2, to incur the obligations to be incurred as provided in this Amendment No. 2, the Loan Agreement as amended hereby, and the other Loan Documents, and to perform the terms and provisions of this Amendment No. 2, of the Loan Agreement as amended hereby, and of the other Loan Documents.

3.02 The Borrower has taken all necessary corporate action to authorize the execution and delivery of this Amendment No. 2 and the performance of this Amendment No. 2, the Loan Agreement as amended hereby and the other Loan Documents. The Borrower has duly executed and delivered this Amendment No. 2 and each of this Amendment No. 2, the Loan Agreement, as amended hereby and the other Loan Documents constitutes the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, *concurso mercantil*, insolvency, moratorium and similar laws affecting creditors’ rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

3.03 The execution and delivery by the Borrower of this Amendment No. 2, the performance of the Loan Agreement as amended hereby and the consummation of the transactions contemplated by this Amendment No. 2, the Loan Agreement as amended hereby and the other Loan Documents are within the Borrower’s corporate powers, have been duly authorized by all necessary corporate action, and do not (i) conflict with or, or result in a breach of, or constitute a default under, or result in the creation or imposition of any Lien upon any assets of the Borrower pursuant to the terms of, any contract, indenture, mortgage, deed of trust, credit agreement, loan agreement, note, lease or other instrument to which the Borrower is a party or by which it or any of its assets may be bound or subject, (ii) violate any provision of the organizational documents or other organizational documents of the Borrower or any law binding on the Borrower, or (iii) require any approval, authorization, consent, order, license, registration, filing or qualification of or with any court or other Governmental Authority; except, in all cases, for any conflict, Lien, violation, approval or authorization that would not reasonably be expected to have a Material Adverse Effect.

3.04 No event has occurred and is continuing, or would result from the execution of this Amendment No. 2 that constitutes, or would constitute, a Default or Event of Default under the Loan Agreement or any other Loan Document.

3.05 There are no actions, litigation, proceedings or claims pending or, to the best knowledge of the Borrower, threatened against the Borrower or any of its Material Subsidiaries the adverse determination of which would reasonably be expected to have a Material Adverse Effect.

3.06 The Borrowers' consolidated financial statements for the three-month period ended on June 30, 2008, are complete and correct, have been prepared in accordance with Mexican NIF, and fairly present in all material respects the consolidated financial position of the Borrower as at such date and the results of its consolidated operations for such period.

Section 4. Condition Precedent. The amendments set forth in Section 2 hereof shall become effective, as of the date hereof, upon receipt by the Administrative Agent of counterparts of this Amendment No. 2 executed by the Borrower and the Banks party to the Loan Agreement constituting the Required Banks.

Section 5. Confirmation of Guarantee. Imsa Acero, by its execution of this Amendment No. 2, hereby consents to this Amendment No. 2 and confirms and ratifies that all of its obligations as a Guarantor under Section 16 of the Loan Agreement shall continue in full force and effect for the benefit of the Administrative Agent and the Banks with respect to the Loan Agreement as amended hereby.

Section 6. Miscellaneous. Except as herein provided, the Loan Agreement shall remain unchanged and in full force and effect. This Amendment No. 2 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 2 by signing any such counterpart. This Amendment No. 2 shall be governed by, and construed in accordance with, the law of the State of New York.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be duly executed and delivered as of the day and year first above written.

TERNIUM MÉXICO, S.A. DE C.V.

By: _____
Name:
Title:

By: _____
Name:
Title:

IMSA ACERO, S.A. DE C.V.

By: _____
Name:
Title:

By: _____
Name:
Title:

ADMINISTRATIVE AGENT

CALYON NEW YORK BRANCH as Administrative Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

BANKS

CALYON NEW YORK BRANCH

By: _____
Name:
Title:

By: _____
Name: _____
Title: _____

CITIBANK N.A. NASSAU, BAHAMAS

By: _____
Name: _____
Title: _____

ABN AMRO BANK N.V.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

BANCO BILBAO VIZCAYA ARGENTARIA SA

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

BNP PARIBAS

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

DEUTSCHE BANK AG LONDON BRANCH

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

INTESA SAN PAOLO SPA

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

JPMORGAN CHASE BANK, N.A.

By: _____
Name: _____
Title: _____

BAYERISCHE HYPO – UND VEREINSBANK

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

BANK OF AMERICA N.A.

By: _____
Name: _____
Title: _____

SANTANDER S.A. as BANK

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

BAYERISCHE LANDESBANK, NEW YORK

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

CENTROBANCA – BANCA DE CREDITO FINANZIARIO E MOBILIARE SPA

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

HSBC MEXICO, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO HSBC, GRAND CAYMAN BRANCH

By: _____
Name: _____
Title: _____

COÖPERATIVE CENTRALE RAIFFEISEN – BOERENLEENBANK B.A., RABOBANK NEDERLAND, NEW YORK BRANCH

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

CASA DI RISPARMIO DI PARMA E PIACENZA SOCIETA PER AZIONI

By: _____
Name: _____
Title: _____

COMERICA BANK

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

GOLDMAN SACHS CREDIT PARTNERS LP

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

MIZUHO CORPORATE BANK, LTD.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

BANCA MONTE DEI PASCHI DI SIENA, SPA, NEW YORK BRANCH

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

NATIXIS

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

STANDARD CHARTERED BANK

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXPORT DEVELOPMENT CANADA

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

BANCO LATINOAMERICANO DE EXPORTACIONES SA

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

AMENDMENT No. 3

AMENDMENT NO. 3 to the Loan Agreement referred to below, dated as of April 6, 2011, by and among TERNIUM MÉXICO, S.A. DE C.V. (as the Surviving Corporation under the Loan Agreement, the "Borrower"), APM, S.A. DE C.V. (as successor in interest to IMSA Acero, S.A. de C.V., "APM"), as guarantor, each of the Banks party hereto, and CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK (formerly known as Calyon New York Branch), in its capacity as Administrative Agent under the Loan Agreement referred to below (the "Administrative Agent").

WHEREAS, Hylsa, S.A. de C.V. ("Hylsa"), from and after the IMSA Assumption Date, Grupo IMSA, S.A.B. de C.V., renamed as Ternium México, S.A. de C.V. ("Ternium Mexico"), APM, the Banks party thereto, and the Administrative Agent, entered into a Loan Agreement, dated as of July 12, 2007, as modified by Amendment No. 1, dated as of July 18, 2007, and Amendment No. 2, dated as of November 18, 2008 (the "Loan Agreement"), providing for loans to the Borrower in an aggregate principal amount of up to U.S.\$3,750,000,000;

WHEREAS, effective as of March 31, 2008, (a) Hylsa assigned to Hylsa Industrias, S.A. de C.V. ("Hylsa Industrias") all of its rights and obligations under the Loan Agreement and the other Loan Documents and Hylsa Industrias assumed all of such rights and obligations and acceded to the Loan Agreement and the other Loan Documents, as provided under the Assignment and Assumption Agreement, dated as of March 31, 2008, among Hylsa, Hylsa Industrias and the Administrative Agent; and (b) Hylsa Industrias merged with and into Ternium Mexico, with Ternium Mexico being the surviving corporation and Hylsa Industrias ceasing to exist as a separate entity, as a result of which Ternium Mexico is deemed to be the Surviving Corporation under the Loan Agreement and all references to Hylsa or IMSA in this Amendment No. 3 shall be deemed to refer to Ternium Mexico as the Surviving Corporation; and

WHEREAS, the Borrower and the Banks whose names appear on Schedule I hereto (collectively, the "Extending Banks") wish now to amend the Loan Agreement in certain respects to, among other things, extend the Tranche B Loan Final Maturity Date of a portion of the Hylsa Tranche B Loans and the IMSA Tranche B Loans, as specified on Schedule I hereto (such extended Hylsa Tranche B Loans, the "Extended Hylsa Tranche B Loans", such extended IMSA Tranche B Loans, the "Extended IMSA Tranche B Loans", collectively, the "Extended Tranche B Loans" and, any remaining Tranche B Loans (if any), the "Non-Extended Tranche B Loans");

NOW, THEREFORE, the parties hereto hereby agree as follows:

Section 1. Definitions. Except as otherwise defined in this Amendment No. 3, terms defined in the Loan Agreement are used herein as defined therein.

Section 2. Amendments. Subject to the satisfaction of the conditions precedent specified in Section 5 below, but effective as of the date hereof, the Loan Agreement shall be amended as follows:

2.01. References Generally. References in the Loan Agreement (including references to the Loan Agreement as amended hereby) to “this Agreement” (and indirect references such as “hereunder”, “hereby”, “herein” and “hereof”) shall be deemed to be references to the Loan Agreement as amended hereby.

2.02. Definitions. Section 1.1 of the Loan Agreement shall be amended by (a) amending and restating in their entirety the following definitions (to the extent already included in said Section 1.1) to read as set forth below and (b) inserting the following definitions in the appropriate alphabetical location (to the extent not already included in said Section 1.1):

“Amendment No. 3” means that certain Amendment No. 3 dated as of April 6, 2011 to this Agreement, between the Borrower, the Guarantor party thereto, the Banks party thereto and the Administrative Agent.

“Amendment No. 3 Effective Date” means the date on which the conditions specified in Section 5 of Amendment No. 3 are satisfied (or waived in accordance with Section 5 of Amendment No. 3).

“Extended Hylsa Tranche B Loan” means the portion of any Loan designated as a “Hylsa Tranche B Loan” in the applicable request for Advances delivered by Hylsa pursuant to Section 2.2, the Tranche B Loan Final Maturity Date and Tranche B Loan Payment Dates of which have been extended or modified, as applicable, pursuant to Amendment No. 3 and which is listed as an “Extended Hylsa Tranche B Loan” in Schedule I of Amendment No. 3.

“Extended IMSA Tranche B Loan” means the portion of any Loan designated as an “IMSA Tranche B Loan” in the applicable request for Advances delivered by IMSA pursuant to Section 2.2, the Tranche B Loan Final Maturity Date and Tranche B Loan Payment Dates of which have been extended or modified, as applicable, pursuant to Amendment No. 3 and which is listed as an “Extended IMSA Tranche B Loan” in Schedule I of Amendment No. 3.

“Extended Tranche B Loan Final Maturity Date” means July 23, 2014.

“Extended Tranche B Loan Payment Dates” means each of January 26, 2013, July 26, 2013, January 26, 2014 and July 23, 2014.

“Extended Tranche B Loans” means the Extended Hylsa Tranche B Loans and the Extended IMSA Tranche B Loans.

“Extending Banks” means each Bank in its capacity as a holder of Extended Tranche B Loans. No such Bank shall be deemed to be an Extending Bank in its capacity (if any) as a holder of Non-Extended Tranche B Loans.

“Hylsa Tranche B Loans” means the Extended Hylsa Tranche B Loans and the Non-Extended Hylsa Tranche B Loans.

“IMSA Tranche B Loans” means the Extended IMSA Tranche B Loans and the Non-Extended IMSA Tranche B Loans.

“Margin” means, for any day, (a) with respect to any Tranche A Loan or any Non-Extended Tranche B Loan, the applicable rate per annum set forth below under the caption “Margin for Tranche A Loans” or “Margin for Non-Extended Tranche B Loans,” respectively, and (b) with respect to any Extended Tranche B Loan (i) through (but excluding) July 26, 2011, the applicable rate per annum set forth below under the caption “Margin for Non-Extended Tranche B Loans,” (ii) from and after July 26, 2011 until (but excluding) July 26, 2012, the sum of the applicable rate per annum set forth below under the caption “Margin for Non-Extended Tranche B Loans” plus 50 basis points (0.50%) and (iii) from and after July 26, 2012, the sum of the applicable rate per annum set forth below under the caption “Margin for Non-Extended Tranche B Loans” plus 100 basis points (1.00%), in each case, based upon the Leverage Ratio as of the most recent date of determination thereof:

<u>Leverage Ratio</u>	<u>Margin for Tranche A Loans</u>	<u>Margin for Non-Extended Tranche B Loans</u>
Equal to or greater than 3.50 to 1.00	0.750%	0.850%
Equal to or greater than 3.00 to 1.00 but less than 3.50 to 1.00	0.650%	0.775%
Equal to or greater than 2.50 to 1.00 but less than 3.00 to 1.00	0.600%	0.725%
Equal to or greater than 2.00 to 1.00 but less than 2.50 to 1.00	0.500%	0.600%
Less than 2.00 to 1.00	0.400%	0.500%

For purposes of the foregoing, (i) the Leverage Ratio shall be determined as of the end of each fiscal quarter of the Borrowers’ fiscal year based upon the consolidated financial statements of each Borrower delivered pursuant to Section 9.6(a) or (b), (ii) each change in the Margin resulting from a change in the Leverage Ratio shall be effective during the period commencing on and including the date three Banking Days after delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change; provided that the highest then applicable Margin set forth above shall apply to the Tranche A Loans, the Non-Extended Tranche B Loans and the Extended Tranche B Loans if either of the Borrowers or both of them fail to deliver the consolidated financial statements required to be delivered by such Borrower pursuant to Section 9.6(a) or (b), during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered.

“Non-Extended Hylsa Tranche B Loan” means the portion of any Loan designated as a “Hylsa Tranche B Loan” in the applicable request for Advances delivered by Hylsa pursuant to Section 2.2 that is not an Extended Hylsa Tranche B Loan.

“Non-Extended IMSA Tranche B Loan” means the portion of any Loan designated as an “IMSA Tranche B Loan” in the applicable request for Advances delivered by IMSA pursuant to Section 2.2 that is not an Extended IMSA Tranche B Loan.

“Non-Extended Tranche B Loan Final Maturity Date” means July 26, 2012.

“Non-Extended Tranche B Loan Payment Date” means July 26, 2012.

“Non-Extended Tranche B Loans” means the Non-Extended Hylsa Tranche B Loans and the Non-Extended IMSA Tranche B Loans.

“Pro Rata Share” means, at any time, with respect to any Bank (a) for purposes of the definition of Required Banks and Section 13.7, the proportion that (i) the aggregate outstanding principal amount of the Loans owing to such Bank bears to (ii) the aggregate outstanding principal amount of all Loans and (b) for purposes of Sections 3.4 and 11.2, with respect to Hylsa Tranche A Loans, IMSA Tranche A Loans, Extended Hylsa Tranche B Loans, Extended IMSA Tranche B Loans, Non-Extended Hylsa Tranche B Loans, or Non-Extended IMSA Tranche B Loans, as applicable, the proportion that (i) the aggregate outstanding principal amount of the Hylsa Tranche A Loans, IMSA Tranche A Loans, Extended Hylsa Tranche B Loans, Extended IMSA Tranche B Loans, Non-Extended Hylsa Tranche B Loans, or Non-Extended IMSA Tranche B Loans, as applicable, owing to such Bank bears to (ii) the aggregate outstanding principal amount of all Hylsa Tranche A Loans, IMSA Tranche A Loans, Extended Hylsa Tranche B Loans, Extended IMSA Tranche B Loans, Non-Extended Hylsa Tranche B Loans, or Non-Extended IMSA Tranche B Loans, as applicable.

“Surviving Corporation” means Ternium México, S.A. de C.V., as the Person surviving the Transaction Merger.

“Tranche B Loan Final Maturity Date” means (i) with respect to the Non-Extended Tranche B Loans, the Non-Extended Tranche B Loan Final Maturity Date and (ii) with respect to the Extended Tranche B Loans, the Extended Tranche B Loan Final Maturity Date.

“Tranche B Loan Payment Dates” means the Extended Tranche B Loan Payment Dates and the Non-Extended Tranche B Loan Payment Date, as applicable.

“Tranche B Loans” means the Extended Tranche B Loans and the Non-Extended Tranche B Loans.

2.03. Repayment. Section 3.1 of the Loan Agreement shall be amended by:

(i) Amending and restating subsection (b) thereof in its entirety to read as follows:

“(b) Hylsa shall pay (i) the Non-Extended Hylsa Tranche B Loans on the Non-Extended Tranche B Loan Final Maturity Date and (ii) the Extended Hylsa Tranche B Loans on the Extended Tranche B Loan Payment Dates, in four equal installments, each in an amount equal to 25.00% of the aggregate principal amount of the Extended Hylsa Tranche B Loans outstanding on the Amendment No. 3 Effective Date; provided that any principal amount of the Extended Hylsa Tranche B Loans outstanding on the Extended Tranche B Loan Final Maturity Date shall be paid on such date;”.

(ii) Amending and restating subsection (d) thereof in its entirety to read as follows:

“(d) Hylsa or, if the IMSA Transaction shall have been consummated, IMSA shall pay (i) the Non-Extended IMSA Tranche B Loans on the Non-Extended Tranche B Loan Final Maturity Date and (ii) the Extended IMSA Tranche B Loans on the Extended Tranche B Loan Payment Dates, in four equal installments, each in an amount equal to 25.00% of the aggregate principal amount of the Extended IMSA Tranche B Loans outstanding on the Amendment No. 3 Effective Date; provided that any principal amount of the Extended IMSA Tranche B Loans outstanding on the Extended Tranche B Loan Final Maturity Date shall be paid on such date.”.

2.04. Other Payment Provisions. Section 3.4 of the Loan Agreement shall be amended and restated in its entirety to read as follows:

“**3.4 Other Payment Provisions**. Any partial repayment or prepayment hereunder shall be allocated among the Banks on the basis of their respective Pro Rata Shares. If either Borrower makes any payment of principal with respect to any Loan on any day that is not an Interest Payment Date, such Borrower shall reimburse each Bank in Dollars on demand for all reasonable losses (other than loss of anticipated profits or margin) arising from the reemployment of funds obtained, or the termination, liquidation or redeployment of deposits received, from third parties; provided, however, that such Borrower shall not be required to make any additional payments pursuant to this Section if such repayment or prepayment is the result of the events or circumstances contemplated in Section 3.3, Section 3.5, Section 9.14 or Section 14.4. For the purpose of calculating losses payable to any Bank under this Section 3.4, such Bank shall be deemed to have (a) actually funded its Loans through the purchase of a deposit bearing interest at LIBOR in an amount equal to the amount of its Loan Commitment and having a maturity comparable to the relevant Interest Period, and (b) reemployed the funds by depositing them at LIBOR for a period having a maturity comparable to the number of days from (x) the day of prepayment through (y) the last day of the relevant Interest Period. Any reimbursement request pursuant to this Section 3.4 shall be accompanied by a certificate of the relevant Bank setting forth in reasonable detail the basis for calculating such losses and shall be delivered to the applicable Borrower and shall be conclusive and binding for all purposes hereunder, absent manifest error. Any prepayments of the Loans hereunder shall be applied, first, rateably to the (i) Non-Extended Tranche B Loans and (ii) the remaining instalments of the Extended Tranche B Loans (on a pro rata basis) and, second, when the Extended Tranche B Loans and the Non-Extended Tranche B Loans shall have been paid in full, pro rata to the remaining instalments of the Tranche A Loans (it being understood that, in the event of any prepayment occurring during the period from the IMSA Assumption Date until, if the Transaction Merger shall become effective, the Transaction Merger Date, the amount of any such prepayment made by Hylsa shall be applied to the Hylsa Tranche B Loans or the Hylsa Tranche A Loans, as applicable, and the amount of any such prepayment made by IMSA shall be applied to the IMSA Tranche B Loans or the IMSA Tranche A Loans, as applicable).”.

2.05. Notes. Section 15.4(c) of the Loan Agreement shall be amended by (i) replacing the word “and” at the end of subclause (x) thereof with “;” and (ii) inserting at the end thereof, immediately prior to the period, the following words:

“and (z) on the Amendment No. 3 Effective Date the Custodian shall, upon confirmation by the Administrative Agent that Amendment No. 3 has become effective, cancel and return to the Surviving Corporation each Note issued by the Surviving Corporation to any Bank that becomes an Extending Bank pursuant to Amendment No. 3, representing the Tranche B Loans due to such Extending Bank, in simultaneous exchange for replacement Notes for each such Extending Bank which will be (A) (1) four new Principal Notes each dated the Amendment No. 3 Effective Date executed and delivered by the Surviving Corporation (with the signature *por aval* of APM) for the account of each Bank that becomes an Extending Bank pursuant to Amendment No. 3, each in an amount equal to 25.00% of the amount of principal of the Extended Tranche B Loans that remains due to such Bank after the occurrence of the Amendment No. 3 Effective Date, each such new Principal Note to be payable on the applicable Extended Tranche B Loan Payment Date, and (2) a new Accrued-Interest Note dated the Amendment No. 3 Effective Date executed and delivered by the Surviving Corporation (with the signature *por aval* of APM) for the account of each such Bank evidencing accrued and unpaid interest on the Extended Tranche B Loans evidenced by each of the applicable replaced Principal Notes payable on the first Interest Payment Date following the Amendment No. 3 Effective Date and (B) (1) a new Principal Note dated the Amendment No. 3 Effective Date executed and delivered by the Surviving Corporation (with the signature *por aval* of APM) for the account of each such Bank in an amount equal to the amount of principal of the Non-Extended Tranche B Loans (if any) that remains due to such Bank after the occurrence of the Amendment No. 3 Effective Date, payable on the Non-Extended Tranche B Loan Final Maturity Date, and (2) a new Accrued-Interest Note dated the Amendment No. 3 Effective Date executed and delivered by the Surviving Corporation (with the signature *por aval* of APM) for the account of each such Bank evidencing accrued and unpaid interest on the Non-Extended Tranche B Loans (if any) evidenced by each of the applicable replaced Principal Notes payable on the first Interest Payment Date following the Amendment No. 3 Effective Date”.

Section 3. Representations and Warranties. The Borrower represents and warrants to the Administrative Agent and each Bank, as of the date of this Amendment No. 3, as follows:

3.01 The Borrower is a *sociedad anónima de capital variable*, duly organized and validly existing under the laws of Mexico and has all power and authority to execute and deliver this Amendment No. 3, to incur the obligations to be incurred as provided in this Amendment No. 3, the Loan Agreement as amended hereby and the other Loan Documents, and to perform the terms and provisions of this Amendment No. 3, of the Loan Agreement as amended hereby and of the other Loan Documents.

3.02 The Borrower has taken all necessary corporate action to authorize the execution and delivery of this Amendment No. 3 and the performance of this Amendment No. 3, the Loan Agreement as amended hereby and the other Loan Documents. The Borrower has duly executed and delivered this Amendment No. 3 and each of this Amendment No. 3, the Loan Agreement as amended hereby and the other Loan Documents constitutes the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, *concurso mercantil*, insolvency, moratorium and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

3.03 The execution and delivery by the Borrower of this Amendment No. 3, the performance of the Loan Agreement as amended hereby and the consummation of the transactions contemplated by this Amendment No. 3, the Loan Agreement as amended hereby and the other Loan Documents are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not (a) conflict with or, or result in a breach of, or constitute a default under, or result in the creation or imposition of any Lien upon any assets of the Borrower pursuant to the terms of, any contract, indenture, mortgage, deed of trust, credit agreement, loan agreement, note, lease or other instrument to which the Borrower is a party or by which it or any of its assets may be bound or subject, (b) violate any provision of the organizational documents or other organizational documents of the Borrower or any law binding on the Borrower, or (c) require any approval, authorization, consent, order, license, registration, filing or qualification of or with any court or other Governmental Authority; except, in all cases, for any conflict, Lien, violation, approval or authorization that would not reasonably be expected to have a Material Adverse Effect.

3.04 No event has occurred and is continuing, or would result from the execution of this Amendment No. 3, which constitutes, or would constitute, a Default or Event of Default under the Loan Agreement or any other Loan Document.

3.05 There are no actions, litigation, proceedings or claims pending or, to the best knowledge of the Borrower, threatened against the Borrower or any of its Material Subsidiaries the adverse determination of which would reasonably be expected to have a Material Adverse Effect.

3.06 The Borrower's consolidated financial statements for the three-month period ended on September 30, 2010, are complete and correct, have been prepared in accordance with Mexican NIF, and fairly present in all material respects the consolidated financial position of the Borrower as at such date and the results of its consolidated operations for such period.

3.07 No withholding in respect of any taxes imposed by or within Mexico or any political subdivision or taxing authority thereof or therein is required to be made from any payment by such Borrower under the Loan Agreement as amended hereby or the other Loan Documents to which the Borrower is a party, except that payments in respect of the Loan Agreement as amended hereby or the other Loan Documents made to the Administrative Agent or the Banks, to the extent such payments represent interest and commitment fees, will be subject to withholding in respect of Mexican income tax at the rate in effect at the time such payments are made.

3.08 Neither the Borrower nor its property has any right of immunity on the ground of sovereignty or otherwise from jurisdiction, attachment (before or after judgment) or execution in respect of any action or proceeding relating in any way to this Amendment No. 3, the Loan Agreement as amended hereby or the other Loan Documents to which the Borrower is a party that may be brought in the courts of Mexico.

Section 4. Extension by Banks. By the execution and delivery of this Amendment No. 3, each Bank party hereto hereby (a) consents to the terms of this Amendment No. 3 and (b) agrees that, effective as of the Amendment No. 3 Effective Date, (i) it shall be, for purposes of the Loan Agreement as amended hereby, an Extending Bank with respect to its Extended Hylsa Tranche B Loans and its Extended IMSA Tranche B Loans as specified opposite its name in Schedule I hereto, (ii) the principal amount of its outstanding Hylsa Tranche B Loans and IMSA Tranche B Loans under the Loan Agreement in effect immediately prior to the Amendment No. 3 Effective Date and specified opposite its name in Schedule I hereto shall be extended pursuant to this Amendment No. 3 and shall be Extended Hylsa Tranche B Loans and Extended IMSA Tranche B Loans, respectively, under the Loan Agreement as so amended.

Section 5. Conditions Precedent. The amendments set forth in Section 2 and the consents and agreements of the Banks set forth in Section 4 shall become effective on the date on which each of the following conditions precedent shall have been satisfied (or waived by each Bank party hereto and, in the case of the condition precedent set forth in Section 5(a), which is established in the interest and for the benefit of the Banks party hereto and the Borrower, the Borrower) (such date, the "Amendment No. 3 Effective Date"):

(a) Executed Counterparts. The Administrative Agent shall have received counterparts of (A) this Amendment No. 3 signed on behalf of the Borrower, APM and Banks (i) constituting the Required Banks and (ii) whose Extended Tranche B Loans, as specified in Schedule I hereto, equal to an aggregate principal amount of not less than \$700,000,000 and (B) an amendment to the Custodian Agreement in accordance with Section 6 of this Amendment No. 3 signed on behalf of the Custodian, the Administrative Agent and the Borrower.

(b) New Notes. The Administrative Agent shall have received for delivery to the Custodian (i) (A) four new Principal Notes each dated the Amendment No. 3 Effective Date executed and delivered by the Borrower (with the signature *por aval* of APM) for the account of each Bank that becomes an Extending Bank pursuant to this Amendment No. 3, each in an amount equal to 25.00% of the amount of principal of the Extended Tranche B Loans that remains due to such Bank after the occurrence of the Amendment No. 3 Effective Date, each such new Principal Note to be payable on the applicable Extended Tranche B Loan Payment Date, and (B) a new Accrued-Interest Note dated the Amendment No. 3 Effective Date executed and delivered by the Borrower (with the signature *por aval* of APM) for the account of each such Bank evidencing accrued and unpaid interest on the Extended Tranche B Loans evidenced by each of the applicable replaced Principal Notes payable on the first Interest Payment Date following the Amendment No. 3 Effective Date and (ii) (A) a new Principal Note dated the Amendment No. 3 Effective Date executed and delivered by the Borrower (with the signature *por aval* of APM) for the account of each such Bank in an amount equal to the amount of principal of the Non-Extended Tranche B Loans (if any) that remains due to such Bank after the occurrence of the Amendment No. 3 Effective Date, payable on the Non-Extended Tranche B Loan Final Maturity Date, and (B) a new Accrued-Interest Note dated the Amendment No. 3 Effective Date executed and delivered by the Borrower (with the signature *por aval* of APM) for the account of each such Bank evidencing accrued and unpaid interest on the Non-Extended Tranche B Loans (if any) evidenced by each of the applicable replaced Principal Notes payable on the first Interest Payment Date following the Amendment No. 3 Effective Date.

(c) No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing.

(d) Corporate Documents. The Administrative Agent shall have received (i) a certificate of the Borrower, substantially in the form of Exhibit A hereto, together with the attachments specified therein, and (ii) a certificate of APM, substantially in the form of Exhibit B hereto, together with the attachments specified therein.

(e) Opinions. The Administrative Agent shall have received opinions of (i) Ritch Mueller, S.C., special Mexican counsel to the Borrower, substantially in the form of Exhibit C hereto and dated as of the Amendment No. 3 Effective Date (the Borrower hereby instructs such counsel to deliver such opinion to the Administrative Agent and the Banks), (ii) Jáuregui, Navarrete y Nader, S.C., special Mexican counsel to the Administrative Agent, in such form as the Administrative Agent may reasonably require and dated the Amendment No. 3 Effective Date, and (iii) Milbank, Tweed, Hadley & McCloy LLP, special New York counsel to the Administrative Agent, in such form as the Administrative Agent may reasonably require and dated the Amendment No. 3 Effective Date.

Section 6. Consent to Amendment to Custodian Agreement. The Banks party hereto hereby consent and agree to, and instruct the Administrative Agent to enter into, an amendment to the Custodian Agreement consistent with Sections 2.05 and 5(b) of this Amendment No. 3, without further consent of the Required Banks.

Section 7 Confirmation of Guarantee. APM, by its execution of this Amendment No. 3, hereby consents to this Amendment No. 3 and confirms and ratifies that all of its obligations as a Guarantor under Section 16 of the Loan Agreement shall continue in full force and effect for the benefit of the Administrative Agent and the Banks with respect to the Loan Agreement as amended hereby.

Section 8. Miscellaneous. Except as herein provided, the Loan Agreement shall remain unchanged and in full force and effect. This Amendment No. 3 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 3 by signing any such counterpart. This Amendment No. 3 shall be governed by, and construed in accordance with, the laws of the State of New York.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be duly executed and delivered as of the day and year first above written.

TERNIUM MÉXICO, S.A. DE C.V.

By: _____
Name:
Title:

By: _____
Name:
Title:

APM, S.A. DE C.V.

By: _____
Name:
Title:

By: _____
Name:
Title:

ADMINISTRATIVE AGENT

CRÉDIT AGRICOLE CORPORATE AND
INVESTMENT BANK, as Administrative Agent

By: _____

Name:

Title:

By: _____

Name:

Title:

BANKS

By: _____
Name:
Title:

SCHEDULE I

<u>Extending Bank</u>	<u>Amount of Extended HYLSA Tranche B Loans</u>	<u>Amount of Extended IMSA Tranche B Loans</u>	<u>Total Amount of Extended Tranche B Loans</u>
CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK (FORMERLY KNOWN AS CALYON NEW YORK BRANCH AND AS SUCCESSOR IN INTEREST TO STANDARD CHARTERD BANK)	\$37,250,459.74	\$78,670,747.11	\$115,921,206.85
BANCO NACIONAL DE MÉXICO, S.A., INTEGRANTE DEL GRUPO FINANCIERO BANAMEX (FORMERLY KNOWN AS BANCO NACIONAL DE MEXICO, S.A., INTEGRANTE DEL GRUPO FINANCIERO BANAMEX, ACTING THROUGH ITS NASSAU-BAHAMAS BRANCH AND AS SUCCESSOR IN INTEREST TO CITIBANK N.A., NASSAU, BAHAMAS BRANCH)	\$32,783,793.10	\$69,237,413.81	\$102,021,206.91
BBVA BANCOMER, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO BBVA BANCOMER, HOUSTON AGENCY (AS SUCCESSOR IN INTEREST TO BANCO BILBAO VIZCAYA ARGENTARIA S.A.)	\$30,407,977.84	\$64,219,833.77	\$ 94,627,811.61
INTESA SANPAOLO SPA – NEW YORK BRANCH (AS SUCCESSOR IN INTEREST TO INTESA SANPAOLO SPA)	\$28,552,022.16	\$60,300,166.21	\$ 88,852,188.37
JPMORGAN CHASE BANK, N.A.	\$27,246,666.67	\$57,543,333.33	\$ 84,790,000.00
UNICREDIT BANK AG – NEW YORK BRANCH (FORMERLY KNOWN AS BAYERISCHE HYPO-UND VEREINSBANK AG)	\$27,246,666.67	\$57,543,333.34	\$ 84,790,000.01
CENTROBANCA—BANCA DI CREDITO FINANZIARIO E MOBILIARE S.P.A.	\$ 6,700,000.00	\$14,150,000.00	\$ 20,850,000.00

HSBC MEXICO, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO HSBC, GRAND CAYMAN BRANCH (FORMERLY KNOWN AS HSBC, S.A., INSTITUCION DE BANCA MULTIPLE, GRUPO FINANCIERO HSBC, GRAND CAYMAN BRANCH)	\$ 9,952,271.61	\$ 21,018,603.47	\$ 30,970,875.08
CASSA DI RISPARMIO DI PARMA E PIACENZA S.P.A. (AS SUCCESSOR IN INTEREST TO CASSA DI RISPARMIO DI PARMA E PIACENZA SOCIETA PER AZIONI)	\$ 4,466,666.67	\$ 9,433,333.34	\$ 13,900,000.01
MIZUHO CORPORATE BANK, LTD.	\$ 4,466,666.67	\$ 9,433,333.34	\$ 13,900,000.01
NATIXIS – NEW YORK BRANCH (AS SUCCESSOR IN INTEREST TO NATIXIS)	\$ 4,466,666.67	\$ 9,433,333.34	\$ 13,900,000.01
EXPORT DEVELOPMENT CANADA	\$ 2,310,344.83	\$ 4,879,310.35	\$ 7,189,655.18
BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S. A. (AS SUCCESSOR IN INTEREST TO BANCO LATINOAMERICANO DE EXPORTACIONES, S.A.)	\$ 7,209,469.15	\$ 15,225,968.44	\$ 22,435,437.59
BANCO INBURSA, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO INBURSA (AS SUCCESSOR IN INTEREST TO BANCO INBURSA, S.A., INSTITUCION DE BANCA MULTIPLE, GRUPO FINANCIERO INBURSA, GRAND CAYMAN BRANCH)	\$ 16,784,925.91	\$ 35,448,761.42	\$ 52,233,687.33
BANCO SANTANDER (MÉXICO), S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO SANTANDER (AS SUCCESSOR IN INTEREST TO BANCO SANTANDER CENTRAL HISPANO, S.A.)	\$ 8,933,333.33	\$ 18,866,666.66	\$ 27,799,999.99
BANK OF AMERICA N.A.	\$ 9,241,379.31	\$ 19,517,241.38	\$ 28,758,620.69
TOTAL:	<u>\$258,019,310.33</u>	<u>\$544,921,379.31</u>	<u>\$802,940,689.64</u>

AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

This Amended and Restated Shareholders Agreement (this “*Agreement*”) is executed on January 16, 2012 (“*Execution Date*”), by and among:

1. Caixa dos Empregados da Usiminas, a Brazilian entity with its registered office at Rua Prof. José Vieira de Mendonça, 3011, 1º andar – Engenho Nogueira, 31310-260—Belo Horizonte – MG, enrolled with the CNPJ under No. 16.619.488/0001-70 (“*CEU*”);
2. Confab Industrial S.A., a Brazilian company with its registered office at Rua Manoel Coelho nº 303, 7º andar, Conjunto 72, Centro São Caetano do Sul, 09510-100, São Paulo—SP, Brazil, enrolled with the National Register of Legal Entity (*Cadastro Nacional de Pessoa Jurídica*—CNPJ) under No. 60.882.628/0001-90 (“*Confab*”);
3. Metal One Corporation, a Japanese company with its registered office at 23-1, 3-chome, Shiba, Minato-ku, Tokyo 105-0014, Japan and an Affiliate of Mitsubishi Corporation enrolled with the CNPJ under No. 05.733.199/0001-80 (“*Metal One*”);
4. Mitsubishi Corporation do Brasil, S.A., a Brazilian company with its registered office at Avenida Paulista, 1294, 22nd and 23rd floors, 01310-915, Sao Paulo -SP, Brazil, enrolled with the CNPJ under No. 61.090.619/0001-29 (“*Mitsubishi*”);
5. Nippon Steel Corporation, a Japanese company with its registered office at 6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8071, Japan, enrolled with the CNPJ under No. 05473.413/0001-07 (“*NSC*”);
6. Nippon Usiminas Co., Ltd., a Japanese company with its registered office at 6-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan, enrolled with the CNPJ under No. 05.527.337/0001-75 (“*NU*”);
7. Prosid Investments S.C.A., a Uruguayan company with its registered office at La Cumparsita 1373, 2º Piso, Montevideo 11200, Uruguay (“*Prosid*”);
8. Siderar S.A.I.C., an Argentine company with its registered office at Carlos M. Della Paolera 299, piso 16, C1001AAF, Buenos Aires, Argentina (“*Siderar*”); and
9. Ternium Investments S.à r.l., a Luxembourg company with its registered office at 29, avenue de la Porte-Neuve, L-2227 Luxembourg, Grand-Duchy of Luxembourg, enrolled with the CNPJ under No. 12.659.927/ 0001-17 (“*Ternium*”), and

as an intervening party,

Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS, a Brazilian company with its registered office at Rua Prof. José Vieira de Mendonça, 3011, 31310-260 Belo Horizonte – MG, Brazil, enrolled with the CNPJ under No. 60.894.730/0001-5 (“*Usiminas*”).

RECITALS

- A. An agreement of Usiminas was executed on February 13, 1998, and was thereafter (a) amended and restated as of January 20, 2004, by NU, CEU, FAP Empreendimentos Ltda., Banco Comercial de Investimentos Sudameris S.A., Rio Negro Participações Ltda., De Castro Loureiro Eng. Ind. e Com. Ltda., Votorantim Participações S/A (“**Votorantim S/A**”), Camargo Corrêa S.A. (“**Camargo**”), Banco Bradesco S.A., Bradesco Capitalização S.A and Bradesco Vida e Previdência S.A., and (b) further amended and restated as of November 6, 2006, by NU, CEU, Votorantim S/A, Camargo, Construções e Comércio Camargo Corrêa S.A., Camargo Corrêa Cimentos S/A, MC Development do Brasil Ltda., Metal One, Carlos Jorge Loureiro, Companhia Vale do Rio Doce and NSC (such agreement, as so amended and restated, the “**Original Agreement**”), to govern the relations among the parties thereto as shareholders of Usiminas (such parties, or their successors and assigns, the “**Original Shareholders**”).
- B. Pursuant to Section 5.1 of the Original Agreement, the Original Agreement shall be valid until November 6, 2021, unless the Original Agreement is terminated upon the tenth anniversary of the execution thereof (the “**Early Termination**”) upon request of Original Shareholders representing more than fifteen percent (15%) of all the Registered Shares (as defined in the Original Agreement) (the “**Original Agreement Registered Shares**”) through delivery of a Termination Notice (as defined in the Original Agreement) to all other Original Shareholders no later than the date which is sixty (60) days following November 6, 2016.
- C. On November 27, 2011,
- (a) VBC Energia S.A. (“**VBC**”) (successor of Camargo, Construções e Comércio Camargo Corrêa S.A. and Camargo Corrêa Investimento em Infra-estrutura S.A., as authorized by the Original Agreement) entered into a share purchase agreement (the “**VBC SPA**”) with Confab, Prosid, Siderar and Ternium pursuant to which VBC agreed to sell, and Confab, Prosid, Siderar and Ternium agreed to purchase, on the terms and subject to the conditions set forth in the VBC SPA, all of the Original Agreement Registered Shares held by VBC, which total 65,606,926 ordinary shares without nominal value (the “**VBC Shares**”), representing approximately 12.98% of the ordinary shares issued and outstanding, approximately 6.47% of the total share capital of Usiminas, and approximately 20.33% of the Original Agreement Registered Shares;
 - (b) Votorantim Industrial S.A. (“**Votorantim**”) entered into a share purchase agreement (the “**Votorantim SPA**” and, together with the VBC SPA, the “**V/C SPAs**”) with Confab, Prosid, Siderar and Ternium pursuant to which Votorantim agreed to sell, and Confab, Prosid, Siderar and Ternium agreed to purchase, on the terms and subject to the conditions set forth in the Votorantim SPA, all of the Original Agreement Registered Shares held by Votorantim, which total 65,606,930 ordinary shares without nominal value (the “**Votorantim Shares**” and, together with the VBC Shares, the “**V/C Shares**”), representing approximately 12.98% of the ordinary shares issued and outstanding, approximately 6.47% of the total share capital of Usiminas, and approximately 20.33% of the Original Agreement Registered Shares;

- (c) CEU entered into a share purchase agreement with Confab, Prosid, Siderar and Ternium (the “*CEU-T/T SPA*”) pursuant to which CEU agreed to sell, and Confab, Prosid, Siderar and Ternium agreed to purchase, on the terms and subject to the conditions set forth in the CEU-T/T SPA, a portion of the Original Agreement Registered Shares held by CEU, which total 8,527,440 ordinary shares without nominal value (the “*CEU-T/T Shares*”), representing approximately 1.69% of the ordinary shares issued and outstanding, approximately 0.84% of the total share capital of Usiminas, and approximately 2.64% of the Original Agreement Registered Shares;
 - (d) CEU entered into a share purchase agreement with NSC (the “*CEU-NSC SPA*” and, together with the V/C SPAs and the CEU-T/T SPA, the “*SPAs*”) pursuant to which CEU agreed to sell, and, subject to the resolution of the board of directors of NSC ratifying the execution and delivery thereof and performance thereunder, NSC agreed to purchase, on the terms and subject to the conditions set forth in the CEU-NSC SPA, a portion of the Original Agreement Registered Shares held by CEU, which total 8,527,440 ordinary shares without nominal value (the “*CEU-NSC Shares*”), representing approximately 1.69% of the ordinary shares issued and outstanding, approximately 0.84% of the total share capital of Usiminas, and approximately 2.64% of the Original Agreement Registered Shares; and
 - (e) On November 27, 2011, CEU, Confab, Metal One, Mitsubishi, NSC, NU, Prosid, Siderar and Ternium, with Usiminas as intervening party, entered into an amended and restated shareholders agreement of Usiminas, written in the English language (the “*A&RSHA*”), the effectiveness of which was subject to certain conditions precedent, particularly the completion of the acquisition of the V/C Shares by T/T Group pursuant to the V/C SPAs.
- D. Following the completion on the Execution Date of the acquisition of the V/C Shares, the CEU-T/T Shares and the CEU-NSC Shares pursuant to the SPAs (collectively, the “*Acquisitions*”), the Parties became the owners of all the Original Agreement Registered Shares. In addition, as of the Execution Date, all the conditions precedent set forth in the A&RSHA have already been satisfied.
- E. In view of the foregoing, the Parties wish to enter into a revised English-language agreement without any conditions precedent to effectiveness that, effective as from the Execution Date, will amend and restate the Original Agreement and the A&RSHA, and will govern their relations as shareholders and members of the control group of Usiminas. In addition, the Parties will enter into a Portuguese-language version of this Agreement (entitled “*Acordo de Acionistas Aditado e Consolidado*”) dated the Execution Date which, as provided in Section 9.7 hereof (and in *Cláusula 9.7* thereof), shall prevail over this Agreement in the event of inconsistencies.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the Parties agree as follows:

Section 1. Definitions

For the purposes of this Agreement, the following terms have the respective meanings specified therefor in this Section 1:

- 1.1 “*Affiliate*” of any Person means any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to control another Person if such first Person owns, directly or indirectly, more than fifty percent (50%) of the voting stock of the second Person or has the power, directly or indirectly, to elect or remove a majority of the members of the board of directors, trustees or comparable governing body of such second Person. For the purpose of this Agreement, any investment fund (*fundo de investimento*) controlled by CEU to which the Registered Shares owned by CEU are Transferred in accordance with Section 3.3 shall be deemed to be an Affiliate of CEU for so long as (a) CEU remains at all times the beneficial owner of such Registered Shares (b) no Person, other than a financial institution that is the manager of such investment fund or the Person who acts on behalf of CEU and according to the instructions of CEU has the right to exercise the voting rights pertaining to such Registered Shares, and (c) in case such investment fund is terminated, dissolved or liquidated, such Registered Shares must be Transferred back to CEU upon such termination, dissolution or liquidation (as the case may be).
- 1.2 “*Bankruptcy Event*” means, with respect to any Person, the entry of a decree or order by a court of competent jurisdiction declaring such Person bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Person under applicable Law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of such Person or of any substantial portion of its property, or ordering the winding up or liquidation of such Person’s affairs, and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days; or the consent by such Person to the institution of bankruptcy or insolvency proceedings against it, or the filing by such Person of a petition or answer or consent seeking reorganization or relief under the applicable Law, or the consent by such Person to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of such Person or of any substantial portion of its property, or the making by such Person of an assignment for the benefit of its creditors, or the admission by such Person in writing of its inability to pay its debts generally as they fall due and its willingness to be adjudicated a bankrupt.

- 1.3 “**BM&FBovespa**” means BM&FBOVESPA S.A – Bolsa de Valores, Mercadorias e Futuros, or any successor entity thereof.
- 1.4 “**Board of Directors**” means the board of directors (*Conselho de Administração*) of Usiminas.
- 1.5 “**Bylaws**” means Usiminas’ *estatuto social* (as the same may be amended, or amended and restated, from time to time).
- 1.6 “**CEU Group**” means CEU and/or any of its Affiliates becoming parties hereto in connection with any Transfer of any Registered Shares to any such Affiliates in accordance with the terms of this Agreement, and/or any other Person (other than any Shareholder belonging to another Group or any Affiliates of any such Shareholder) to which any Registered Shares of CEU or its Affiliates are Transferred in accordance with Section 3.4(d).
- 1.7 “**Change of Control**” means the occurrence of one of the following events with respect to a Shareholder:
- (a) any Person or group of Persons, other than (x) the Person or group of Persons that, on the Execution Date, are the controlling shareholder(s) of such Shareholder or a Shareholder belonging to the same Group as such Shareholder, (y) any employee benefit plan(s) or related trust(s) sponsored or maintained by such Shareholder or other Shareholders belonging to the same Group as such Shareholder (or by any Affiliate of any such Shareholder(s)), or (z) any Affiliate of such Shareholder or other Shareholders belonging to the same Group as such Shareholder, becomes the record or beneficial owner, directly or indirectly, of fifty percent (50%) or more of the aggregate voting power of such Shareholder’s outstanding securities ordinarily having the right to vote at elections of directors or equivalent corporate officers;
 - (b) individuals who constitute the board of directors or equivalent governing body of such Shareholder on the Execution Date (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the board of directors or equivalent governing body of such Shareholder (or of the corporation or other form of business entity resulting from the consummation of a reorganization, merger, consolidation, scheme of arrangement, sale or other disposition of all or substantially all of the assets of such Shareholder or similar form of corporate transaction involving such Shareholder (the “**Surviving Corporation**”). For the avoidance of doubt, any individual becoming a director or equivalent corporate officer after the Execution Date whose election, or nomination for election by the shareholders or quotaholders of such Shareholder or Surviving Corporation (as the case may be), was approved by (i) a vote of at least a majority of the directors or equivalent corporate officers comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of such Shareholder or Surviving Corporation in which such person is named as a nominee for director or equivalent corporate officer, without objection to such nomination) or (ii) the required votes of the shareholders or quotaholders of such Shareholder or the Surviving Corporation (as the case may be) in a general meeting of shareholders or quotaholders of such Shareholder or the Surviving Corporation (as the case may be) held in accordance with applicable Law, shall be deemed to be a member of the Incumbent Board for all purposes under this paragraph (b); or

- (c) such Shareholder's shareholders or quotaholders approve a plan of complete liquidation or dissolution of the Shareholder which would result in an assignment or Transfer of the Registered Shares owned by such Shareholder to a Person other than an Affiliate of such Shareholder, or the consummation of a sale of all or substantially all of such Shareholder's assets to any Person other than an Affiliate of such Shareholder;

it being understood, however, that with respect to CEU, the provisions of items (a) and (b) above shall not apply as long as CEU remains as an *Entidade Fechada de Previdência Complementar*.

1.8 "**Corporations Law**" means Brazil's *Lei* N° 6.404 of December 15, 1976 (as amended from time to time).

1.9 "**Executive Board**" means the executive board (*Diretoria*) of Usiminas.

1.10 "**General Meeting**" means a general shareholders' meeting (*Assembleia Geral de Acionistas*) of Usiminas.

1.11 "**Government Authorization**" means any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of, any Governmental Body or pursuant to any Law.

1.12 "**Governmental Body**" means any:

- (a) nation, state, county, city, town, village, district, or other jurisdiction of any nature;
- (b) federal, state, local, municipal, foreign, or other government;
- (c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal);
- (d) multi-national organization or body;
- (e) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature; or
- (f) any other regulatory authority or any recognized stock exchange.

- 1.13 “**Group**” means CEU Group, NSC Group or T/T Group, as the context requires.
- 1.14 “**Law**” means any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, rule, regulation, statute, or treaty, and any order, rule or regulation of any Governmental Body.
- 1.15 “**NSC Group**” means NSC, NU, Mitsubishi and Metal One and/or any of their Affiliates becoming parties hereto in connection with any Transfer of any Registered Shares to any such Affiliates in accordance with the terms of this Agreement, and/or any other Person (other than any Shareholder belonging to another Group or any Affiliates of any such Shareholder) to which any Registered Shares of NSC, NU, Mitsubishi, Metal One or any of their Affiliates are Transferred in accordance with Section 3.4 (d).
- 1.16 “**Ordinary Resolution**” means a resolution adopted by the Shareholders at a Preparatory Meeting with the approval of Shareholders holding, in the aggregate, not less than sixty-five percent (65%) of the total number of Registered Shares.
- 1.17 “**Person**” means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, Governmental Body, or any other entity.
- 1.18 “**Registered Shares**” means the Shares that are subject to this Agreement.
- 1.19 “**Shareholder**” or “**Shareholders**” or “**Party**” or “**Parties**” means a party or parties to this Agreement (including any Person or Persons becoming parties hereto in connection with a Transfer of Registered Shares in accordance with this Agreement).
- 1.20 “**Shares**” means the ordinary shares (*ações ordinárias*) of Usiminas.
- 1.21 “**Transfer**” means to sell, assign, transfer or dispose of, directly or indirectly (including through the sale, assignment, lease, transfer or other disposition of shares or other equity interests in a Person).
- 1.22 “**T/T Group**” means Confab, Prosid, Siderar and Ternium and/or any of their Affiliates becoming parties hereto in connection with any Transfer of any Registered Shares to any such Affiliates in accordance with the terms of this Agreement, and/or any other Person (other than any Shareholder belonging to another Group or any Affiliates of any such Shareholder) to which any Registered Shares of Confab, Prosid, Ternium or any of their Affiliates are Transferred in accordance with Section 3.4(d).

Certain other terms are defined elsewhere in this Agreement, as noted on the table below:

<u>TERM</u>	<u>SECTION</u>
“A&RSHA”	Recital C(e)
“Acquisitions”	Recital D
“Agreement”	Preamble
“Camargo”	Recital A
“CEU”	Preamble
“CEU-NSC Shares”	Recital C(d)
“CEU-NSC SPA”	Recital C(d)
“CEU Section 5.3(b)(ii)(A) Notice”	Section 5.3(b)
“CEU-T/T SPA”	Recital C(c)
“CEU-T/T Shares”	Recital C(c)
“CEU Withdrawal Notice”	Section 5.3
“CEU Withdrawal Effective Date”	Section 5.3(b)
“Conditioned Transfer”	Section 3.4(f)
“Confab”	Preamble
“Confidential Information”	Section 6
“Disclosing Party”	Section 6
“Early Termination”	Recital B
“Execution Date”	Preamble
“Material Original Terms”	Section 3.4(a)
“Metal One”	Preamble
“Mitsubishi”	Preamble
“NSC”	Preamble
“NU”	Preamble
“Occurrence Notice”	Section 3.7
“Original Agreement”	Recital A
“Original Agreement Registered Shares”	Recital B
“Original Shareholders”	Recital A
“Preparatory Meeting”	Section 4.1
“Prosid”	Preamble
“Right of First Refusal Exercise Notice”	Section 3.4(a)
“Section 3.4 Government Authorization Expiration Date”	Section 3.4(a)
“Section 3.4 Notice”	Section 3.4(a)
“Section 3.4 Period”	Section 3.4(a)
“Section 3.4(b) Purchase Period”	Section 3.4(b)
“Section 3.4 Shares”	Section 3.4

<u>TERM</u>	<u>SECTION</u>
“Section 3.4 Transferee”	Section 3.4(a)
“Section 3.5 Defaulting Shareholder”	Section 3.5
“Section 3.5 Non-Defaulting Shareholders”	Section 3.5
“Section 5.3 Period”	Section 5.3(a)
“Section 5.3 Shares”	Section 5.3(a)
“Section 5.3(a) Exercise Notice”	Section 5.3(a)
“Siderar”	Preamble
“SPAs”	Recital C(d)
“Special Resolution”	Section 4.3
“Termination Date”	Section 5.1
“Ternium”	Preamble
“Usiminas”	Preamble
“VBC”	Recital C(a)
“VBC Shares”	Recital C(a)
“VBC SPA”	Recital C(a)
“V/C Shares”	Recital C(b)
“V/C SPAs”	Recital C(b)
“Votorantim S/A”	Recital A
“Votorantim”	Recital C(b)
“Votorantim Shares”	Recital C(b)
“Votorantim SPA”	Recital C(b)

Section 2. Shares Subject to Shareholders Agreement

2.1 Following the consummation of the Acquisitions, the number and percentage of the Registered Shares owned by each Shareholder on the Execution Date are as set forth opposite its name in the table below:

<u>Shareholder</u>	<u>Number of Registered Shares held</u>	<u>Percentage over total Registered Shares</u>
NU	119,969,788	37.18%
NSC	20,621,196	6.39%
Mitsubishi	7,449,544	2.31%
Metal One	759,248	0.24%
NSC Group	148,799,776	46.12%
Ternium	84,741,296	26.26%
Siderar	10,000,000	3.10%
Prosid	20,000,000	6.20%
Confab	25,000,000	7.75%
T/T Group	139,741,296	43.31%
CEU	34,109,761	10.57%
CEU Group	34,109,761	10.57%
Total Registered Shares	322,650,834	100%

The number of the Registered Shares shall remain unaltered throughout the term of this Agreement; except that any new Shares issued after the Execution Date in connection with (a) any capitalization of Usiminas' reserves, to the extent the new bonus Shares (*ações bonificadas*) are issued in respect of such Shareholder's Registered Shares, or (b) any split (*desdobramentos*) or grouping (*grupamento*) of the Registered Shares, shall constitute Registered Shares for all purposes under this Agreement.

- 2.2 The Shareholders hereby covenant and agree that, while any of them or their respective Affiliates may from time to time acquire and/or hold Shares not bound by this Agreement (i.e., Shares other than the Registered Shares), each of them shall vote any and all such Shares owned by it, and cause its Affiliates to vote any and all Shares owned by such Affiliates, in accordance with any decisions adopted by the Shareholders at a Preparatory Meeting pursuant to Section 4 (Voting).

Section 3. Transfer of Shares

- 3.1 Except as set forth in this Section 3, a Shareholder may not Transfer, or create, or suffer or permit to exist, any mortgage, pledge, hypothecation, lien, security interest, assignment by way of security or other encumbrance on, all or any portion of its Registered Shares without the prior written consent of all the other Shareholders.
- 3.2 **Intra Group Transfers.** Any Shareholder belonging to NSC Group, T/T Group or CEU Group may Transfer all or any portion of its Registered Shares to any other Shareholder belonging to the same Group as such Shareholder; provided that the Transferring Shareholder shall give to the other Shareholders and Usiminas written notice of the intended Transfer no later than five (5) days prior to the intended Transfer.

- 3.3 **Transfers to Affiliates.** Without limiting the Shareholders' rights under Section 3.2, any Shareholder may Transfer all or any portion of its Registered Shares to any of its Affiliates; provided that (a) the Transferring Shareholder shall give to the other Shareholders and Usiminas written notice of the intended Transfer not later than ten (10) days prior to the intended Transfer providing for reasonable detail on such Affiliate (including the identity of such Affiliate and reasonable evidence that such Affiliate qualifies as an "Affiliate" (as defined in Section 1.1) of the Transferring Shareholder); (b) prior to, or simultaneously with the consummation of such Transfer, such Affiliate shall execute a written instrument pursuant to which, effective as of the consummation of such Transfer, such Affiliate shall become a party to this Agreement and assume all of the rights and obligations of the Transferring Shareholder under this Agreement with respect to the Registered Shares to be Transferred, with such Registered Shares remaining bound by this Agreement; and (c) the Transferring Shareholder shall remain liable for the performance of such Affiliate's obligations under this Agreement.
- 3.4 **Third-Party Transfers; Right of First Refusal.** If any Shareholder belonging to NSC Group, T/T Group or CEU Group has the *bona fide* intention, and receives a written offer, to Transfer all or any portion of its Registered Shares (the "**Section 3.4 Shares**") to a Person other than an Affiliate of such Shareholder or a Shareholder belonging to the same Group as such Shareholder, then such Transferring Shareholder shall follow the procedures below:
- (a) The Transferring Shareholder shall deliver, as promptly as practicable, and in no event later than five (5) days following the receipt of such offer, a written notice (the "**Section 3.4 Notice**") to the other Shareholders and Usiminas including:
 - (i) a representation that such Shareholder intends to accept such offer;
 - (ii) the name, address, telephone number and principal business of the proposed Transferee (the "**Section 3.4 Transferee**"), specifying whether the Section 3.4 Transferee is engaged, directly or through an Affiliate, in any business in which Usiminas or any of its subsidiaries is engaged;
 - (iii) if any Government Authorization is required for the consummation of the Transfer, description of such required Government Authorization and, if the Transferring Shareholder belongs to CEU Group, the date (as shall be specified in the offer) by which any such Government Authorization must be obtained (the "**Section 3.4 Government Authorization Expiration Date**"); and
 - (iv) the number of Section 3.4 Shares to be Transferred and a description of all material terms and conditions on which such Section 3.4 Shares are to be Transferred, including purchase price, payment terms and conditions, closing conditions, indemnification provisions (including any termination or break-up fees, monetary adjustments, penalties, loss of upfront payments), termination provisions and post-closing indemnification provisions (if any) (the "**Material Original Terms**") as set forth in the written offer to Transfer the Section 3.4 Shares.

Usiminas shall, no later than one (1) Business Day upon receipt of the Section 3.4 Notice, inform in writing all Shareholders of the date on which it received the Section 3.4 Notice.

Each Shareholder (other than the Transferring Shareholder) shall have the option (but not the obligation) to purchase (either directly and/or through its Affiliate(s)) the Section 3.4 Shares pursuant to the procedures described below in this Section 3.4 on the same terms as the Material Original Terms and subject to Section 3.4(f).

Within sixty (60) days after receipt of the Section 3.4 Notice by Usiminas (the "Section 3.4 Period"), each Shareholder (other than the Transferring Shareholder) shall have the option (but not the obligation) to give notice to the other Shareholders and Usiminas stating such Shareholder's irrevocable election as to whether or not to purchase (either directly and/or through its Affiliate(s)) either its pro rata portion or all of the Section 3.4 Shares (the "**Right of First Refusal Exercise Notice**"), it being understood and agreed that if a Shareholder does not give such notice during the Section 3.4 Period, that Shareholder shall be deemed to have chosen not to purchase any Section 3.4 Shares.

The applicable "*pro rata portion*" of each Shareholder shall be calculated as follows:

- (i) for the purpose of Section 3.4(b), it shall be such proportion, expressed in percentage terms, as (x) the number of Registered Shares owned by such Shareholder *bears to* (y) the aggregate number of Registered Shares owned by the Group to which such Shareholder belongs, excluding the Registered Shares owned by the Transferring Shareholder; or
 - (ii) for the purpose of Section 3.4(c), it shall be such proportion, expressed in percentage terms, as (x) the number of Registered Shares owned by such Shareholder *bears to* (y) the aggregate number of Registered Shares owned by all Shareholders, excluding the Registered Shares owned by the Group to which the Transferring Shareholder belongs.
- (b) Shareholders belonging to the same Group as the Transferring Shareholder shall have the first priority to acquire, in accordance with the provisions below, the Section 3.4 Shares; provided that they acquire all (but not less than all) of the Section 3.4 Shares. Unless otherwise agreed among all Shareholders belonging to the same Group as the Transferring Shareholder that provide a Right of First Refusal Exercise Notice, the allocation of such Section 3.4 Shares among such Shareholders shall be made in accordance with the following rules:
- (i) If only one Shareholder belonging to the same Group as the Transferring Shareholder provides a Right of First Refusal Exercise Notice and if (x) such Right of First Refusal Exercise Notice states an election to purchase all of the Section 3.4 Shares, then such Shareholder (or the Affiliate(s) indicated in such Shareholder's Right of First Refusal Exercise Notice) shall have the obligation to purchase all of the Section 3.4 Shares on the same terms as the Material Original Terms (subject to Section 3.4(f)) or (y) such Right of First Refusal Exercise Notice states an election to purchase its pro rata portion of the Section 3.4 Shares, then such Shareholder shall have the option (but not the obligation) to purchase (either directly or through any Affiliate(s)) all of the Section 3.4 Shares on the same terms as the Material Original Terms (subject to Section 3.4(f)), which option shall be exercised by giving written notice to that effect to the other Shareholders and Usiminas no later than by the expiration of the Section 3.4(b) Purchase Period (as defined below).

- (ii) If two or more Shareholders belonging to the same Group as the Transferring Shareholder provide a Right of First Refusal Exercise Notice, then, and irrespective of whether they stated an election to purchase their pro rata portion or all of the Section 3.4 Shares, such Shareholders (or the Affiliate(s) indicated in their respective Right of First Refusal Exercise Notices) shall have the obligation to purchase their corresponding pro rata portions of the Section 3.4 Shares on the same terms as the Material Original Terms (subject to Section 3.4(f)), subject to appropriate adjustments to eliminate any fractional Shares; provided that no such Shareholder may purchase its pro rata portion of the Section 3.4 Shares unless all such Shareholders purchase, in the aggregate, all (and not less than all) the Section 3.4 Shares. Unless otherwise agreed among such Shareholders, the allocation of any remaining Section 3.4 Shares among such Shareholders shall be made in accordance with the following rules:
- (A) if only one of such Shareholders shall have stated an election to purchase all of the Section 3.4 Shares, then any remaining Section 3.4 Shares shall be purchased by such Shareholder (or the Affiliate(s) indicated in its Right of First Refusal Exercise Notice);
 - (B) if more than one (but less than all) such Shareholders shall have stated an election to purchase all of the Section 3.4 Shares in the Right of First Refusal Exercise Notice, then any remaining Section 3.4 Shares shall be purchased by such Shareholders (or the Affiliate(s) indicated in their respective Right of First Refusal Exercise Notices). The number of remaining Section 3.4 Shares to be purchased by each such Shareholder shall be the number of remaining Section 3.4 Shares which bears the same ratio to the aggregate number of remaining Section 3.4 Shares being purchased as the number of Registered Shares owned by such Shareholder bears to the aggregate number of Registered Shares owned by all Shareholders belonging to the same Group as the Transferring Shareholder who shall have stated an election to purchase all of the Section 3.4 Shares, subject to appropriate adjustments to eliminate any fractional Shares;

- (C) if no such Shareholder shall have stated an election to purchase all of the Section 3.4 Shares, then each such Shareholder shall have the option (but not the obligation) to purchase (either directly or through any Affiliate (s) indicated in its Right of First Refusal Exercise Notice) any remaining Section 3.4 Shares, which option shall be exercised by giving written notice to that effect to the other Shareholders and Usiminas no later than by the expiration of the Section 3.4(b) Purchase Period. The number of remaining Section 3.4 Shares to be purchased by each such Shareholder shall be the number of remaining Section 3.4 Shares which bears the same ratio to the aggregate number of remaining Section 3.4 Shares being purchased as the number of Registered Shares owned by such Shareholder bears to the aggregate number of Registered Shares owned by all Shareholders belonging to the same Group as the Transferring Shareholder exercising the option provided in this subparagraph (C), subject to appropriate adjustments to eliminate any fractional Shares.
- (D) In the event that any such Shareholder notifies the other such Shareholders, at any time prior to the expiration of the Section 3.4(b) Purchase Period, that it (or the Affiliate(s) indicated in its Right of First Refusal Exercise Notice) is unable to purchase its pro rata portion of the Section 3.4 Shares and/or any remaining Section 3.4 Shares as per paragraphs (i) or (ii) above (as applicable), then any other such Shareholder shall have the option (but not the obligation) to purchase (either directly or through any Affiliate(s)) such Section 3.4 Shares, which option shall be exercised by giving written notice to that effect to the other Shareholders and Usiminas no later than by the expiration of the Section 3.4(b) Purchase Period. The number of such Section 3.4 Shares to be purchased by each such Shareholder shall be the number of such Section 3.4 Shares which bears the same ratio to the aggregate number of such Section 3.4 Shares being purchased as the number of Registered Shares owned by such Shareholder bears to the aggregate number of Registered Shares owned by all Shareholders belonging to the same Group as the Transferring Shareholder exercising the option provided in this subparagraph (D), subject to appropriate adjustments to eliminate any fractional Shares.

Subject to Section 3.4(f), any and all purchases of Section 3.4 Shares pursuant to this Section 3.4(b) must be consummated within thirty (30) days after the expiration of the Section 3.4 Period (the “**Section 3.4(b) Purchase Period**”).

- (c) If (but only if) the Shareholders belonging to the same Group as the Transferring Shareholder fail to exercise their right of first refusal or to consummate the acquisition of all of the Section 3.4 Shares in accordance with Section 3.4(b), then the Shareholders belonging to the other Groups shall have preference to acquire such Section 3.4 Shares; provided that they acquire all (and not less than all) of such Section 3.4 Shares. Unless otherwise agreed among all Shareholders belonging to such other Groups that provide a Right of First Refusal Exercise Notice, the allocation of such Section 3.4 Shares among such Shareholders shall be made in accordance with the same rules provided in paragraphs (i) and (ii) of Section 3.4(b) (it being understood, for the avoidance of doubt, that the option contemplated in subparagraph (D) of paragraph (ii) of Section 3.4(b) shall apply also in the context of this Section 3.4(c)), which shall be applied *mutatis mutandis* as if:
- (i) references to “*Shareholder(s) belonging to the same Group as the Transferring Shareholder*” were references to “*Shareholder(s) belonging to any Group other than the Transferring Shareholder’s Group*”; and
 - (ii) references to “*the expiration of the Section 3.4(b) Purchase Period*” were references to “*the expiration of the term provided in the last paragraph of this Section 3.4(c)*”.

Subject to Section 3.4(f), any and all purchases of Section 3.4 Shares pursuant to this Section 3.4(c) must be consummated (A) if no Shareholders belonging to the same Group as the Transferring Shareholder shall have exercised their right of first refusal pursuant to Section 3.4(b), within thirty (30) days after the expiration of the Section 3.4 Period, or (B) if any of such Shareholders shall have exercised its right of first refusal pursuant to Section 3.4(b) but thereafter failed to consummate the acquisition of all of the Section 3.4 Shares in accordance with Section 3.4(b), within thirty (30) days after the expiration of the Section 3.4(b) Purchase Period.

- (d) If (but only if) the Shareholders belonging to the same Group as the Transferring Shareholder fail to exercise their right of first refusal or to consummate the acquisition of all of the Section 3.4 Shares in accordance with Section 3.4(b) and the Shareholders belonging to Groups other than the Transferring Shareholder’s Group fail to exercise their right of first refusal or to consummate the acquisition of all of the Section 3.4 Shares in accordance with Sections 3.4(c), then the Transferring Shareholder may Transfer all (but not less than all) the Section 3.4 Shares to the Section 3.4 Transferee; provided that:
- (i) Subject to Section 3.4(f),
 - (A) if no Shareholder shall have exercised its right of first refusal pursuant to Section 3.4(b) or Section 3.4(c), such Transfer must be consummated within sixty (60) days after the expiration of the Section 3.4 Period; or
 - (B) if any Shareholders shall have exercised their right of first refusal pursuant to Section 3.4(b) but thereafter failed to consummate the acquisition of all of the Section 3.4 Shares in accordance with Section 3.4(b) and no Shareholder shall have exercised its right of first refusal pursuant to Section 3.4(c), such Transfer must be consummated within thirty (30) days after the expiration of the Section 3.4(b) Purchase Period, or

- (C) if any Shareholders shall have exercised their right of first refusal pursuant to Section 3.4(c) but thereafter failed to consummate the acquisition of all of the Section 3.4 Shares in accordance with Section 3.4(c), such Transfer must be consummated within thirty (30) days after (x) the expiration of the term provided in (A) of the last paragraph of Section 3.4(c) (if no Shareholder shall have exercised its right of first refusal pursuant to Section 3.4(b)) or (y) the expiration of the term provided in (B) of the last paragraph of Section 3.4(c) (if any Shareholders shall have exercised their right of first refusal pursuant to Section 3.4(b) but thereafter failed to consummate the acquisition of all of the Section 3.4 Shares in accordance with Section 3.4(b)).
- (ii) such Transfer must be made on the same Material Original Terms set forth in the written offer provided with the Section 3.4 Notice; and
- (iii) prior to, or simultaneously with the consummation of the Transfer of the Section 3.4 Shares to the Section 3.4 Transferee, such Section 3.4 Transferee must execute a written instrument pursuant to which, effective as of the consummation of such Transfer, such Section 3.4 Transferee shall become a party to this Agreement and assume all of the rights and obligations of the Transferring Shareholder under this Agreement with respect to the Section 3.4 Shares to be Transferred, with such Section 3.4 Shares remaining bound by this Agreement.

If the Section 3.4 Shares are not so Transferred within the relevant period set forth in Section 3.4(d)(i), the Transferring Shareholder shall not be allowed to Transfer the Section 3.4 Shares to the Section 3.4 Transferee unless the Transferring Shareholder once again follows the procedure set forth in this Section 3.4.

- (e) All notices given under this Section 3.4 shall be given concurrently to all Shareholders and Usiminas.
- (f) The Parties agree that, notwithstanding anything to the contrary in this Section 3.4 or in any other provision of this Agreement, in the event that any Government Authorizations are required as a condition to the consummation of a Transfer of Registered Shares pursuant to this Section 3.4 (including through application of Section 3.5) (a “**Conditioned Transfer**”), then the applicable maximum term for consummating such Conditioned Transfer shall be extended by such additional time period as may be strictly necessary to obtain all such Government Authorization, provided that:

- (i) each Shareholder involved in such Conditioned Transfer (x) promptly takes or causes to be taken all actions, and does or causes to be done all things, necessary, proper or advisable on its part under applicable Law to obtain all requisite Government Authorizations as soon as reasonably practicable and (y) in good faith keeps the other Shareholders and Usiminas apprised of the status of matters relating to the obtaining of such Government Authorizations (including giving notice to the other Shareholders and Usiminas promptly upon such Government Authorizations shall have been obtained); and
- (ii) the relevant term for completing such Conditioned Transfer shall automatically and immediately terminate on the earliest to occur of (A) a final, unappealable denial (whether explicit or implicit, by operation of any applicable Law or otherwise) of any requisite Government Authorization (in which case the Shareholder involved in such Conditioned Transfer shall give prompt notice thereof to all other Shareholders and Usiminas), or (B) the date that falls eighteen (18) months after the commencement of such term and (C) if the Transferring Shareholder belongs to CEU Group, on the later to occur of (x) the Section 3.4 Government Authorization Expiration Date and (y) seventy-five (75) days after the expiration of the Section 3.4 Period.

Usiminas and the Shareholders other than the Shareholder involved in a Conditioned Transfer shall, to the extent reasonably necessary, proper or advisable for the obtaining of any such Government Authorization required for consummating such Conditioned Transfer, cooperate in good faith and use their reasonable endeavors to facilitate actions taken and things done by the Shareholder involved in the Conditioned Transfer.

- (g) Whenever a Shareholder gives a Right of First Refusal Exercise Notice and, thereafter, fails to consummate any such Transfer within the applicable period to consummate the acquisition, such Shareholder shall, pursuant to the terms of the relevant share purchase agreement, if any, indemnify the Transferring Shareholder for, and shall pay to the Transferring Shareholder the amount of, any loss, liability, claim, damage (but excluding incidental and consequential damages), expense (including, without limitation, costs of investigation and defense and reasonable attorney fees) or diminution of value suffered or incurred by the Transferring Shareholder as a result of such failure.

3.5 If a Change of Control or Bankruptcy Event occurs with respect to a Shareholder of NSC Group, T/T Group or CEU Group (the “**Section 3.5 Defaulting Shareholder**”), unless the Shareholders of NSC Group, T/T Group and CEU Group (other than the Section 3.5 Defaulting Shareholder) (the “**Section 3.5 Non-Defaulting Shareholders**”) otherwise agree in writing within thirty (30) days after the date on which all Section 3.5 Non-Defaulting Shareholders have received the Occurrence Notice (as defined in Section 3.7) (or within thirty (30) days after the date on which all Section 3.5 Non-Defaulting Shareholders have confirmed the occurrence of the Change of Control or Bankruptcy Event, in case the Occurrence Notice is not given to all Section 3.5 Non-Defaulting Shareholders within fifteen (15) days after the occurrence), the provisions of Section 3.4 (other than Section 3.4(d)) shall apply mutatis mutandis as if:

- (a) the Section 3.5 Defaulting Shareholder were “*the Transferring Shareholder*”;

- (b) all of the Registered Shares owned by the Section 3.5 Defaulting Shareholder were “*the Section 3.4 Shares*”;
 - (c) the date on which all Section 3.5 Non-Defaulting Shareholders have received the Occurrence Notice (or, in case the Occurrence Notice is not given within fifteen (15) days, the date on which all Section 3.5 Non-Defaulting Shareholders have confirmed the occurrence) were the date of “*receipt of the Section 3.4 Notice by Usiminas*”; and
 - (d) the “*purchase price*” per Registered Share owned by the Section 3.5 Defaulting Shareholder set out in the Section 3.4 Notice were the lower of (i) the net equity value per Share based on the latest audited financial statements of Usiminas (the determination of the value difference between a Share and a preferred share shall be made using the previous six-month (6-month) average trading price differential—in percentage terms—between Usiminas ordinary shares and preferred shares on the BM&FBovespa), and (ii) the previous six-month (6-month) average trading price per Usiminas ordinary shares on the BM&FBovespa.
- 3.6 In the event that a Shareholder’s Affiliate that is not a party to this Agreement purchases any Registered Shares pursuant to Section 3.4 or 3.5, (a) prior to, or simultaneously with the consummation of such purchase, such Affiliate shall execute a written instrument pursuant to which, effective as of the consummation of such Transfer, such Affiliate shall become a party to this Agreement and assume all of the rights and obligations of the Transferring Shareholder under this Agreement with respect to the Registered Shares to be Transferred, with such Registered Shares remaining bound by this Agreement and (b) such Shareholder shall remain liable for the performance of such Affiliate’s obligations under this Agreement.
- 3.7 If a Change of Control or Bankruptcy Event occurs with respect to a Shareholder, (a) such Shareholder shall immediately give written notice of the occurrence of such event (the “**Occurrence Notice**”) to the other Shareholders and to Usiminas, and (b) until the earlier to occur of (i) the date on which all the Section 3.5 Non-Defaulting Shareholders agree in writing, in accordance with Section 3.5, that the provisions of Section 3.4 shall not apply and (ii) the date on which the procedures set forth in Section 3.5 for the Transfer of the Section 3.5 Defaulting Shareholder’s Registered Shares shall have all been completed (and irrespective of whether any Section 3.5 Non-Defaulting Shareholders exercise the right to acquire, or consummate the acquisition of, such Registered Shares), (A) such Shareholder shall not be entitled to participate in or vote at any Preparatory Meeting, (B) in computing the majority required for the adoption of any Special Resolution or Ordinary Resolution at any Preparatory Meeting, the Registered Shares held by such Shareholder shall be disregarded, (C) such Shareholder shall not be entitled to exercise any rights under Section 3.4 and (D) such Shareholder shall comply with all of its obligations under this Agreement, including the obligation to exercise the voting rights attaching to such Shareholder’s Registered Shares at each General Meeting and cause the member(s) of the Board of Directors (or the alternate(s) thereof) nominated by such Shareholder to vote at each meeting of the Board of Directors (as the case may be) in accordance with the Special Resolution(s) (as defined in Section 4.3) and/or Ordinary Resolution(s) (as the case may be) adopted at the relevant Preparatory Meeting.

- 3.8 The provisions of Section 3 shall be equally applicable to any Transfer of subscription rights corresponding to Registered Shares or any rights or instruments convertible into Registered Shares.
- 3.9 In the event any proposed Transfer of Registered Shares involves payment in kind, the Transferring Shareholder shall present to the other Shareholders a *bona fide* valuation of the right(s) or asset(s) that will comprise such in-kind payment, supported by a valuation report issued by an independent first class investment bank, and the right of first refusal shall be exercised based on the cash value of such in-kind consideration as determined in such *bona fide* valuation.
- 3.10 Any Transfer of the Registered Shares made other than strictly in accordance with the provisions of this Section 3 shall be null and void and shall not be registered by Usiminas.

Section 4. Voting

- 4.1 Except as provided for in Section 4.15, prior to each General Meeting and each meeting of the Board of Directors, a meeting (a "***Preparatory Meeting***") shall be held among the Shareholders in order to formulate and adopt a unified position to be taken by the Shareholders at such General Meeting, or by the members of the Board of Directors nominated by the Shareholders at such meeting of the Board of Directors, as the case may be. The Shareholders agree and covenant that they shall exercise the voting rights attaching to their Registered Shares at each General Meeting in accordance with the Special Resolution(s) (as defined in Section 4.3) and/or Ordinary Resolution(s) (as the case may be) adopted at the relevant Preparatory Meeting, as a single, unified block. Each Shareholder further agrees and covenants to cause the member(s) of the Board of Directors (or the alternate(s) thereof) nominated by such Shareholder to vote at each meeting of the Board of Directors in accordance with the Special Resolution(s) or Ordinary Resolution(s) (as the case may be) adopted at the relevant Preparatory Meeting.
- 4.2 The members of the Board of Directors nominated by the Shareholders shall be responsible for the convening of Preparatory Meetings, and shall make their best endeavors so that such meetings are held at least five (5) days before the relevant Board of Directors' meetings or General Meetings.

- 4.3 The Shareholders agree that, except as may be otherwise provided in this Section 4.3, any decisions concerning any of the matters listed from (a) through (m) below (i) shall be subject to a Preparatory Meeting, and (ii) shall only be adopted with the affirmative vote of Shareholders holding, in the aggregate, at least ninety percent (90%) of the total number of Registered Shares (a “**Special Resolution**”):
- (a) increase of Usiminas’ capital through subscription of new shares, and the fixing of the issuance price(s) of such shares (including through parameters);
 - (b) reduction of Usiminas’ capital;
 - (c) modification of Usiminas’ corporate purpose;
 - (d) issuance of securities convertible into shares;
 - (e) issuance of new classes of shares or alteration of the powers, preferences or rights of the existing classes of shares;
 - (f) reorganization of Usiminas through merger or consolidation into or with another company or through a spin-off;
 - (g) participation in a group of companies or a consortium of any kind or entering into a comprehensive strategic alliance agreement; provided, however, that any proposed transaction falling under this item (g) shall be first presented for consideration by the Shareholders at a Preparatory Meeting and, if a Shareholder requests that Usiminas engages an independent first class investment bank or audit firm to provide an opinion as to the fairness of the terms of such transaction, and the bank or firm so engaged concludes (after considering the information provided by all the Shareholders) that the terms of such transaction are fair to Usiminas, then such transaction may be approved by Ordinary Resolution (i.e., no Special Resolution shall be required) at a second Preparatory Meeting;
 - (h) dissolution, liquidation, judicial reorganization, admission of bankruptcy, or composition, or the discontinuance of any ongoing liquidation or judicial reorganization;
 - (i) determination of Usiminas’ dividend policy and subsequent modifications to that policy;
 - (j) incurrence or granting of loans or other financings, granting of guarantees, or approval of any other action that, in each case, would result in an increase of the amount of indebtedness exceeding two-thirds (2/3) of Usiminas’ net equity;
 - (k) any acquisition or transfer of any permanent asset(s) or any new investment(s) for a value exceeding ten percent (10%) of the net equity of Usiminas; provided, however, that any proposed transaction falling under this item (k) shall be first presented for consideration by the Shareholders at a Preparatory Meeting, and if a Shareholder requests that Usiminas engages an independent first class investment bank or audit firm to prepare a fairness opinion or valuation report in connection with such transaction and the value of such transaction falls within the range of values determined by the bank or firm so engaged (after considering the information provided by all the Shareholders), then such transaction may be approved by Ordinary Resolution (i.e., no Special Resolution shall be required) at a second Preparatory Meeting;

- (l) any capital expenditure in an amount exceeding three percent (3%) of Usiminas' net equity, irrespective of whether any such expenditure is to be made in a single transaction or in a series of combined or connected transactions;
- (m) any modification to the Bylaws which involves matters concerning the subject or the purpose of this Section 4.3.

Notwithstanding anything to the contrary in this Section 4.3 or in any other provision of this Agreement, the Shareholders agree that, whenever a transaction requiring approval by Special Resolution falls under item y) of article 13 of the Bylaws, then any Shareholder(s) having a direct interest in such transaction (whether as the counterparty to Usiminas in the transaction, or as an Affiliate of the counterparty to Usiminas in the transaction) shall advise the other Shareholders thereof and abstain from participating in any deliberations concerning the transaction and from voting on its approval at the relevant Preparatory Meeting and, in computing the majority required for the adoption of a Special Resolution in connection with such transaction, the Registered Shares held by such Shareholder(s) shall be disregarded.

In the event that any resolution concerning any matter requiring approval by Special Resolution which has not been so approved is proposed by any Person and/or submitted to a vote at a General Meeting or at a meeting of the Board of Directors, each Shareholder shall vote against such proposed resolution at such General Meeting or shall cause the member(s) of the Board of Directors (or the alternate(s) thereof) nominated by such Shareholder to vote against such proposed resolution at such meeting of the Board of Directors (as the case may be).

- 4.4 It is hereby acknowledged and agreed that neither the approval by the Shareholders of any Special Resolution at a Preparatory Meeting concerning any matter listed from items (a) through (m) in Section 4.3 above, nor any subsequent formal resolution adopted by Usiminas' Board of Directors or General Meeting with the affirmative vote of the Shareholders or the members of the Board of Directors appointed by the Shareholders (as the case may be) shall give rise to any obligation on the part of the Shareholders to contribute any funds or provide any guarantees or any other financial support or assistance to Usiminas. By way of example (and not of limitation), if an increase of Usiminas' capital through subscription of new shares were approved by the Shareholders at a Preparatory Meeting and then at the General Meeting with the affirmative vote of the Shareholders, the Shareholders would have a preemptive right (*direito de preferência*) to subscribe such shares as provided by Law, but their approval thereof would not give rise to, nor should it be construed as, an obligation or commitment on the part of the Shareholders to effectively subscribe for any such shares.

- 4.5 Subject to the provisions of Sections 4.6 to 4.13, there shall be a Preparatory Meeting for the nomination, removal and replacement of the Chairman of the Board of Directors (*Presidente do Conselho de Administração*) and the Chief Executive Officer (*Diretor-Presidente*) of Usiminas, and for the examination and approval or rejection of the candidates nominated by the Chief Executive Officer to compose the Executive Board (it being understood, for the avoidance of doubt, that no Preparatory Meeting shall be required for the nomination of the two (2) members of the Executive Board pursuant to Section 4.12).
- 4.6 Except as provided for in §7 of Article 141 of the Corporations Law, the number of members of the Board of Directors to be elected by the General Meeting shall not exceed the maximum number provided in the Bylaws. The Parties agree that they shall not approve any amendment to the Bylaws reducing such maximum number without the consent of all Shareholders having a right to nominate members to the Board of Directors under this Section 4.6. In addition, the number of members of the Board of Directors to be nominated by the Parties for election at the General Meeting shall not be lower than eight (8). For each member of the Board of Directors, an alternate member shall be elected to substitute him/her in his/her absence or in the event he/she becomes incapacitated to perform his/her office.

So long as NSC Group and T/T Group hold at least twenty five percent (25%) of the total number of Registered Shares each, (a) NSC and T/T Group shall, in the aggregate, nominate a majority of the members of the Board of Directors (i.e., not fewer than half plus one of the total number of members of the Board of Directors to be appointed by the shareholders in the General Meeting) and their respective alternates, and (b) NSC and T/T Group shall each nominate an equal number of members of the Board of Directors (and their respective alternates); provided that NSC and T/T Group shall each nominate, in any event, not fewer than three (3) members of the Board of Directors each (and their respective alternates); and provided, further, that the members of the Board of Directors that NSC shall nominate pursuant to this Section 4.6 shall include (and not be in addition to) the member that NU has the right to appoint pursuant to article 27 of the Bylaws.

In the event that the percentage of Registered Shares held by NSC Group or T/T Group falls below twenty five percent (25%) of the total number of Registered Shares, the number of the members of the Board of Directors to be nominated by NSC and T/T Group shall be proportionally revised taking into account their then relative holdings of Registered Shares.

So long as (a) CEU Group holds ten percent (10%) or more of the total number of Registered Shares, and (b) no Person or group of Persons entitled to appoint a member of the Board of Directors in accordance with article 12, paragraph 1°, of the Bylaws shall have exercised (or presented a written indication that it or they intend to exercise) such right at an annual General Meeting at which members of the Board of Directors are to be elected, then CEU shall nominate two (2) members of the Board of Directors (and their respective alternates). If, however, any Person or group of Persons shall have appointed (or presented a written indication that it or they intend to appoint) a member of the Board of Directors pursuant to article 12, paragraph 1°, of the Bylaws, then CEU shall, to the extent the condition set forth in (a) of the preceding sentence is satisfied, nominate one (1) member of the Board of Directors (and such member's alternate). Nothing in this Agreement shall prevent CEU from representing the employees of Usiminas or from appointing one member of the Board of Directors on their behalf; provided, however, that the member(s) nominated by CEU pursuant to this Agreement shall include (and not be in addition to) any member that CEU may appoint on behalf of Usiminas' employees.

Notwithstanding any nomination pursuant to the preceding paragraph in this Section 4.6, CEU acknowledges and agrees that the Shareholders shall not vote for the election of any candidate for the Board of Directors nominated by CEU unless all of the members of the Board of Directors (and their respective alternates) nominated by each of NSC and T/T Group in accordance with this Section 4.6 shall have been effectively elected by the relevant General Meeting; it being understood, for the avoidance of doubt, that the absence in the Board of Directors of any members nominated by CEU shall not prevent, limit or otherwise restrict CEU's rights under this Agreement, including its right to convene, participate and vote at any and all Preparatory Meetings.

The Shareholder or Group that nominated a member of the Board of Directors shall have the right to require, at its sole discretion, the removal or replacement at any time of such member of the Board of Directors. Any vacancy created by the death, resignation or removal of any member of the Board of Directors shall be filled by a person nominated by the Shareholder or Group that had nominated the deceased, resigning or removed member of the Board of Directors.

The Parties acknowledge and agree that the nomination of the members of the Board of Directors pursuant to this Section 4.6 shall not require approval by Special Resolution nor by Ordinary Resolution.

- 4.7 The Chairman of the Board of Directors shall be nominated by Ordinary Resolution, out of the persons nominated for election as members of the Board of Directors pursuant to Section 4.6.
- 4.8 NSC and T/T Group shall have the right to nominate by consensus the Chief Executive Officer of Usiminas, which nomination shall be approved by way of an Ordinary Resolution adopted with the affirmative vote of both NSC and T/T Group. The removal or replacement of the Chief Executive Officer shall require the consensus of NSC and T/T Group, which removal shall be approved also by way of an Ordinary Resolution adopted with the affirmative vote of both NSC and T/T Group.

- 4.9 At any annual General Meeting at which members of the Board of Directors and/or the Chairman of the Board of Directors are to be elected, each Shareholder shall vote all of its Registered Shares and any other Shares owned by it, and shall cause its Affiliates to vote any and all Shares owned by such Affiliates, in favor of:
- (a) the election of each of the persons nominated for election as members of the Board of Directors (and their respective alternates) pursuant to Section 4.6; it being understood, for the avoidance of doubt, that (i) the Shareholders shall vote for the election of any candidate for the Board of Directors nominated by CEU in accordance with Section 4.6 if (but only if) all of the members of the Board of Directors (and their respective alternates) nominated by each of NSC and T/T Group in accordance with Section 4.6 above shall have been effectively elected by the General Meeting, and (ii) the Shareholders shall vote for the election of the second candidate for the Board of Directors (and such candidate's alternate) nominated by CEU in accordance with Section 4.6 if (but only if) no Person or group of Persons shall have appointed (or presented a written indication that it or they intend to appoint) a member of the Board of Directors pursuant to article 12, paragraph 1°, of the Bylaws; and
 - (b) the election of the person nominated for election as Chairman of the Board of Directors pursuant to Section 4.7.
- Each Shareholder shall cause the member(s) of the Board of Directors (or the alternate(s) thereof) nominated by such Shareholder to vote in favor of the election of the Chief Executive Officer nominated pursuant to Section 4.8.
- Each Shareholder shall also be required to vote all of its Registered Shares and any other Shares owned by it, and shall cause its Affiliates to vote any and all Shares owned by such Affiliates, at the General Meeting and/or to cause the member(s) of the Board of Directors (or the alternate(s) thereof) nominated by such Shareholder to vote (as applicable), in favor of any removal and/or replacement of any member of the Board of Directors requested in accordance with Section 4.6, or any appointment, removal and/or replacement of the Chief Executive Officer decided in accordance with Section 4.8.
- 4.10 In case an election of members of the Board of Directors at any given General Shareholders Meeting is to be made by cumulative voting (*voto múltiplo*) and/or members of the Board of Directors are elected pursuant to Article 141 §4° or §5° of the Corporation Law, the Shareholders shall coordinate among themselves and vote their Registered Shares (and any other Shares owned by them), and shall cause their Affiliates to vote any and all Shares owned by such Affiliates, at such General Meeting in such manner as may be necessary or required for the Shareholders to elect the highest possible number of members of the Board of Directors nominated for election pursuant to Sections 4.6 (it being understood, for the avoidance of doubt, that when so doing, the Shareholders shall abide, to the maximum extent possible, by the provisions of Sections 4.6 and 4.9).

- 4.11 The Executive Board shall consist of one (1) Chief Executive Officer and two (2) to six (6) additional members (with or without specific designation, office or function).
- 4.12 NSC shall have the right to nominate one (1) member of the Executive Board (in addition to the right to nominate by consensus with T/T Group the Chief Executive Officer under Section 4.8), and to remove and/or replace such member at any time in its sole discretion.

Ternium shall have the right to nominate one (1) member of the Executive Board (in addition to its right, as part of T/T Group, to nominate by consensus with NSC the Chief Executive Officer under Section 4.8), and to remove and/or replace such member at any time in its sole discretion.

The Parties acknowledge and agree that the nomination of the members of the Executive Board pursuant to this Section 4.12 shall not require approval by Special Resolution nor by Ordinary Resolution.

- 4.13 The Chief Executive Officer nominated pursuant to Section 4.8 for a given period shall nominate the members of the Executive Board for such period (other than the persons nominated by NSC and by Ternium pursuant to Section 4.12), which nomination shall be subject to approval by the Shareholders by Ordinary Resolution adopted at a Preparatory Meeting. The members of the Executive Board nominated by the Chief Executive Officer shall be professionals trusted by the Chief Executive Officer, in his/her discretion. Members of the Executive Board (other than the members nominated by NSC and by Ternium pursuant to Section 4.12) may be removed and/or replaced pursuant to an Ordinary Resolution adopted at a Preparatory Meeting or upon request by the Chief Executive Officer, provided that any such removal and/or replacement requested by the Chief Executive Officer shall require approval by the Shareholders by Ordinary Resolution adopted at a Preparatory Meeting; and provided, further, that the Chief Executive Officer shall nominate the replacement member for any member so removed or replaced.

Each Shareholder shall cause the member(s) of the Board of Directors (or the alternate(s) thereof) nominated by such Shareholder to vote at the meeting of the Board of Directors in favor of (a) the election of the persons nominated for election as members of the Executive Board pursuant to Section 4.12 and this Section 4.13 and (b) the removal or replacement of any such members in accordance with Section 4.12 or this Section 4.13, as applicable.

- 4.14 The Shareholders agree that the adoption of a resolution at a Preparatory Meeting concerning any matter to be submitted to, or to be resolved upon by, a General Meeting or a meeting of the Board of Directors, other than those matters requiring approval by Special Resolution under Section 4.3, shall require approval by Ordinary Resolution. In the event that any resolution concerning any matter requiring approval by Ordinary Resolution which has not been so approved is proposed by any Person and/or submitted to a vote at a General Meeting or at a meeting of the Board of Directors, each Shareholder shall vote against such proposed resolution at such General Meeting or shall cause the member(s) of the Board of Directors (or the alternate(s) thereof) nominated by such Shareholder to vote against such proposed resolution at such meeting of the Board of Directors (as the case may be).

The Shareholders agree that the multiannual investment budget (or any annual revisions thereof) shall be presented to the Shareholders at a Preparatory Meeting prior to its formal consideration and approval by the Board of Directors; provided, however, that, notwithstanding anything to the contrary in this Section 4.14 or in any other provision of this Agreement, it is understood and agreed that such presentation shall be made for informational purposes only and any investment budget (or annual revision thereof) so presented shall not be binding.

- 4.15 Notwithstanding anything to the contrary in Section 4.14 or in any other provision of this Agreement, the Shareholders agree that, whenever a transaction which does not require approval by Special Resolution falls under item y) of article 13 of the Bylaws, then such transaction shall not be considered or approved at a Preparatory Meeting, and the Shareholders shall not be required to adopt a unified position thereon. The Shareholders acknowledge and agree that the approval of any such transactions shall be subject to the applicable rules provided in the Law and in the Bylaws, and that the members of the Board of Directors (and their alternates) nominated by the Shareholders pursuant to this Agreement shall be free to vote on the approval of any such transaction as they consider appropriate and with due observance of their duties under applicable Law and the applicable provisions of the Bylaws, and that such members of the Board of Directors (and their alternates) shall not be required (nor shall they be deemed to be bound hereunder) to exercise their vote to favor any Party or any Affiliate of any Party in any way.

Section 5. Term

- 5.1 (a) This Agreement shall be effective as from the Execution Date.
- (b) This Agreement shall be valid until (and including) November 6, 2031 (the “**Termination Date**”); provided, however, that, unless Shareholders representing more than ten percent (10%) of all the Registered Shares give written notice that they elect not to renew this Agreement at least one hundred and eighty (180) days prior to the Termination Date, this Agreement shall renew automatically and be extended for an additional five-year term and, upon expiration of such additional five-year term, shall renew automatically and be extended for subsequent and consecutive five-year terms, unless Shareholders representing more than ten percent (10%) of all the Registered Shares give written notice that they elect not to renew this Agreement at least one hundred and eighty (180) days prior to the end of any subsequent five-year term.

- 5.2 The Shareholders acknowledge that, as from the Execution Date, the terms of the Original Agreement are superseded in their entirety by the terms of this Agreement.
- 5.3 Without prejudice to the foregoing, as from November 6, 2016, CEU shall have the option (but not the obligation) to, on the terms and subject to the conditions provided in this Section 5.3, withdraw all (but not less than all) of its Registered Shares from this Agreement, and thereby relinquish all its rights and be released from all its obligations hereunder (except for such rights and obligations indicated in this Section 5.3) by delivering prior written notice to that effect to all other Shareholders and to Usiminas (the “**CEU Withdrawal Notice**”).
- (a) Upon receipt of the CEU Withdrawal Notice, the other Shareholders shall have the option (but not the obligation) to acquire all (and no less than all) of the Registered Shares then owned by CEU (the “**Section 5.3 Shares**”), at a price per share equal to the average, weighted by the volume of transactions, of the closing prices of the last forty (40) trading days of BM&FBovespa immediately prior to (but excluding) the date on which the CEU Withdrawal Notice is given. Any Shareholder wishing to exercise such option shall, within sixty (60) days after receipt of the CEU Withdrawal Notice (the “**Section 5.3 Period**”), give notice to CEU, the other Shareholders and Usiminas stating such Shareholder’s irrevocable election to purchase, directly and/or through one or more of its Affiliates, either its pro rata portion or all of the Registered Shares then owned by CEU (the “**Section 5.3(a) Exercise Notice**”), it being understood and agreed that if a Shareholder does not give such notice, that Shareholder shall be deemed to have chosen not to exercise its option under this Section 5.3 (a). For the purpose of this Section 5.3(a), the applicable “*pro rata portion*” of each Shareholder shall be such proportion, expressed in percentage terms, as (x) the number of Registered Shares owned by such Shareholder *bears to* (y) the aggregate number of Registered Shares owned by all Shareholders, excluding the Registered Shares owned by CEU.
- Shareholders who provide a Section 5.3(a) Exercise Notice shall have the right (and the obligation) to acquire the Section 5.3 Shares; provided that they acquire all (and not less than all) of such Section 5.3 Shares. Unless otherwise agreed among all Shareholders who provide a Section 5.3(a) Exercise Notice, the allocation of such Section 5.3 Shares among such Shareholders shall be made in accordance with the same rules provided in paragraphs (i) and (ii) of Section 3.4 (b) (it being understood, for the avoidance of doubt, that the option contemplated in subparagraph (D) of paragraph (ii) of Section 3.4(b) shall apply also in the context of this Section 5.3(a)), which shall be applied *mutatis mutandis* as if:
- (i) references to “*Shareholder(s) belonging to the same Group as the Transferring Shareholder*” were references to “*Shareholder(s) belonging to any Group other than CEU’s Group*”;

- (ii) references to “*Right of First Refusal Exercise Notice*” were references to “*Section 5.3(a) Exercise Notice*”;
- (iii) references to “*Section 3.4 Shares*” were references to “*Section 5.3 Shares*”;
- (iv) references to “*on the same terms as the Material Original Terms (subject to Section 3.4(f))*” were references to “*at a price per share equal to the average, weighted by the volume of transactions, of the closing prices of the last forty (40) trading days of BM&FBovespa immediately prior to (but excluding) the date on which the CEU Withdrawal Notice is given*”; and
- (v) references to “*the expiration of the Section 3.4(b) Purchase Period*” were references to “*the expiration of the term provided in the last paragraph of this Section 5.3(a)*”.

Any and all purchases of Section 5.3 Shares pursuant to this Section 5.3(a) must be consummated within thirty (30) days after the expiration of the Section 5.3 Period; provided, however, that in the event that any Government Authorizations are required as a condition to the consummation of any Transfer of Section 5.3 Shares pursuant to this Section 5.3(a), the term to consummate such Transfer shall commence on the date on which the Government Authorizations required to consummate such Transfer are obtained (and the Shareholder involved in such Transfer shall give notice to all other Shareholders and Usiminas promptly upon such Government Authorizations are obtained) and; provided, further, that (i) each Shareholder involved in such Transfer (A) promptly takes or causes to be taken all actions, and does or causes to be done all things, necessary, proper or advisable on its part under applicable Law to obtain all requisite Government Authorizations as soon as reasonably practicable and (B) in good faith keeps the other Shareholders and Usiminas apprised of the status of matters relating to the obtaining of such Government Authorizations (including giving notice to the other Shareholders and Usiminas promptly upon such Government Authorizations shall have been obtained); (ii) the applicable purchase price payable for the relevant Section 5.3 Shares shall be subject to monetary adjustment from the date that is three (3) months from the date of the relevant Section 5.3(a) Exercise Notice until the date on which the Transfer of the relevant Section 5.3 Shares is consummated, by the *Taxa SELIC (Sistema Especial de Liquidação e Custódia)* published by the *Comitê de Política Monetária (COPOM)*, or other rate that might replace it, accrued on a monthly basis; and (iii) if such Government Authorizations are denied or the Shareholder involved in such Transfer chooses to desist from the Transfer, the provisions of Section 5.3(c) shall apply.

- (b) If no Shareholder exercises the option contemplated by Section 5.3(a), or if the Shareholder(s) who have exercised such option shall have failed to consummate the purchase of all the Section 5.3 Shares in accordance with Section 5.3(a), then, effective as from (A) if no Shareholder shall have exercised the option contemplated by Section 5.3(a), the day immediately following the expiration of the Section 5.3 Period or (B) if the Shareholder(s) who have exercised such option shall have failed to consummate the purchase of all the Section 5.3 Shares in accordance with Section 5.3(a), the day that is thirty-one (31) days after the expiration of the Section 5.3 Period (the “**CEU Withdrawal Effective Date**”), CEU shall be deemed to have relinquished all its rights and shall be released from its obligations under this Agreement (except for the obligations contemplated by Section 6, which shall survive for the period stated in the last paragraph thereof), and the Registered Shares owned by CEU shall cease to be bound by this Agreement, except that, until the Termination Date, CEU shall continue to be bound by the obligations provided by Section 3.4 of this Agreement, and the Registered Shares owned by CEU shall continue to be bound by Section 3.4 and, accordingly, CEU may not, prior to the Termination Date, Transfer any such Shares to any Person without granting the Shareholders the right of first refusal provided by Section 3.4 of this Agreement; provided, however, that the obligations provided by Section 3.4 of this Agreement shall not apply in respect to:
- (i) any sale of Shares by CEU made through BM&FBovespa after the CEU Withdrawal Effective Date, it being agreed that the number of Shares sold in reliance on this proviso on any day may not exceed twenty-five percent (25%) of the average daily reported volume of trading of the Shares on the BM&FBovespa for the month preceding the month in which such sale is made; or
 - (ii) any block trade on BM&FBovespa or any public offering not qualifying under clause (i) above; provided that:
 - (A) CEU shall have first granted all the Shareholders the option to acquire all (but not less than all) of the Shares proposed to be sold by CEU through any such block trade or offering, at a price per share equal to the average, weighted by the volume of transactions, of the closing prices of the last five (5) trading days of BM&FBovespa immediately prior to (but excluding) the date on which CEU gives notice (the “**CEU Section 5.3(b)(ii)(A) Notice**”) to all the Shareholders (with a copy to Usiminas) to that effect. Upon receipt of such notice from CEU, the procedure contemplated by Section 5.3(a) shall, *mutatis mutandis*, be followed; provided that, for the purpose of the exercise of the option contemplated by this subparagraph (A), the “**Section 5.3 Period**” shall be the fifteen-day (15-day) period following receipt of the CEU Section 5.3(b)(ii)(A) Notice, and that the purchase of the relevant CEU’s Shares under this Section 5.3(b)(ii)(A) must be consummated within forty five (45) days after the expiration of such period. Notwithstanding the foregoing, in the event that any Government Authorizations are required as a condition to the consummation of any Transfer of CEU’s Shares pursuant to this Section 5.3(b)(ii)(A), the term to consummate such Transfer shall commence on the date on which the Government Authorizations required to consummate such Transfer are obtained (and the Shareholder involved in such Transfer shall give notice to all other Shareholders, CEU and Usiminas promptly upon such Government Authorizations are obtained); provided that (x) each Shareholder involved in such Transfer (1) promptly takes or causes to be taken all actions, and does or causes to be done all things, necessary, proper or advisable on its part under applicable Law to obtain all requisite Government Authorizations as soon as reasonably practicable and (2) in good faith keeps the other Shareholders and Usiminas apprised of the status of matters relating to the obtaining of such Government Authorizations (including giving notice to the other Shareholders and Usiminas promptly upon such Government Authorizations shall have been obtained); (y) the applicable purchase price payable for the relevant Shares shall be subject to monetary adjustment from the date that is three (3) months from the date of the relevant exercise notice until the date on which the Transfer of the relevant Shares is consummated by the *Taxa SELIC (Sistema Especial de Liquidação e Custódia)* published by the *Comitê de Política Monetária (COPOM)*, or such other rate that might replace it, accrued on a monthly basis; and (z) if such Government Authorizations are denied or the Shareholder involved in such Transfer chooses to desist from the Transfer, the provisions of Section 5.3(c) shall apply.

- (B) if (i) no Shareholder exercises the option contemplated by subparagraph (A) above, or (ii) if the Shareholder(s) who have exercised such option shall have failed to consummate the purchase of all of the relevant CEU's Shares, then the proposed block trade or offering may be made only if completed within sixty (60) days after expiration of the term for the Shareholders' exercise of the option contemplated by subparagraph (A) above.

Any Transfer of Shares by CEU following delivery of the CEU Withdrawal Notice made other than strictly in accordance with the provisions of Section 5.3(a) or Section 5.3(b) shall be null and void and shall not be recognized or registered by Usiminas.

- (c) Whenever a Shareholder gives a Section 5.3(a) Exercise Notice or exercises the option contemplated in subparagraph (A) of Section 5.3(b)(ii) and, thereafter, fails to consummate any such Transfer within the applicable purchase period, such Shareholder shall, pursuant to the terms of the relevant share purchase agreement, if any, indemnify CEU for, and shall pay to CEU the amount of, any loss, liability, claim, damage (but excluding incidental and consequential damages), expense (including, without limitation, costs of investigation and defense and reasonable attorney fees) or diminution of value suffered or incurred by the CEU as a result of such failure.

Section 6. Confidentiality

Each Party shall treat all non-public data and information (the “*Confidential Information*”) furnished to it by another Party or Usiminas (“*Disclosing Party*”) in connection with this Agreement as confidential, and shall take or cause to be taken such reasonable precautions as are necessary to prevent disclosure of any Confidential Information to any other Person; provided, however, that the first-mentioned Party may disclose Confidential Information:

- (a) with the prior written authorization of the Disclosing Party;
- (b) if disclosure is required under applicable Law; provided, however, that the Party that is so required to disclose any Confidential Information shall, to the extent not prohibited by such Law, give the Disclosing Party prompt written notice thereof so that the Disclosing Party may seek a protective order or other appropriate remedy;
- (c) if the Confidential Information was part of the public domain at the time of its disclosure to such Party;
- (d) if the Confidential Information becomes generally available to the public or otherwise part of the public domain after its disclosure to such Party, other than through any act or omission of a Party in breach of this Section 6;
- (e) if the Confidential Information was subsequently disclosed to such party by a third party on a non-confidential basis; provided that such third party is not known by such Party to be bound to any confidentiality duty or obligation (whether to the Disclosing Party or any other Person) with respect to such Confidential Information;
- (f) if such Party can demonstrate that the Confidential Information was already in such Party’s possession at the time of disclosure by the Disclosing Party and was not acquired, directly or indirectly, from the Disclosing Party on a confidential basis; or
- (g) to the extent necessary (i) to enforce such Party’s rights under this Agreement or (ii) in connection with such Party’s defense of any action, suit or proceeding relating to this Agreement.

Each Party may disclose any Confidential Information to its Affiliates and to its and its Affiliate’s directors, officers, employees, auditors and legal, accounting, tax and other advisors, who reasonably need to have access to such information; provided that each Party shall take all reasonable measures to cause such Persons to abide by the confidentiality obligations provided by this Section 6 and shall be liable for any breach of such confidentiality obligations by any such Person. The Parties acknowledge and agree that Confidential Information may be used only for the purpose of this Agreement.

The confidentiality obligations in this Section 6 shall survive termination of this Agreement for a period of five (5) years from such termination.

Section 7. Deposit of Agreement and Registration of Shares

One copy of this Agreement shall be deposited at the head office of Usiminas and all applicable provisions of this Agreement concerning the Registered Shares shall be registered in the Usiminas's share register and on the certificates evidencing the Registered Shares. Usiminas shall notify all Shareholders of any Transfer or attempted Transfer of Registered Shares.

Section 8. Governing Law and Jurisdiction

8.1 This Agreement shall be governed by the Law of the Federative Republic of Brazil (including Articles 466-A to 466-C of the Civil Process Code which shall apply to any breach by a Party of the obligations assumed herein), without giving effect to the conflict of laws principles thereof. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the Parties in the Courts of the City of Belo Horizonte, State of Minas Gerais, and each of the Parties hereby consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such action or proceeding and waives any objection which it may now or hereafter have to the laying of the venue of any such action or proceeding in any such court or that any such action or proceeding which is brought in any such court has been brought in an inconvenient forum.

Section 9. General Provisions

- 9.1 Except as otherwise provided in this Agreement, no Party may assign any of its rights or obligations under this Agreement in whole or in part without the prior written consent of the other Parties. Subject to the preceding sentence, this Agreement shall apply to, be binding in all respects upon, and inure to the benefit of, any successors and permitted assigns of the Parties.
- 9.2 All notices, consents, waivers, and other communications under this Agreement must be in writing and in the English language and shall be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by fax or electronic mail (with written confirmation of receipt), provided that a copy is mailed by registered mail, return receipt requested, or (c) when received by the addressee, if sent by an internationally recognized courier service (receipt requested), in each case to the appropriate addresses, fax numbers and electronic addresses set forth in Appendix 1 hereto (or to such other addresses, fax numbers and electronic addresses as any Party may designate by notice to the other Parties).
- 9.3 The Parties agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or set forth herein. The Parties further agree that Article 118 of Law 6404/1976 (as such is amended or replaced from time to time) as well as articles 461 and 632 through 645 of the Brazilian Code of Civil Procedure (as such are amended or replaced from time to time) shall apply to this Agreement in full and each Party shall be entitled to the specific performance provisions set out therein.

- 9.4 If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part shall remain in full force and effect to the extent not held invalid or unenforceable. If this Agreement continues in full force and effect as provided above, the Parties shall replace the invalid provision with a valid provision which corresponds as far as possible to the spirit and purpose of the invalid provision.
- 9.5 The rights and remedies of the Parties under this Agreement are cumulative and not alternative. Neither the failure nor any delay by any Party in exercising any right, power, or privilege under this Agreement shall operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege shall preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege.
- 9.6 Usiminas signs this Agreement as evidence of acknowledgement and confirmation of its filing in Usiminas' headquarters, and hereby declares to have knowledge of all its terms. Usiminas further agrees to take any action on its part required to be taken under this Agreement.
- 9.7 This Agreement replaces and supersedes the A&RSHA. In the event of any inconsistencies between the terms of this Agreement and the terms of the Portuguese-language agreement entitled "*Acordo de Acionistas Aditado e Consolidado*" among the Parties dated the Execution Date, the latter shall govern and prevail.
- 9.8 The headings of Sections in this Agreement are provided for convenience only and shall not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement shall be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" shall be construed as inclusive without limitation, in each case notwithstanding the absence of any express statement to such effect, or the presence of such express statement in some contexts and not in others.
- 9.9 This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original copy of this Agreement and all of which, when taken together, shall be deemed to constitute one and the same agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

Caixa dos Empregados da Usiminas

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Metal One Corporation

By: _____
Name: _____
Title: _____

Nippon Steel Corporation

By: _____
Name: _____
Title: _____

Prosid Investments S.C.A.

By: _____
Name: _____
Title: _____

Ternium Investments S.à r.l.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Confab Industrial S.A.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Mitsubishi Corporation do Brasil, S.A.

By: _____
Name: _____
Title: _____

Nippon Usiminas Co., Ltd.

By: _____
Name: _____
Title: _____

Siderar S.A.I.C.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

As intervening party:

**Usinas Siderúrgicas de Minas Gerais S/A -
USIMINAS**

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

Witnesseth by:

Name: _____

ID: _____

Witnesseth by:

Name: _____

ID: _____

Principal subsidiaries

The following is a list of Ternium's subsidiaries at December 31, 2011.

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2011	2010	2009
Ternium S.A.	Luxembourg	Holding	100.00%	100.00%	100.00%
Ternium Investments S.à.r.l. (1)	Luxembourg	Holding	100.00%	100.00%	—
Ternium Solutions A.G. (2)	Switzerland	Services	100.00%	—	—
Ternium Brasil S.A. (3)	Brazil	Holding	100.00%	100.00%	100.00%
Siderúrgica do Norte Fluminense S.A. (4)	Brazil	Manufacturing and selling of steel products	100.00%	100.00%	—
Ylopa—Servicos de Consultadoria Lda. (5)	Portugal	Holding	—	94.38%	94.38%
Consortio Siderurgia Amazonia S.L.U. (6)	Spain	Holding	94.38%	94.38%	94.38%
Secor- Servicios Corporativos S.A. (6)	Venezuela	Holding	94.38%	94.38%	94.38%
Ternium Internacional España S.L.U. (3)	Spain	Marketing of steel products	100.00%	100.00%	100.00%
Siderar S.A.I.C. (7)	Argentina	Manufacturing and selling of flat steel products	60.94%	60.94%	60.94%
Impeco S.A. (8)	Argentina	Manufacturing of pipe products	60.97%	60.97%	60.97%
Prosid Investments S.C.A. (8)	Uruguay	Holding	60.94%	60.94%	60.94%
Inversiones Basilea S.A. (9)	Chile	Purchase and sale of real estate and other	60.94%	60.94%	60.94%
Ternium Mexico S.A. de C.V. (10)	Mexico	Holding	88.72%	88.72%	88.71%
Hylsa S.A. de C.V. (11)	Mexico	Manufacturing and selling of steel products	88.72%	88.72%	88.71%
Las Encinas S.A. de C.V. (11)	Mexico	Exploration, exploitation and pelletizing of iron ore	88.72%	88.72%	88.71%
Ferropak Comercial S.A. de C.V. (11)	Mexico	Scrap services company	88.72%	88.72%	88.71%
Ferropak Servicios S.A. de C.V. (11)	Mexico	Services	88.72%	88.72%	88.71%
Galvacer America Inc (11)	USA	Distributing company	88.72%	88.72%	88.71%
Galvamet America Corp (11)	USA	Manufacturing and selling of insulated panel products	88.72%	88.72%	88.71%
Transamerica E. & I. Trading Corp (11)	USA	Scrap company	88.72%	88.72%	88.71%
Técnica Industrial S.A. de C.V. (11)	Mexico	Services	88.72%	88.72%	88.71%
Sefimsa S.A. de C.V. (11)	Mexico	Financial services	88.72%	88.72%	88.71%
Ecore Holding S. de R.L. de C.V. (11)	Mexico	Holding	88.72%	88.72%	88.71%
Neotec L.L.C. (11)	USA	Holding	88.72%	88.72%	88.71%
Treasury Services S.A. de C.V. (11)	Mexico	Financial services	88.72%	88.72%	88.71%
APM, S.A. de C.V. (11)	Mexico	Manufacturing and selling of steel products	88.72%	88.72%	88.71%
Acedor, S.A. de C.V. (11)	Mexico	Holding	88.72%	88.72%	88.71%
Empresas Stabilit S.A. de C.V. (12)	Mexico	Holding	—	88.72%	88.71%
Acerus S.A. de C.V. (11)	Mexico	Manufacturing and selling of steel products	88.72%	88.72%	88.71%

Imsa Monclova S.A. de C.V. (11)	Mexico	Services	88.72%	88.72%	88.71%
Ternium Internacional Guatemala S.A. (13)	Guatemala	Selling of steel products	99.98%	88.72%	88.71%
Corporativo Grupo Imsa S.A. de C.V. (11)	Mexico	Services	88.72%	88.72%	88.71%
Ternium USA Inc. (11)	USA	Manufacturing and selling of steel products	88.72%	88.72%	88.71%
Consortio Minero Benito Juarez Peña Colorada S.A.de C.V. (14)	Mexico	Exploration, exploitation and pelletizing of iron ore	44.36%	44.36%	44.36%
Peña Colorada Servicios S.A. de C.V. (14)	Mexico	Services	44.36%	44.36%	44.36%
Servicios Integrales Nova de Monterrey S.A. de C.V. (15)	Mexico	Medical and social services	66.09%	66.09%	66.09%
Ternium Guatemala S.A. (16)	Guatemala	Manufacturing and selling of steel products	—	88.72%	88.71%
Ternium Internacional Nicaragua S.A.	Nicaragua	Manufacturing and selling of steel products	99.38%	88.18%	88.18%
Ternium Internacional Honduras S.A. de C.V.	Honduras	Manufacturing and selling of steel products	99.18%	88.01%	88.00%
Ternium Internacional El Salvador, S.A. de C.V.	El Salvador	Manufacturing and selling of steel products	99.91%	88.66%	88.65%
Ternium Internacional Costa Rica S.A.	Costa Rica	Manufacturing and selling of steel products	99.98%	88.72%	88.71%
Ferrasa S.A.S. (17)	Colombia	Manufacturing and selling of steel products	54.00%	54.00%	—
Perfilamos del Cauca S.A.S. (17)	Colombia	Manufacturing and selling of steel products	54.00%	54.00%	—
Figuraciones S.A.S. (17)	Colombia	Manufacturing and selling of steel products	54.00%	54.00%	—
Siderúrgica de Caldas S.A.S. (17)	Colombia	Manufacturing and selling of steel products	54.00%	54.00%	—
Procesadora de Materiales Industriales S.A.	Colombia	Scrap services company	32.40%	32.40%	—
Recolectora Industrial de Colombia S.A. (18)	Colombia	Scrap services company	—	28.70%	—
Desechos Industriales de Colombia S.A. (18)	Colombia	Scrap services company	—	29.70%	—
Tenigal S. de R.L. de C.V. (19)	Mexico	Manufacturing and selling of steel products	51.00%	51.00%	—
Ternium Investments Switzerland AG (3)	Switzerland	Holding	100.00%	100.00%	—
Ternium Internacional S.A. (20)	Uruguay	Holding and marketing of steel products	100.00%	100.00%	100.00%
Ternium International Ecuador S.A. (21)	Ecuador	Marketing of steel products	100.00%	100.00%	100.00%
Ternium International USA Corporation (21)	USA	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internationaal B.V. (21)	Netherlands	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internacional Perú S.A. (21)	Peru	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internacional de Colombia S.A.S. (formerly Ternium Internacional de Colombia S.A.) (21)	Colombia	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Procurement S.A. (20)	Uruguay	Procurement services	100.00%	100.00%	100.00%
Ternium International Inc. (20)	Panama	Marketing of steel products	100.00%	100.00%	100.00%

Ternium Engineering & Services S.A. (22)	Uruguay	Engineering and other services	100.00%	100.00%	100.00%
Ternium Ingeniería y Servicios de Argentina S.A.	Argentina	Engineering and other services	100.00%	100.00%	100.00%
Ternium Ingeniería y Servicios de Mexico S.A. de C.V.	Mexico	Engineering and other services	100.00%	100.00%	100.00%
Ternium Treasury Services S.A. (20)	Uruguay	Financial services	100.00%	100.00%	100.00%
Ternium Treasury Services B.V. (20)	Netherlands	Financial services	100.00%	100.00%	100.00%
Ferrasa Panamá, S.A. (23)	Panama	Manufacturing and selling of steel products	54.00%	54.00%	—
Aceros Transformados de Panamá, S.A. (23)	Panama	Manufacturing and selling of steel products	54.00%	54.00%	—
Ternium Investments S.A. (formerly Dirken Company S.A.) (24)	Uruguay	Holding	—	—	100.00%

- (1) Incorporated in the fourth quarter of 2010.
- (2) Indirectly through Ternium Investments S.à.r.l. Total voting rights held: 100.00%. Incorporated in the first quarter of 2011.
- (3) Indirectly through Ternium Investments S.à.r.l. Total voting rights held: 100.00%.
- (4) Indirectly through Ternium Brasil S.A. Total voting rights held: 100.00%. Incorporated during 2010.
- (5) This company was dissolved as of December 27, 2011.
- (6) Since December 27, 2011, indirectly through Ternium Investments S.à.r.l. (85.62%) and Prosid Investments S.C.A. (8.76%). Total voting rights held: 100.00%. Before that, indirectly through Ylopa – Servicios de Consultoría Lda.
- (7) Indirectly through Ternium Internacional España S.L.U. Total voting rights held: 60.94%.
- (8) Indirectly through Siderar S.A.I.C and Ternium Internacional S.A. Total voting rights held 100.00%.
- (9) Indirectly through Siderar S.A.I.C. Total voting rights held 100.00%.
- (10) Indirectly through Siderar S.A.I.C., Inversiones Basilea S.A. and Ternium Internacional España S.L.U. Total voting rights held 99.93%.
- (11) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 100.00%.
- (12) Merged with Ternium Mexico S.A. de C.V. during the fourth quarter of 2011.
- (13) Indirectly through Ternium Internacional España S.L.U. Total voting rights held: 100%.
- (14) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 50.00%. Consolidated under the proportionate consolidation method.
- (15) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 74.50%.
- (16) This company was merged with Ternium Internacional Guatemala, S.A. during the first quarter of 2011.
- (17) Indirectly through Ternium Internacional España S.L.U.. Total voting rights held: 54.00%. Incorporated during 2010. (See note 3 to our consolidated financial statements as of December 31, 2011).
- (18) These companies were sold during the second quarter of 2011.
- (19) Indirectly through Ternium Internacional España S.L.U.. Total voting rights held: 51.00%. Incorporated during 2010. (See note 29 to our consolidated financial statements as of December 31, 2011).
- (20) Indirectly through Ternium Investments Switzerland AG. Total voting rights held: 100.00%.
- (21) Indirectly through Ternium Internacional S.A. Total voting rights held 100.00%.
- (22) Indirectly through Ternium Internacional Inc.. Total voting rights held 100.00%.
- (23) Indirectly through Ternium Treasury Services S.A. Total voting rights held: 54.00%. Incorporated during 2010. (See note 3 to our consolidated financial statements as of December 31, 2011).
- (24) This company was dissolved as of December 6, 2010.

CERTIFICATE

I, DANIEL NOVEGIL, CERTIFY THAT:

1. I have reviewed this annual report on Form 20-F of Ternium S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 25, 2012

/s/ Daniel Novegil

Name: Daniel Novegil

Title: Chief Executive Officer

CERTIFICATE

I, PABLO BRIZZIO, CERTIFY THAT:

1. I have reviewed this annual report on Form 20-F of Ternium S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 25, 2012

/s/ Pablo Brizzio

Name: Pablo Brizzio

Title: Chief Financial Officer

CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES OF AMERICA CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States of America Code), the undersigned officer of Ternium S.A. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 20-F for the year ended December 31, 2011 (the "Report"), fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2012

/s/ Daniel Novegil

Name: Daniel Novegil

Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States of America Code) and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES OF AMERICA CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States of America Code), the undersigned officer of Ternium S.A. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 20-F for the year ended December 31, 2011 (the "Report"), fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2012

/s/ Pablo Brizzio

Name: Pablo Brizzio

Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States of America Code) and is not being filed as part of the Report or as a separate disclosure document.



Consent of independent registered public accounting firm

We hereby consent to the incorporation by reference in the Registration Statement on Form F-3 (No 333-171964) of our report dated April 25, 2012 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F. We also consent to the reference to us under the heading "Selected Financial Data" in this Form 20-F.

PricewaterhouseCoopers S.à r.l.
Represented by

Luxembourg, April 25, 2012

/s/ Mervyn R. Martins
Mervyn R. Martins

*PricewaterhouseCoopers S.à r.l., 400 Route d'Esch, B.P. 1443, L-1014 Luxembourg
T: +352 494848 1, F: +352 494848 2900, www.pwc.lu*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°00123693)
R.C.S. Luxembourg B 65 477—Capital social EUR 516 950—TVA LU17564447*



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form F-3 (No 333-171964) of our report dated June 30, 2011 relating to the financial statements, which appears in this Form 20-F. We also consent to the reference to us under the heading "Selected Financial Data" in this Form 20-F.

Buenos Aires, Argentina
April 25, 2012

PRICE WATERHOUSE & CO. S.R.L.

by /s/ Daniel A. López Lado (Partner)

Daniel A. López Lado

Price Waterhouse & Co. S.R.L., Bouchard 557, piso 8°, C1106ABG - Ciudad de Buenos Aires
T: +(54.11) 4850.0000, F: +(54.11) 4850.1800, www.pwc.com/ar