
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F

(Mark One)

- ☐ 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 31 December 2023
- 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: 001-3132734

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)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange On Which Registered
American Depositary Shares	TX	New York Stock Exchange
Ordinary Shares, par value \$1.00 per share	TX	New York Stock Exchange*

***Ordinary shares of Ternium S.A. are not directly 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 \$1.00 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 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, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☒ Accelerated Filer ☐ Non-accelerated filer ☐
Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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). ☐

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

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TABLE OF CONTENTS

<u>PART I</u>		
Item 1.	<u>Identity of Directors, Senior Management and Advisers</u>	7
Item 2.	<u>Offer Statistics and Expected Timetable</u>	7
Item 3.	<u>Key Information</u>	7
Item 4.	<u>Information on the Company</u>	30
Item 4A.	<u>Unresolved Staff Comments</u>	85
Item 5.	<u>Operating and Financial Review and Prospects</u>	85
Item 6.	<u>Directors, Senior Management and Employees</u>	101
Item 7.	<u>Major Shareholders and Related Party Transactions</u>	110
Item 8.	<u>Financial Information</u>	112
Item 9.	<u>The Offer and Listing</u>	116
Item 10.	<u>Additional Information</u>	117
Item 11.	<u>Quantitative and Qualitative Disclosure About Market Risk</u>	130
Item 12.	<u>Description of Securities Other Than Equity Securities</u>	134
<u>PART II</u> 135		
Item 13.	<u>Defaults, Dividend Arrearages and Delinquencies</u>	135
Item 14.	<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	135
Item 15.	<u>Controls and Procedures</u>	135
Item 16A.	<u>Audit Committee Financial Expert</u>	136
Item 16B.	<u>Code of Ethics</u>	136
Item 16C.	<u>Principal Accountant Fees and Services</u>	137
Item 16D.	<u>Exemptions from the Listing Standards for Audit Committees</u>	137
Item 16E.	<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	137
Item 16F.	<u>Change in Registrant's Certifying Accountant</u>	139
Item 16G.	<u>Corporate Governance</u>	139
Item 16H.	<u>Mine Safety Disclosure</u>	141
Item 16I.	<u>Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</u>	141
Item 16J.	<u>Insider Trading</u>	141
Item 16K.	<u>Cybersecurity</u>	142
<u>PART III</u> 143		
Item 17.	<u>Financial Statements</u>	143
Item 18.	<u>Financial Statements</u>	143
Item 19.	<u>Exhibits</u>	144

CERTAIN DEFINED TERMS

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

- References to "shares" are to ordinary shares, par value \$1.00, of the Company; and references to "ADSs" are to the American Depositary Shares, which are evidenced by American Depositary Receipts;
- References to "billions" are to thousands of millions, or 1,000,000,000;
- References to the "Company" are exclusively to Ternium S.A., a Luxembourg *société anonyme*;
- References to "Exiros" are to Exiros B.V., a Dutch corporation, and its subsidiaries under the brand "Exiros";
- References to "finished steel products" are to steel products other than steel slabs;
- References to "San Faustin" are to San Faustin S.A., a Luxembourg *société anonyme* and the Company's indirect controlling shareholder;
- References to "Techgen" are to Techgen S.A. de C.V., a Mexican corporation, 48% owned by Ternium, 22% owned by Tenaris and 30% owned by Tecpetrol;
- References to "Tecpetrol" are to Tecpetrol International S.A., a wholly owned subsidiary of San Faustin;
- References to "Tenaris" are to Tenaris S.A., a Luxembourg *société anonyme* and a shareholder of the Company;
- References to "Tenigal" are to Tenigal S.R.L. de C.V., a Mexican company, 51% owned by Ternium and 49% owned by Nippon Steel Corporation, or NSC;
- References to "Ternium," "we," "us" or "our" are 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; Ternium Brasil Ltda., or "Ternium Brasil" (formerly, CSA Siderúrgica do Atlântico Ltda.), a Brazilian corporation; Ternium Argentina S.A., or "Ternium Argentina", an Argentine corporation; Ternium Colombia S.A.S., or "Ternium Colombia", a Colombian corporation; Ternium del Atlántico S.A.S., a Colombian corporation; Ternium Internacional Guatemala S.A., a Guatemalan corporation; Ternium USA Inc., a Delaware corporation; Las Encinas S.A. de C.V., or "Las Encinas," a Mexican corporation; Consorcio Minero Benito Juárez Peña Colorada S.A. de C.V., or "Consorcio Peña Colorada," a Mexican corporation; and, in each case, each of their respective subsidiaries; and Usiminas;
- References to "Ternium Investments" are to Ternium Investments S.à r.l., a Luxembourg *société à responsabilité limitée*, and a wholly owned subsidiary of the Company;
- 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 "Usiminas" are to Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS, a listed Brazilian corporation controlled by Usiminas' control group, which is composed of Ternium Investments, Ternium Argentina, and Tenaris's subsidiary, Confab Industrial S.A. (all of which conform the T/T Group); NSC, Metal One Corporation and Mitsubishi Corporation (all of which comprise the NSC Group); and Usiminas' pension fund, Previdência Usiminas. For further information on our investment in Usiminas, see Item 4. "Information on the Company—C. Organizational Structure—Other Investments-Usiminas" and note 3 to the consolidated financial statements included in this annual report.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

We prepare our consolidated financial statements in accordance with IFRS Accounting Standards (International Financial Reporting Standards) as issued by the International Accounting Standards Board and in conformity with IFRS Accounting Standards as adopted by the European Union. IFRS differs in certain significant aspects from generally accepted accounting principles in the United States, commonly referred to as U.S. GAAP. Additionally, this annual report includes certain non-IFRS alternative performance measures such as “Net Cash” and “Free Cash Flow”. The reconciliation of non-IFRS alternative performance measures to the most directly comparable IFRS measures is included in Exhibit 15.1. We publish consolidated financial statements presented in increments of a thousand U.S. dollars. This annual report includes our audited consolidated financial statements for the years ended December 31, 2023, 2022 and 2021.

Currencies

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

- “dollars,” “U.S. dollars,” “USD,” “US\$” or “\$” each refers to the United States of America dollar;
- “Mexican pesos” or “MXN” each refers to the Mexican peso;
- “Argentine pesos” or “ARS” each refers to the Argentine peso; and
- “Brazilian reais” or “BRL” each refers to the Brazilian real.
- “Colombian pesos” or “COP” each refers to the Colombian peso.

On December 31, 2023, the U.S. dollar sell exchange rate in Mexico (as published by *Banco de México*, the Mexican central bank) was MXN16.8935=\$1.00; the U.S. dollar sell exchange rate in Brazil (as published by *Banco Central do Brasil*, the Brazilian central bank) was BRL4.8413=\$1.00; the U.S. dollar sell exchange rate in Argentina (as published by *Banco Central de la República Argentina*, the Argentine central bank) was ARS808=\$1.00; and the U.S. dollar average exchange rate in Colombia (as published by *Banco de la República*, the Colombian central bank) was COP3,822=\$1.00. 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 website at www.ternium.com. Information contained in or otherwise accessible through our Internet 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 our website.

Industry Data

Unless otherwise indicated, industry data and statistics (including historical information, estimates or forecasts) in this annual report are contained in or derived from internal or industry sources believed by Ternium to be reliable. Industry data and statistics are inherently predictive and are not necessarily reflective of actual industry conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data. Such data and statistics have not been independently verified, and the Company makes no representation as to the accuracy or completeness of such data or any assumptions relied upon therein.

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, which are provided to allow potential investors the opportunity to understand management’s beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment in Ternium’s securities.

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 based on management’s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied by those 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 steel consumers' behavior in the markets in which Ternium operates and sells its products;
- steel price changes and trends in the countries in which Ternium operates;
- the activities, in the markets in which Ternium operates, of existing and new competitors whose presence may affect Ternium’s customer mix, revenues and profitability;
- increases in the prices of raw materials, slabs, energy or other inputs, or other events affecting supply and demand of raw materials, slabs, energy or other inputs, such as supply disruptions resulting from the Russia- Ukraine armed conflict;
- economic, political, social and regulatory developments and conditions in the countries in which Ternium owns facilities or in other countries, which may impact Ternium’s business activities or investments;
- continuing inflation or deflation, and fluctuation of foreign exchange rates in the countries in which Ternium operates;
- volatility in interest rates;
- performance of financial markets globally and in the countries in which Ternium operates;
- contingencies associated with Ternium's acquisition of a participation in Usiminas' control; failure or delay in completing Ternium's strategy for Usiminas, or fully maximizing combined competitive strengths; the operating and financial performance of Usiminas and the Brazilian economy in general; and the trading price of Usiminas’ ordinary and preferred shares;
- changes to applicable laws and regulations, including changes relating to tax, trade and foreign exchange matters, or the imposition of tariffs, quotas, or other trade barriers or trade sanctions;
- regional or general changes in asset valuations;
- uncertainties as to the result of our iron ore exploration activities, the successful exploitation of our mines and ability to maintain iron ore and pellets product rates over time, the actually recoverable mineral resources and reserves and actual mine life, and our ability to maintain peaceful relationships with local communities;
- our ability to successfully implement our business strategy, the impact of past or future acquisitions on Ternium’s operations or profits, and our ability to timely complete our strategic growth projects;
- international conflicts, public health epidemics and other political, social, or economic conditions and developments in the countries in which we operate; and
- other factors or trends affecting the steel and mining industries 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 or other occurrences or developments 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 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 changes of circumstances or management's estimates or opinions, 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. [Reserved].

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 Ternium's 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 global or regional economic activity would cause a reduction in worldwide or regional demand for steel, which would have a material adverse effect on the steel industry and Ternium.

Steel demand is sensitive to trends in cyclical industries, such as the construction, automotive, appliance and machinery industries, which are significant markets for Ternium's products and are also affected by national, regional or global economic conditions. A downturn in economic activity would reduce demand for steel products, which would have a negative effect on the steel industry generally and specifically on our business and results of operations. In 2020, the rapid expansion of the SARS-CoV-2 virus, the surfacing of new strains of the virus in several countries, and the containment measures adopted by governmental authorities triggered an unprecedented crisis that resulted in a severe contraction in gross domestic product and steel consumption globally, affecting all steel markets in which Ternium had significant exposure. Global activity levels improved during the second half of 2020 and steel demand recovered to pre-COVID levels in 2021. In 2022, the Russian invasion of Ukraine led to higher global prices of certain commodities and energy, contributing to higher inflation rates and negatively affecting economic activity. In addition, central banks in many countries tightened monetary conditions during 2022 and 2023 in response to elevated inflation rates. These factors led to a contraction in global steel consumption in 2023.

Uncertainty regarding global or regional economic activity remains high. A recession affecting developed economies, or slower growth or recessionary conditions in emerging economies would exact a heavy toll on the steel industry and adversely affect the overall steel business and specifically our business and results of operations.

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

Steel prices are volatile and are sensitive to trends in steel demand and raw material costs, such as steel scrap, iron ore and metallurgical coal costs. Historically, the length and nature of business cycles affecting steel demand and raw material costs have been unpredictable. Steel prices have been significantly fluctuating in response to market trends, costs of raw materials and world events (including, in recent years, COVID pandemic and international conflicts, such as the Russian invasion of Ukraine). For instance, US prices of hot-rolled coils bottomed in 2020 to USD485 per ton, peaked at USD2,135 per ton in 2021, and then showed significant volatility during 2022 and 2023. A protracted fall in steel prices could result in lower revenues, adversely affecting Ternium's operating results.

Furthermore, if raw material costs decline, the resulting reduction in steel production costs would not be immediately reflected in Ternium's operating results as we would first consume existing inventories acquired prior to such raw material cost decrease (First In - First Out accounting methodology). Similarly, we may be unable to recover, in whole or in part, increased costs of raw materials and energy through increased selling prices on steel products, or it may take an extended period of time to do so.

Regional or worldwide excess steel production capacity may lead to unfair trade practices in the international steel markets and/or to intense competition, hampering Ternium's ability to sustain adequate profitability.

The steel industry is affected by economic cycles, as well as by regional or worldwide production overcapacity. Historically, the steel industry has suffered, especially on downturn cycles, from substantial overcapacity. In the last decade, overcapacity has been particularly severe in China. More recently, there have been several new steel making and steel processing facilities under construction or ramping-up in the United States and Mexico, which could contribute to an excess of steel production capacity in the region. For further information on competition in the Mexican steel market see Item 4. "Information on the Company—B. Business Overview—Competition —Steel—Mexico".

Excess steel production capacity may require several years to be absorbed by demand and, consequently, may contribute to an extended period of depressed margins and industry weakness. International trade of steel products conducted under unfair conditions increases particularly during downturn cycles and as a result of production overcapacity. Unfair trade practices may result in the imposition by some countries (that are significant producers and consumers of steel) of antidumping and countervailing duties or other trade measures and may cause fluctuations in international steel trade. The imposition of such trade remedies or temporary tariffs on major steel exporters in significant steel producing countries could in turn exacerbate pressures in other markets, including those to which Ternium is exposed as exporters target such other markets to compensate, at least partially, for the loss of business resulting from the imposition of trade remedies or tariffs.

China is the largest steel producing country in the world, accounting for more than half of worldwide crude steel production, and Chinese exports of steel products to many countries, including exports to Europe, the United States and Mexico, have been subject to the imposition of antidumping and countervailing duties and other trade measures. A decrease in steel consumption or an increase in steel production in China, could cause aggressive Chinese steel export offers, exerting downward pressure on sales and margins of steel companies operating in other markets and regions, including those to which we are exposed. For example, in 2023 there was a surge in the import of flat steel products in Brazil of approximately 42% compared to 2022, mainly consisting of low-priced steel imports from China, adversely affecting Brazilian domestic steel production. Similarly, a downturn in global or regional economic activity could encourage unfair steel trade practices adversely affecting the steel industry and Ternium's business and results of operations. For further information, see Item 4. "Information on the Company—B. Business Overview—Regulations —Trade Regulations".

Sales may fall as a result of fluctuations in industry inventory levels or disruptions in Ternium customers' supply chains.

Inventory levels of steel products held by our customers can vary significantly from period to period, as they either draw from existing inventory or accumulate further inventory in response to market conditions and prospects. As a result, purchased volumes may be irregular. In addition, supply chain disruptions could reduce customer demand for steel products. For example, in 2021 vehicle production was severely affected by a shortage of semiconductors that, in turn, affected our steel sales. More recently, foreign exchange restrictions in Argentina reduced our customers' ability to import raw materials and intermediate goods, negatively impacting manufacturing activity and, as result, steel demand in the country. For additional information, please see note 30 "Foreign exchange restrictions in Argentina" to our consolidated financial statements included in this annual report. Fluctuations in steel inventory levels and disruptions in customers' supply chains can temporarily affect the demand for, and price of, steel products and, accordingly, Ternium may not be able to increase or maintain its levels of sales volume or prices.

Intense competition could cause Ternium to lose its market share and adversely affect its revenues.

The market for steel products is highly competitive, particularly with respect to price, quality and service. In both global and regional markets, Ternium competes against other global and local producers of steel products, which in some cases have greater financial and operating resources or direct and indirect governmental support. Competition could result in declining margins and reduced shipments. Competitors could use their resources in a variety of ways that may affect Ternium negatively, including by making additional acquisitions, implementing modernization programs, expanding their production capacity or investing more aggressively in product development among others.

To the extent that competitors become more efficient, our sales could suffer as operations confront stronger competition and could fail to preserve their current share of the relevant geographic or product markets. In addition, there has been a trend in the past toward steel industry consolidation among competitors, and current competitors in the steel market could become larger competitors in the future. For further information on competition and investments in the steel industry, see Item 4. “Information on the Company—B. Business Overview—Competition.”

Moreover, Ternium and other steel makers compete against suppliers of alternative materials, including aluminum, wood, concrete, plastic and ceramics. In particular, certain customers, such as the automotive industry, are increasing their consumption of lighter-weight materials, such as high-pressure aluminum obtained through die casting, composites and carbon fiber, sometimes as a result of regulatory requirements or government initiatives aimed at transitioning to a lower-carbon economy. Competition from these alternative materials could adversely affect the demand for, and consequently the market prices of, certain steel products and, accordingly, could affect our sales volumes and revenues.

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

The manufacture of steel products requires substantial amounts of steelmaking raw materials, slabs, energy and other inputs from domestic and foreign suppliers. Ternium’s raw materials and inputs include large quantities of slabs, iron ore, metallurgical coal, pulverized coal for injection, scrap, ferroalloys, refractories, natural gas, electricity, oxygen and other gases consumed in operating blast and electric arc furnaces, as well as downstream facilities. The availability and pricing of raw materials, slabs, energy and other inputs used in our operations are subject to multiple factors, including market conditions, government regulations or intervention, including import controls and international sanctions, allocation by suppliers, interruptions in production, or other events that can affect continuity of supply and prices, such as wars, natural disasters, chronic climate changes, accidents and epidemics.

Purchased slabs are a key component of Ternium’s production process. Industry consolidation and integration of slab making facilities into finished steel products have been reducing the availability of slabs in the global market. For example, in 2023 ArcelorMittal acquired Companhia Siderúrgica do Pecém (CSP), a Brazilian slab maker that used to be a significant supplier of slabs in the international markets. In addition, ArcelorMittal gradually integrated its slab facility in Lázaro Cárdenas, Mexico, with the steel processing facilities located in Alabama, U.S., that it had acquired together with Nippon Steel Corporation (NSC) in February 2014. Furthermore, in 2021 ArcelorMittal inaugurated a new hot-rolling mill in Lázaro Cárdenas that led to a further integration of its slab facility in that site. Additionally, the Russian invasion of Ukraine in February 2022 and the consequent wave of trade sanctions imposed by the United States, the United Kingdom, and the European Union, among other countries, against certain Russian institutions, companies and citizens, resulted in a disruption to the global supply of slabs and other inputs consumed in the steel production process. New international sanctions against Russian steel companies or citizens that have not been affected by current sanctions could result in slab scarcity and/or increases in slab prices in the market, which would have a material adverse effect on Ternium’s business and results of operations.

We have usually been able to procure sufficient supplies of raw materials, slabs, energy and other inputs to meet our production needs; however, we could be unable to procure adequate supplies in the future. Any protracted interruption, discontinuation or other disruption of the supply of main inputs used in our operations (including as a result of strikes, lockouts, sanctions and other trade restrictions, accidents or natural disasters, armed conflicts, worldwide price fluctuations, the availability and cost of transportation, global epidemics or other factors) would result in lost sales and/or lower margins, and would have a material adverse effect on our business and results of operations. For further information related to effects of global events see “- Risks Relating to the Steel Industry – A downturn in global or regional economic activity would cause a reduction in worldwide or regional demand for steel, which would have a material adverse effect on the steel industry and Ternium”. For further information related to the consolidation trend in the steel industry see Item 4. “Information on the Company—B. Business Overview—Competition.”

Ternium depends on a limited number of key suppliers.

We depend on a limited number of key suppliers for the provision of certain key inputs. For example, in 2023 Ternium Argentina and Ternium Brasil purchased iron ore mainly from Vale, a Brazilian company. There is a trend in the industry towards consolidation among suppliers of raw materials, slabs and other inputs. We have entered into long-term contracts for the supply of some (but not all) of our principal inputs and expect that such agreements will be maintained and, depending on the circumstances, renewed. However, if any key supplier fails to deliver, or if existing contracts cannot be renewed in the future, or if applicable regulations or sanctions limit or prohibit purchases from certain suppliers, we could face limited access to certain raw materials, slabs, energy or other inputs, or could be subject to higher costs and delays resulting from the need to obtain our input requirements from other suppliers.

Risks Relating To Ternium's Business and Growth Strategy

Past or future acquisitions or other significant investments 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 opportunities. As part of that strategy, Ternium regularly considers acquisitions, greenfield and brownfield projects and other significant investments. Over the last decade, we made two large acquisitions, one involving a participation in the control group of Usiminas, the largest flat steel producer in Brazil, and the other involving CSA, a Brazilian steel slab producer. Recently announced organic investments include the construction of a new steelmaking facility and a direct reduction unit in Pesquería, as well as a new port facility for raw material handling. In addition, Ternium is advancing with the construction of a cold-rolling mill, a hot-dipped galvanizing line, a push-pull pickling line and finishing lines in its industrial center in Pesquería. For information on significant investments, see Item 4. "Information on the Company—B. Business Overview—Our Business Strategy and —Capital Expenditure Program".

Any acquisition, investment or other growth project will depend on market and financing conditions. We must necessarily base any assessment of potential acquisitions or organic investments on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. In addition, we may fail to find suitable acquisition targets or fail to consummate our acquisitions under favorable conditions. Our acquisitions or other investments may not perform in accordance with 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, realize expected synergies or accomplish the business objectives that were foreseen at the time of deciding any such investment. Moreover, Ternium may also acquire, as part of future acquisitions, assets unrelated to its business, and we may not be able to integrate them or sell them under favorable terms and conditions. Integration of any acquired businesses would require a significant amount of time and resources from management and employees. Finally, the existence of other minority shareholders at any acquired companies, including Usiminas and its subsidiaries, could delay or prevent us from completing our strategy or fully maximizing our combined competitive strengths. These risks could have an adverse impact on the ongoing business and a material adverse effect on our financial condition and results of operations.

In addition, acquisitions may be subject to challenges or investigations by governmental authorities, including antitrust and consumer-protection authorities. The costs of complying with authorization or investigation procedures may be significant. Also, antitrust authorities are looking very closely at the effects of acquisitions and may deny authorizations, impose conditions that may result in significant costs or deprive Ternium from the advantages and expected synergies of acquisitions, or initiate investigation upon challenges brought by third parties. Challenges to acquisitions or other investments, and failure to obtain, or conditions imposed for the granting of, authorizations may block or delay transactions, which could have an adverse effect on our financial condition and results of operations.

Ternium's strategic growth projects could be delayed, the cost of those projects could increase, or Ternium's competitiveness could be affected, if the operations of certain suppliers of heavy equipment are disrupted by geopolitical risk, adversely affecting Ternium's growth opportunities and profitability.

Ternium is expanding its industrial facilities in Mexico to advance the continued integration of its industrial system and reinforce its position as a leading steel supplier in the region. In a market that is increasingly demanding differentiated products and services, the implementation of the United States-Mexico-Canada Agreement, or USMCA, trade agreement and the nearshoring of manufacturing capacity in the steel value chain have made Mexico an attractive destination for continued investment. Ternium's expansion plan includes a steelmaking facility, a cold-rolling mill, a hot-dipped galvanizing line, a push-pull pickling line and finishing lines in Pesquería and new port facilities for raw material handling. These facilities are expected to gradually start-up during 2024, 2025 and 2026 at a total cost of approximately \$3.5 billion. For information on significant investments, see Item 4. "Information on the Company—B. Business Overview—Our Business Strategy and —Capital Expenditure Program".

The proper execution of this complex expansion plan relies, among other factors, on timely manufacturing, delivery and commissioning of the equipment ordered for the new facilities, especially those related to the new steel mill, in light of the USMCA's new "melted and poured" manufacturing requirements, to become effective in July 2027, for steel to be considered as originating in North America for USMCA tax purposes. Geopolitical conflicts may expose some of our suppliers of heavy equipment to government actions or sanctions preventing them from shipping the equipment or us to continue purchasing products from, or making payments to such suppliers, and we may not be able to promptly procure such equipment from an alternative facility of such supplier or from other suppliers, or we may be required to purchase equipment at increased prices, which could result in increased expenses and/or a delayed execution of our growth plans. In addition, delayed compliance with the new USMCA's steel manufacturing requirements would affect our market competitiveness and may hurt our profitability and net worth.

Ternium may be required to record a significant charge to earnings if it must reassess its goodwill, other amortizable intangible assets, investments in non-consolidated companies, property, plant and equipment and other long-lived assets.

In accordance with IFRS, management must test our assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets subject to testing include goodwill, intangible assets, investments in non-consolidated companies, property, plant and equipment and other long-lived assets. In addition, management must test for impairment goodwill at least once a year, whether or not there are indicators of impairment. IFRS requires Ternium to recognize a charge in an amount equal to any impairment.

We review periodically the recoverability of our investments. As of December 31, 2023, goodwill in connection with our Mexican subsidiaries amounted to \$662.3 million and the carrying value of our investment in non-consolidated companies amounted to \$517.3 million. If Ternium's management determines in the future that the goodwill from its acquisitions, its investments in non-consolidated companies or the carrying value of its property, plant and equipment and other long-lived assets are impaired, Ternium will be required to recognize a charge against earnings, which could materially adversely affect our results of operations and net worth. In the past, Ternium recorded impairment charges several times. For example, as of December 31, 2012, September 30, 2014, December 31, 2015, and September 30, 2022, we wrote down our investment in Usiminas by \$275.3 million, \$739.8 million, \$191.9 million and \$120.4 million, respectively. In the fourth quarter of 2023, we recorded a \$42.3 million impairment charge of certain mining assets from Las Encinas. See note 4(e)(2) "Accounting Policies – Intangible Assets – Mining Assets" to our consolidated financial statements included in this annual report, and for information on impairments recorded by Ternium, see note 4(f) "Accounting Policies – Impairment" of our audited consolidated financial statements included in this annual report.

In addition, in July 2023, Ternium increased its participation in Usiminas control group and began to consolidate Usiminas. As a result of this transaction, Ternium recorded a \$1.1 billion non-cash net loss composed of (i) a loss of \$935 million corresponding to items recognized as of the acquisition date, in "Other Comprehensive Income" related to Ternium's previous stake in Usiminas. This negative reserve was mainly related to CTA losses due to the impact on Usiminas valuation of the depreciation, over the years, of the Brazilian Real versus the U.S. dollar, as Usiminas uses the Brazilian Real as its functional currency. As a result of the increase in the participation in Usiminas, items recognized in Other Comprehensive Income related to Ternium's previous stake in Usiminas were recycled to the results of the period. The resulting \$935 million loss is non-cash, it has no income tax effects and did not change the value of Ternium's equity; and (ii) a net loss of \$171 million as a result of the purchase price allocation related to the business combination performed in the third quarter of 2023 and the remeasurement of Ternium's previous stake in Usiminas. For further information, see note 3 "Acquisition of Business—Increase of the participation in Usiminas control group and new governance structure of Usiminas", to our consolidated financial statements included in this annual report.

Any further write-downs to or revaluation of Ternium's assets or investments could have a material adverse effect on Ternium's results of operations or net worth.

If Ternium does not comply with laws and regulations designed to combat governmental corruption in countries in which it sells its products, it could become subject to fines, penalties or other sanctions and Ternium's sales and profitability could suffer.

We conduct our business in certain countries known to experience governmental corruption. Although Ternium is committed to conducting business in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to its business, there is a risk that employees or representatives may take actions that violate applicable laws and regulations that generally prohibit the making of improper payments to foreign government officials for the purpose of obtaining or keeping business, including laws relating to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions such as the U.S. Foreign Corrupt Practices Act and other anti-corruption laws adopted by the main countries in which we operate (including Mexico, Argentina, the United States, Brazil and Colombia), which impose strict criminal liability on companies for corrupt practices undertaken by their employees or representatives. In addition, we cannot give any assurance that we will detect all illegal activity that may have been conducted before the acquisition at any acquired business.

Labor disputes could result in work stoppages and disruptions to Ternium's operations negatively impacting our results.

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's subsidiaries could also suffer plant stoppages or strikes if they were to implement cost reduction plans. From time to time, we take measures to increase competitiveness; none of the measures taken in the past have resulted in significant labor unrest. However, we cannot assure that this situation will remain stable or that future measures will not result in labor actions against Ternium companies. Any future stoppage, strike, disruption of operations or new collective bargaining agreements could result in lost sales and could increase our costs, thereby affecting our results of operations. For further information on the geographic distribution of employees, see Item 6. "Directors, Senior Management and Employees—D. Employees".

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

Our operations expose us to the effects of changes in foreign currency exchange rates and changes in foreign exchange regulations. A significant portion of Ternium's transactions is carried out in currencies other than the U.S. dollar. As a result of this foreign currency exposure, exchange rate fluctuations impact Ternium companies' results as reported in their income statements and statements of financial position. In the ordinary course of business, Ternium companies may see fit to enter into exchange rate derivatives agreements to manage exposure to exchange rate changes. Future regulatory or financial restrictions in the countries where we operate may reduce our ability to manage our exposure to exchange rate fluctuations, and thus could cause an adverse impact on our results, financial condition or cash flows. For information concerning the effect of the changes in exchange rates on our business and results, see Item 5. "Operating and Financial Review and Prospects—Overview".

In addition, Usiminas, which we began to consolidate in July 2023, uses the Brazilian real as its functional currency. Accordingly, any fluctuation of the BRL exchange rate will impact non-BRL balances' exposure in Usiminas' balance sheet and, therefore, impact Ternium's balance sheet and results of operations. Additionally, as Usiminas has the BRL as its functional currency, any fluctuation in the BRL/USD exchange rate will affect Ternium's balance sheet with impact in the statement of comprehensive income as currency translation adjustment.

Cyberattacks could have a material adverse impact on Ternium's business and results of operations.

For purposes of carrying out its operations, Ternium relies heavily on information systems; and digital technologies have an increasingly significant role across the business. Although we devote significant resources to protect our systems and data, and continually monitor external developments and available information on threats and security incidents, we have experienced and we expect to continue experiencing varying degrees of cyber incidents in the normal conduct of business, and also occasionally experience sophisticated cybersecurity threats including actual or potential unauthorized access to data and systems, loss or destruction of data, computer viruses or other malicious code, phishing, spoofing and/or other cyberattacks. Cybersecurity threats and incidents often arise from numerous sources, many of which fall beyond our control, such as fraud or malice from third parties, including fraud involving business email, failures of computer servers or other accidental technological failure, electrical or telecommunication outages or other damage to its property or assets.

Cybersecurity threats and incidents, such as phishing attacks, attempts to compromise user credentials, attempts to compromise firewall infrastructure, fake websites, impersonation and whaling, continued to increase throughout 2023. The sophistication of these attacks also grew at a fast pace, with issues such as remote work bearing a significant concern for companies in different industries. Microsoft has informed that the manufacturing sector was the industry most subject to ransomware attacks in 2023. Experts agree that cyberattacks are increasing in sophistication and frequency and call for a global response to cybersecurity threats, and regulators are placing increased focus on cybersecurity and its effects.

Cyber ecosystem risk is becoming more problematic. According to the World Economic Forum's 2024 Global Cybersecurity Outlook, the gap between organizations that are cyber resilient and those that are not is widening at an alarming rate and this phenomenon is particularly alarming in light of the interconnected nature of the cyber ecosystem. According to data set forth in such Report, 41% of the organizations that suffered a material incident in the past 12 months attributed the incidents to a third party, and 54% of the organizations have insufficient visibility into

the vulnerabilities of their supply chain. This raises a significant concern as even resilient companies may be exposed to the vulnerabilities of third-party suppliers, service providers or clients.

In addition, emerging technologies, like generative artificial intelligence (AI), which are becoming available more widely and faster, are expected to exacerbate cyber resilience challenges. Approximately half of executives surveyed at the World Economic Forum's annual meeting on cybersecurity stated that advances in adversarial capabilities (phishing, malware, deepfakes) present the most concerning impact of generative AI on cybersecurity concerns.

The cybersecurity incidents we suffered in 2023 were contained in a timely manner. Four incidents evidenced a high level of sophistication. None of the cybersecurity incidents led to any known breaches of business-critical IT systems and, as such, did not result in any material business impact to Ternium.

In this context, we continue to seek to improve cybersecurity controls, processes and procedures to monitor, detect, evaluate and respond to hacking, malware infection, cybersecurity compromise and other risks. In addition, we carry out cybersecurity awareness and ethical phishing campaigns aimed at protecting us against cyberthreats. Given the rapidly evolving nature of cyber threats, there can be no assurance that the systems and measures that we have put in place to prevent or limit the effects of cyber incidents or attacks and the mitigation actions adopted in connection with such attacks will be sufficient to prevent or detect such incidents or attacks, to avoid a material adverse impact on our systems. While we continue to attempt to mitigate these risks, we remain vulnerable to additional known or unknown threats, including theft, misplacement or loss of data, programming errors, employee errors and/or dishonest behavior that could potentially lead to the compromising of sensitive information, improper use of our systems or networks, as well as unauthorized access, use, disclosure, modification or destruction of such information, systems and/or networks.

If Ternium's systems and measures for protecting against cybersecurity risks are circumvented or breached, this could result in disruptions to its business and operations (including but not limited to, defective products, production downtimes or loss of productivity), access to financial reporting systems, the loss of access to critical data or systems, misuse or corruption of critical data and proprietary information (including intellectual property and customer data), as well as damage to our reputation with customers and the market, failure to meet customer requirements, customer dissatisfaction and/or regulatory fines and penalties (including for inadequate protection of personal data and/or failure to notify the competent authorities for such breach) or other financial costs and losses. In addition, failure to adequately and timely monitor and evaluate our hardware and software systems and applications to prevent or manage technology obsolescence risks may result in increased costs, increased operational risk of service failure, loss of technology competitiveness and reputation.

In addition, given that cybersecurity threats continue to evolve, we may be required to devote additional resources in the future to enhance its protective measures or to investigate and/or remediate any cybersecurity vulnerabilities. Ternium does not currently maintain cybersecurity insurance and the insurance it carries for property damage and general liability may not protect Ternium from damages derived from cyber events. Moreover, any investigation of a cyberattack would take time before completion, during which Ternium would not necessarily know the extent of the actual or potential harm or how best to remediate it, and certain errors or actions could be repeated or compounded before duly discovered and remediated (all or any of which could further increase the costs and consequences arising out of any cyberattack).

Furthermore, in response to the increase in the number and sophistication of ransomware attacks, U.S. and other regulatory agencies have implemented regulations to prevent victims from making ransomware payments and to deter third parties from facilitating or processing such payments to cyber actors. This would constrain our ability to deal with ransomware attacks, should they occur.

For information regarding Ternium's cybersecurity risk management and strategy, see Item 16K. "Cybersecurity".

The physical risks resulting from climate change, including extreme weather conditions and shifts in weather patterns may adversely impact Ternium's business, results of operations and net worth.

Ternium's business has been, and in the future could be, affected by severe weather conditions in areas where operations are carried out, which could materially damage our production facilities and general infrastructure or affect the normal course of business, and result in a material adverse effect on Ternium's financial results. Extreme weather events and natural disasters, such as hurricanes, cyclones, droughts, floods and fires could affect businesses' operations, workforce, markets, infrastructure, raw materials and assets. For example, in the last few years, low water levels at the Paraguay and Paraná waterways disrupted in several occasions the supply of iron ore from Brazil's iron ore mines in the Pantanal Region (Mato Grosso do Sul state) to Ternium Argentina, requiring from time to time the procurement of higher-cost iron ore from alternative sources and an increase of iron ore inventories. In addition, during

the first quarter of 2021, extreme weather conditions in the southern United States and northern Mexico disrupted the provision of natural gas and energy to operations in Mexico, negatively affecting steel production levels.

The communities surrounding our main operation sites in Argentina, Brazil and Mexico are vulnerable to flooding due to extreme weather events. In the past, certain operations in Brazil and Argentina experienced intense rainfall affecting personnel's access to the facilities. In addition, as Ternium Mexico's facilities are located at water stressed areas, its operations in the country could be affected by water shortages and/or increased water costs, including as a result of measures taken by local governments in order to prevent or deal with critical situations caused by severe draughts. For example, in response to severe draughts affecting the metropolitan area of Monterrey in the state of Nuevo León, Mexico, the national water authority suspended new freshwater use concessions in the Monterrey area in 2022 and 2023. Although this event did not have a significant impact on our operations in the region, we cannot predict the impact of future similar events, in Mexico or elsewhere, to its operations and financial condition.

Extreme weather events and natural disasters could result in damage to property, delays in production or shipments and, in extreme cases, death or injury to persons. Any of the foregoing could create liability for Ternium.

Also, chronic climate changes, such as changes in precipitation patterns and rising of temperatures and sea levels may result in increased operating costs or capital expenditures, due to supply shortages or damage to facilities, personnel evacuation, increased insurance premiums or reduced availability of insurance, decreases in revenue derived from lower sales, disruption of operations or lower production levels, negative impact on workforce and write-offs and/or early retirement of assets, all of which could adversely affect our financial condition, results of operations and cash flows.

Ternium does not carry business interruption insurance, and the insurance that Ternium maintains for property damage and general liability may not be adequate or available to protect us under such events, its coverage may be limited, or the amount of insurance may be less than the related loss.

Risks Relating to the Mining Activities

Ternium has equity interests in two iron ore mining companies: a 100% interest in Las Encinas and a 50% interest in Consorcio Peña Colorada. Ternium's mining activities are located in Mexico. In addition, Usiminas, which we began to consolidate in July 2023, holds a 70% equity interest in Mineração Usiminas, a mining company located in Brazil. For information related to the risks of doing business in Brazil and Mexico see “-Risks Relating to the Countries in which Ternium Operates”. In addition, Ternium's mining activities are subject to the following risks:

Operational accidents and unexpected natural catastrophes may damage the environment, destroy properties and affect production or cause injuries and death, which would adversely impact Ternium's operations and profitability, and result in material liabilities.

Las Encinas, Consorcio Peña Colorada and Mineração Usiminas carry out extractive, processing and logistical operations. Liabilities associated with such mining activities include those resulting from tailings and sludge disposal, effluent management, iron ore pulp and fines transportation, and rehabilitation of land disturbed during the mining processes. The operations involve the use, handling, storage, discharge and disposal of hazardous substances and bulk material, and the use of natural resources. The iron ore mining industry is generally subject to significant risks and hazards, including environmental pollution, such as spilling or emissions of polluting substances or other hazardous materials; operational incidents, such as open-cut pit wall failures, rock falls, tailings dam breaches or incidents from the storage, transportation or use of explosives; transportation incidents, involving mobile equipment or machinery, slurry pipes and cable transportation; and may also be subject to unexpected natural catastrophes. This could result in environmental damage, damage to or destruction of properties and facilities, personal injury or death, and delays in production. For example, in January 2022, unusually heavy rains damaged internal roads and drainage systems, affecting Mineração Usiminas' iron ore production and shipments during that month. By March 2022, Mineração Usiminas was able to fully normalize its operations.

Although most of the tailings dams used by Las Encinas and Consorcio Peña Colorada meet the strictest international seismic standards, new reinforcements are expected to be completed by Consorcio Peña Colorada by year-end 2024 in one of its tailings dams in order to reduce risks of collapse under a severe earthquake. This reinforcement project follows recommendations arising from stability studies conducted with the assistance of independent consultants. Although Ternium believes that, once completed, Consorcio Peña Colorada's investment project will further mitigate the risk of incidents or failures at its tailings dam, failures or breaches may still occur prior to, or after, completion of reinforcement works. Furthermore, we cannot guarantee that failures or breaches will not occur in any tailings dam even when meeting the strictest international seismic standards. For further information, see Item 4. “Information on the Company - B. Business Overview - Mining”.

Mineração Usiminas, Las Encinas and Consorcio Peña Colorada may also be subject to claims under federal and local laws and regulations for toxic torts, natural resource damages and other damages, as well as for the investigation and clean-up of soil, surface water, sediments, groundwater and other natural resources. Claims for damages and reclamation may arise out of current or former conditions at sites that Ternium owns, leases or operates or at inactive sites that it currently owns, leased-land sites and third-party waste disposal sites. We may be held responsible for other sites in the future. It also could be subject to litigation for alleged bodily injuries arising from claimed exposure to hazardous substances allegedly used, released, or disposed of by Ternium. Environmental damages caused by mining operations may result in costs and liabilities that could materially and adversely affect Ternium's margins, cash flow and profitability. Third-party claims based on environmental or physical damages may exceed the limit of liability of the insurance policies that Ternium may have in place.

Required governmental concessions could be subject to prior consultation with native communities in Mexico or local communities in Brazil, changes or termination, permits and rights of use and occupancy could be difficult to obtain or maintain and taxes or royalties applicable to the mining industry could increase, all of which could adversely affect Ternium's mining activities and operating costs.

Mining activities are subject to specific regulations and depend on concessions and authorizations granted by governmental authorities. Increased government intervention or amendments to applicable laws and regulations as well as claims or legal actions from native or local communities or other third parties, may alter the terms pursuant to which mining companies are required to pursue exploration, mining and ore processing activities. Selected mining technologies, new taxes and/or royalties may be imposed on mining activities, leading to unexpected capital expenditures and higher costs. For example, in December 2011, the Minas Gerais state created a rate for the controlling, monitoring and supervision of exploration and mining activities of mineral resources, the TFRM rate, which determines a fix value per ton sold. In addition, in 2019, the federal and state governments issued new regulations for licensing of new dams, as well as the insertion of conditions for structures with population in the self-rescue zones, ranging from the guarantee of stability, expropriation or relocation of the population and de-characterization of dams, the implementation of which increased operating costs.

In April 2023, Mexico approved a significant reform to its mining laws. Among other changes, future mining activities have been prohibited in certain areas where superficial bodies of water exists, and areas declared by federal or local governments as natural reserves. In addition, governmental authorities are authorized to order removal of existing deposits under certain circumstances of location and risk. The new legislation prohibits the use of national waters for the transportation of certain materials, grants to the Mexican geological service exclusive rights to conduct exploration activities and provides for mandatory bidding processes in the granting of new exploration and exploitation concessions, limiting concessions to a 30-year duration with 25-year automatic extension and a further 25-year extension through a prior bidding process. Concessions may be revoked on certain grounds, including for failure to initiate or interrupt operations within a specified timeframe or to file a mine closing plan, and any kind of accidents could be punished with increased fines and other consequences. In addition, new permits entailing an increase in water consumption will be subject to several new conditions related to water availability in the regions where Las Encinas and Peña Colorada operate. Granting of new mining rights by the federal government will also be subject to the granting of new water consumption permits based on such new conditions. Furthermore, the new law seeks to regulate royalties or the sharing of profits with local communities, and mandates consultation processes with native and Afro-Mexican communities. The Supreme Court and other federal courts are analyzing the constitutionality of the new legislation. Mining companies operating in Mexico, including Las Encinas and Peña Colorada, expect their resolutions on the subject during 2024.

For further information on risks, including regulatory risk, relating to our operations in Mexico, see “- Risks Relating to the Countries in Which Ternium Operates - Mexico.”

Iron ore exploration and exploitation concessions in Brazil and Mexico as well as water concessions in Mexico may be revoked if the competent government authorities determine that mining companies do not comply with their obligations under the respective concession terms and agreements. Furthermore, in order to explore or exploit mines, it is necessary to obtain the right of use and occupancy of 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 native or local communities or landowners, or such agreements may be excessively onerous.

If Las Encinas, Consorcio Peña Colorada or Mineração Usiminas are unable to establish use and occupancy rights on acceptable terms, their mining activities may be compromised. In addition, Las Encinas, Consorcio Peña Colorada or Mineração Usiminas need to obtain, in the normal course of business, permits to operate new iron ore bodies at the mines and for the expansion of tailings deposit capacity in Mexico or areas for stocking piles and filtered waste in

Brazil. In particular, Consorcio Peña Colorada is seeking certain environmental permits in connection with the operation of its tailing dams, the delay of which is causing it to adjust, with the assistance of consultant companies, tailings operations and the deposition design plan. If Las Encinas, Consorcio Peña Colorada or Mineração Usiminas are unable to obtain required permits on a timely basis, they may need to alter their mining and/or production plans, which could lead to unexpected capital expenditures, higher costs and/or a disruption of its mining activities.

Ternium's resource and reserve estimates may differ materially from actually recoverable mineral quantities, or its estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine or cause Ternium to revise its resource or reserve estimates.

Ternium's resources and reserves are estimated quantities of ore that it has determined can be economically mined and processed under present and anticipated conditions to extract their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and resources and in projecting potential future rates of mineral production, including factors beyond our control. Resource and reserve calculations involve estimating deposits of minerals that cannot be measured in an exact manner, and the accuracy of any resource and reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Resource and reserve estimates also depend on assumptions relating to the economic viability of extraction, which are established through the application of a life of mine plan for each operation or project providing a positive net present value on a forward-looking basis, using forecasts of operating and capital costs based on historical performance, with forward adjustments based on planned process improvements, changes in production volumes and in fixed and variable proportions of costs, and forecasted fluctuations in costs of raw material, supplies, energy and wages. These forecasts and projections involve assumptions and estimations that, although Ternium believes are reasonable at the time of estimating its reserves and resources, may change in the future and may fail to anticipate geological, environmental or other factors or events that could make it difficult or unprofitable to mine certain ore deposits.

For further information on Ternium's resource and reserve estimations see Item 4. "Information on the Company - B. Business Overview - Mining - Iron Ore Mineral Reserves and Resources".

In addition, our reserve estimates are of in-place material after adjustments for mining depletion and mining losses and recoveries, with no adjustments made for metal losses due to processing. As a result, no assurance can be given that the indicated amount of ore will be recovered from our reserves, or that it will be recovered at the anticipated rates, or that extracted ore will be converted into saleable production over the mine life at levels consistent with its reserve estimates. Resource and reserve estimates may vary in the future, and results of mining and production subsequent to the date of an estimate may lead to future revisions of estimates. Estimates of mine life may require revisions based on actual production figures, changes in resource and reserve estimates and other factors. For example, fluctuations in the market prices of minerals, reduced recovery rates or increased operating and capital costs due to inflation, exchange rates, mining duties or other factors could affect Ternium's mine life projections. To the extent that market price fluctuations or changes in its operating and capital costs increase the cost to explore, locate, extract and process iron ore, we may be required to lower our reserve estimates if certain ore reserves become uneconomical to mine.

Exploration activities are subject to uncertainties as to the results 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. Ternium may incur substantial costs for exploration which do not yield the expected results. The failure to find sufficient and adequate ore resources could adversely affect our business. In addition, even if ore deposits are discovered, the 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 permits (including water usage permits), acquire land, 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 it may be exploited, we may incur substantial write-offs.

Inability to complete activities required to maintain iron ore and pellets production rates over time could increase Ternium's steel production cost.

Mining requires continuous investment and activities to sustain production rates such as the design of mining projects, the granting of environmental permits, the development of iron ore reserves and/or tailings dams, and the successful execution of civil works. A large share of Mineração Usiminas' iron ore reserves and resources are made of an iron ore

quality called Compactos, which is not able to be processed in Mineração Usiminas' current facilities or would be processed at substantially lower rates. To be able to process the Compactos iron ore quality at a rate similar or higher than current processing rates, Mineração Usiminas' is required to deploy a new project that entails new equipment and facilities and significant capital expenditures, the so called Compactos Project. If Mineração Usiminas does not approve or fails to timely develop this project, Mineração Usiminas' iron ore shipments will stop once the reserves of other iron ore qualities are depleted, negatively affecting Ternium's net sales and operating results. On the other hand, if Ternium's mining companies in Mexico fail to timely carry out the activities required to maintain iron ore and pellets production rates over time, Ternium could have to substitute lower-cost iron ore produced in its mining operations with third-party iron ore in order to supply its steel operations, with a consequent increase in steel production cost.

Expected costs and capital expenditure requirements for exploration, exploitation or restoration activities may vary significantly and affect Ternium's financial condition and expected results of operations.

Ternium may be subject to increased costs or delays relating to the acquisition of equipment for the exploration and exploitation of ore deposits, or restoration of exhausted mines. Moreover, we may face increasing costs or capital expenditure requirements related to several factors, including changes in environmental regulations, diminished iron ore reserve grades, deeper pits and operational sections of its mines, iron ore deposits within the pit area that are more difficult to locate or extract, additional maintenance works in dams, tailings and waste piles, and ponds, and increased energy supply requirements that may be difficult to obtain. Adverse mining conditions and other situations related to the operation of the mine and related facilities during their life cycle, whether permanent or temporary, may lead to a significant increase in projected capital expenditures and costs, as well as affect the ability to produce the expected quantities of mineral. If this occurs, our financial condition and expected results of operations may also be negatively affected.

Difficulties in relationships with local communities may adversely affect Ternium's mining activities and results of operations, and increasing violence and crime in Mexico could result in temporary or even permanent shut down of Ternium's Mexican mining operations.

Communities or individuals living or owning land near areas where Ternium operates may take actions to oppose and interfere with its mining activities. Even if a community has an agreement in place with Ternium, internal disputes within that community could result in blockades to disrupt our operations or iron ore transportation, or legal proceedings to suspend mining activity. Although we make significant efforts to maintain good relationships with such communities, actions taken by them (or by interest groups within those communities), including requesting the government to revoke or cancel concessions or environmental or other permits, may hamper our ability to conduct mining activities as planned, prevent us from fulfilling agreements reached with the government, or significantly increase the cost of exploring and/or exploiting the mines, thereby adversely affecting our business and results of operations.

Mexico

In the past, Ternium's mining operations in Mexico faced actions by certain native or local communities demanding higher compensation or other benefits, or seeking to stop mining activities. Although attempted legal actions did not succeed, Mexican legislation affords judges the power to preemptively suspend environmental or other permits or concessions and take certain other measures to protect the "ejidos" (land jointly owned by native communities) until the claim is resolved. An adverse legal decision suspending or cancelling permits, or the illegal blockade or occupation of facilities, could adversely impact Ternium's mining activities and results of operations.

More recently, the security situation in Aquila, where Las Encinas has its main mining operation, has worsened, with growing violence in the region being caused by criminal groups seeking territorial control and the exploitation of economic resources. In addition, a long-standing internal dispute between two differentiated groups of the native community prevented the election of community representatives and stirred a great deal of turmoil. In January 2023, two important community leaders went missing, which triggered an investigation by the Attorney General's office that resulted in the arrest of at least two suspects. The ensuing crisis forced Las Encinas to keep its main mining operation idled during the first half of 2023. Similarly, the Jalisco area, where Consorcio Peña Colorada operates, is not exempt from the presence of criminal groups and, consequently, security has also deteriorated in such region in the past months.

If violence and conflict continue to increase in the regions where Ternium has its mining operations, Ternium's mining activities in Mexico may be partially or totally suspended, or even permanently shut down.

Risks Relating To The Structure Of The Company

Changes in applicable tax regulations and resolutions of tax disputes could negatively affect our financial results.

Ternium is subject to tax laws in numerous foreign jurisdictions where it operates. The integrated nature of Ternium's worldwide operations can produce conflicting claims from revenue authorities in different countries as to the profits to be taxed in the individual countries, including disputes relating to transfer pricing. Most of the jurisdictions in which Ternium operates have double tax treaties with foreign jurisdictions, which provide a framework for mitigating the impact of double taxation on Ternium's results. However, mechanisms developed to resolve such conflicting claims are largely untried and can be expected to be very lengthy.

In recent years, tax authorities around the world have increased their scrutiny of companies' tax filings and have become more rigid in exercising any discretion they may have. As part of this, in 2015, the Organization for Economic Co-operation and Development, or OECD, proposed a number of tax law changes under its Base Erosion and Profit Shifting (BEPS) Action Plans to address issues of transparency, coherence and substance. Most of the countries in which Ternium operates have already implemented those changes within their own domestic tax legislations.

In 2019, the OECD launched a new initiative on behalf of the G20 under the format of a two pillars solution targeting to minimize profit shifting by working towards a global tax framework that ensures that corporate income taxes are paid where consumption takes place (Pillar 1) and targeting to introduce a global standard on minimum taxation (Pillar 2) both combined with new tax dispute resolution processes. This project achieved OECD political consensus in October 2021. Pillar 2 applies as from 2024, while detailed principles on Pillar 1 are still under discussion.

At the EU level, the European Commission adopted in 2016 its Anti-Tax Avoidance Directive, or ATAD, later updated, modified and expanded by ATAD 2, which seeks to prevent tax avoidance by companies and to ensure that companies pay appropriate taxes in the markets where profits are effectively made and business is effectively performed. In addition, the European Commission drafted a directive aiming to avoid the use of shell entities (ATAD 3), which is pending approval. Also, the European Commission adopted in December 2022 another directive to impose a global minimum taxation for multinational companies in the Union, following Pillar 2 OECD's initiative. The new directive has become effective as from 2024.

Ternium's interpretation and application of the tax laws could differ from that of the relevant governmental taxing authority, which could result in the payment of additional taxes, penalties or interest, negatively affecting our profitability and financial condition. Significant uncertainties remain in relation to the potential adoption of the new regulations that might result from evolving initiatives like those launched by the OECD and the EU in relation to international taxation that could impact negatively our financial condition, results of operations and cash flows.

The Company's dividend payments depend on the results of operations and financial condition of its subsidiaries and could be affected by legal, contractual or other limitations or tax changes.

The Company is a holding company and 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 ability of the Company's subsidiaries to pay dividends and make other payments to their shareholders will depend on their results of operations and financial condition. 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, such dividends and other payments could be restricted by applicable corporate and other laws and regulations, including those imposing foreign exchange controls or restrictions on the transfer of money to foreign accounts or the payment of dividends, and agreements and commitments of such subsidiaries. For example, regulations enacted in Argentina have significantly impaired Ternium Argentina's ability to transfer dividends abroad and, therefore, Ternium Argentina resorted to the payment of dividends in kind utilizing US dollar-denominated Argentine sovereign bonds. For information on exchange controls in Argentina, see note 30 "Foreign exchange restrictions in Argentina" of Ternium's audited consolidated financial statements included in this annual report; and "—Risks Relating to the Countries in Which Ternium Operates – Argentina: Exchange controls in Argentina could negatively impact Ternium Argentina's operations, preventing Ternium from importing raw materials, paying dividends or transferring cash surpluses abroad, as a result of its inability to access the foreign exchange market".

The Company's ability to pay dividends to shareholders 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 law and regulations. In addition, the Company's dividend distributions (which are currently imputed to a special tax

reserve and are therefore not subject to Luxembourg withholding tax) may be subject to Luxembourg withholding tax if current Luxembourg tax law were to change or if the special tax reserve were to be exhausted.

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 February 29, 2024, San Faustin beneficially owned 65.03% of the Company's issued share capital and Tenaris, which is also controlled by San Faustin, held 11.46% of the Company's shares and voting rights. Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin, or RP STAK, holds voting rights in San Faustin sufficient in number to control 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 interest of other shareholders. In addition, the Company's articles of association permit the Company's board of directors to waive, limit or suppress preemptive rights in certain cases. Accordingly, the Company's controlling shareholder may cause its board of directors to approve in certain cases an issuance of shares for consideration without preemptive rights, thereby diluting the minority interest in the Company. See "- Risks Relating to the Company's ADSs – Holders of shares and ADSs in the United States may not be able to exercise preemptive rights in certain cases".

Existence of other shareholders in the Company's subsidiaries and associates could delay or prevent us from completing our strategy.

The Company does not own 100% of the interests in certain of the Company's subsidiaries. As of February 29, 2024, 26.0% of Ternium Argentina was held by Administración Nacional de la Seguridad Social, or ANSeS, Argentina's governmental social security agency, and 11.4% was publicly held. In addition, 22.7% of Usiminas' ordinary shares were held by the NSC Group, 4.9% by Previdência Usiminas and 22.9% were publicly held, and 0.6% of Usiminas' preferred shares were held by the NSC Group and 97.5% were publicly held. Furthermore, Ternium holds a 51% ownership interest in Tenigal (with NSC holding the remaining 49%); a 50% equity interest in Consorcio Peña Colorada (with ArcelorMittal holding the remaining 50%); and a 48% equity interest in Techgen. The existence of other shareholders in these companies could prevent the Company from taking actions that, while beneficial to Ternium, might not be beneficial to each relevant subsidiary or associate considered separately. As a result, the Company could be delayed or prevented from completing its strategy or fully maximizing Ternium's competitive strengths.

Risks Relating to the Countries in Which Ternium Operates

Negative economic, political, social and regulatory developments in certain markets where a significant portion of Ternium's operations and assets are located could disrupt its manufacturing activity, hurt Ternium's shipment volumes or prices, or increase its costs, thereby adversely affecting its results of operations and financial condition.

Ternium's results of operations are subject to the risks of doing business in emerging markets, principally in Mexico, Brazil 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, social, regulatory and legal developments, such as nationalization, expropriation or forced divestiture of assets; restrictions on production, domestic sales, imports and exports; travel or trade bans; interruptions in the supply of essential energy inputs; restrictions on the exchange or transfer of currency; inability or increasing difficulties to repatriate income or capital or to make contract payments; inflation; devaluation; or other events, including wars and other international conflicts, natural disasters, chronic climate changes and public health epidemics; civil unrest and local security concerns that threaten the safe operation of its facilities and operations; direct and indirect price controls; tax increases and changes (including retroactive) in the interpretation, application or enforcement of tax laws and other claims or challenges; 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 to customers in this country. Our business could be materially and adversely affected by economic, political, social and regulatory developments in Mexico.

Political, 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 and could be affected by changes in the terms of trade. In addition, actions and policies that could be adopted by the Mexican federal government concerning the economy could have a significant impact on market conditions affecting Ternium's operations in Mexico. If problems such as deterioration in Mexico's economic conditions re-emerge or there is a future re-emergence of social instability, political unrest, reduction in government spending, increased government intervention or other adverse social or political developments, foreign exchange and financial markets may exhibit continued volatility, which, depending on its severity and duration, could adversely affect our business, results of operations, financial condition or liquidity. Moreover, adverse economic conditions in Mexico could result in, among other things, higher inflation and interest rates coupled with reduced opportunities for funding or refinancing, reduced domestic consumption of our products, decreased operating results and delays in the completion of ongoing and future capital expenditures.

Energy or constitutional reforms in Mexico could adversely impact Ternium's results of operations and net results.

In the last few years, the Mexican government made various attempts to modify rules and regulations governing the energy market in Mexico with potential impact on the energy supply and its cost.

Since December 2018, the Mexican government has introduced numerous changes to electricity regulations, including a March 2021 amendment to the Energy Industry Law, or LIE, and a bill to reform the Constitution, filed in October 2021 but then rejected by the Mexican Congress. These changes aimed to revert the previous administration's 2013 energy reform and seek to grant priority to Mexico's state-owned electric power generation and distribution company, or CFE, over private generators in the supply of electric power to the Mexican market and mandate a revision of power generation and transaction agreements between CFE and independent electric power suppliers.

The intended reforms were challenged in court by certain members of the Senate and by affected companies, many of which sought and obtained injunctive relief. In January 2024, the Supreme Court ruled against the constitutionality of certain provisions of the LIE reform. In response, the Mexican President announced a new proposal for an ambitious constitutional reform, which covers a wide range of topics, including energy matters, with the intention of granting state-owned enterprises, particularly CFE and Pemex, priority over private companies on electricity dispatch.

Uncertainty remains as to whether this new constitutional reform will be approved or if the Mexican government or any of its decentralized bodies will seek any new reform of the energy market rules and regulations or adopt any measure that may negatively affect the energy supply or increase its cost. Any such new amendment or measures could negatively affect our operations or those of Techgen, where Ternium holds a 48% equity interest and which supplies electricity for most of our Mexican operations. At this stage, we cannot assess the potential effects of any new governmental initiative on Ternium's operations and the Mexican economy in general and, consequently, on the results of operations and financial conditions of our businesses in Mexico.

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

Mexico is subject to significant levels of violent crimes and, notably, the regions where Ternium's mining operations are located are subject to an increasing level of criminality, which resulted in an alarming deterioration of security conditions in the region. For more information on the events affecting our mining operations in Mexico, see "— Risks Relating to Ternium's Mining Activities— Difficulties in relationships with local communities may adversely affect Ternium's mining activities and results of operations, and increasing violence and crime in Mexico could result in temporary or even permanent shut down of Ternium's Mexican mining operations." Security issues could affect our day-to-day operations and could also result in an economic slowdown, reducing domestic demand for its products and thereby having an adverse effect on our business. A deterioration of the security situation could result in significant obstacles or additional costs to the implementation of growth plans in Mexico, including delays in the completion of capital expenditures.

Changes in the USMCA, and controversies and disputes between member countries could adversely impact Ternium's results of operations and net results.

The United States-Mexico-Canada Agreement, or USMCA, became effective in July 2020 replacing the North American Free Trade Agreement (NAFTA). In addition, during 2019, Mexico and the United States agreed to waive a

25% tariff on steel products exported to the United States (which had been imposed during 2018) subject to an agreed premise of continuous monitoring for surges in steel imports and transshipment into the United States of material that was not imported from Mexico or Canada. Furthermore, in 2019 the United States, Mexico and Canada agreed to amend the definition of “North American steel” (with such amendment becoming effective in July 2027), for purposes of vehicles being awarded preferential treatment under USMCA, restricting the defined term to steel melted and poured within the three countries. Uncertainties about potential new trade conflicts could adversely affect the investment climate and economic activity in Mexico. For example, in July 2022, the United States and Canada triggered the consultation mechanism with Mexico under the Dispute Settlement chapter of the USMCA, arguing that a wide range of Mexican energy policies on energy resources and technologies, including those relating to natural gas, electricity, renewable sources and diesel fuel, were inconsistent with the USMCA. The United States claimed that such measures favored Mexican state-owned companies over U.S. companies or U.S.-produced energy, breaching USMCA regulation on market access, investment, and state-owned enterprises. The United States also claimed that the questioned measures undermined climate change goals. Canada supported the U.S. position and filed a similar request for consultations with Mexico. As the parties failed to resolve the dispute through the USMCA consultation procedure, the United States and Canada may request for the formation of a dispute settlement panel to review those measures and, eventually, take retaliatory action.

More recently, the United States has expressed concerns regarding unfair practices in the U.S. market from steel produced in third countries that is allegedly being circumvented through Mexico. In response to such concerns, in February 2024, Mexico announced that it has agreed to implement additional measures aimed at preventing circumvention practices, and improving information and transparency in connection with steel imports into the Mexican market from countries with which Mexico lacks a formal trade agreement. There is no guarantee these additional measures will avoid the reimposition of tariffs to Mexican steel exports to the U.S. market.

Amendments to, or the termination of, current terms of trade could adversely and materially affect Ternium’s shipments, results of operations and net worth.

Argentina

A significant portion of Ternium’s sales are made in Argentina through its subsidiary, Ternium Argentina. Ternium Argentina’s business could be materially and adversely affected by economic, political, social, fiscal and regulatory developments in Argentina. For more information on Ternium’s sales in Argentina, see Item 4. “Information on the Company—B. Business Overview—Sales—Southern Region.”

Economic and political instability in Argentina, which on several occasions resulted in economic uncertainties and recession, may adversely affect Ternium’s business, financial condition and results.

Ternium’s business and results of operations in Argentina depend on local macroeconomic conditions, among other factors. Steel shipments to the Argentine domestic market were severely affected in different opportunities over the last decades. For instance, during 2018 and 2019 the economy was affected by a severe downturn resulting from financial market volatility, high interest rates and heightened political uncertainty during the presidential election process; in 2020 the economy was affected by the COVID-19 outbreak; and in 2023 the economy suffered as a result of a severe drought, foreign exchange restrictions, high inflation rates and heightened political and economic uncertainty during the presidential election process.

Over the past years, the Argentine economy and capital investment have been affected by, among other factors, political, economic and financial uncertainties as well as government intervention in, or limitations to, the conduct of business in the private sector and other government measures affecting investors’ confidence. In December 2023, a new administration, led by President Javier Milei, took office in Argentina and announced a series of emergency measures to address the current critical economic situation with the objective of reducing fiscal deficit and removing foreign exchange restrictions. Some of these measures included cuts in public expenditures, reduced energy and transportation subsidies, increases in certain taxes, certain labor reforms, the elimination of some restrictions on imports and access to the foreign exchange market and privatization of state-owned companies. Certain measures were challenged in court by affected sectors. In addition, the new administration is struggling to get Congress’s approval for most of its reform proposals. It is uncertain as to what extent the Argentine government will be able to implement its program, which requires major structural reforms, or adopt the announced measures, marked by a Congress majority unwilling to endorse and support the new government’s reforms, heightened conflict between the national government and provincial governors, court decisions setting aside some of the governmental measures, resistance by social and union leaders and general political unrest.

In addition, Argentina has in place an agreement with the International Monetary Fund, or IMF, on a sovereign debt restructuring process. In January 2022, the IMF and the Argentine authorities reached an understanding on key policies

as part of their discussions of an IMF-supported program, and in March 2022 the Argentine Congress and the IMF's Executive Board approved the program. Although in 2023 Argentina failed to achieve certain targets set under the Extended Fund Facility, or EFF arrangement, the IMF staff and the Argentine authorities have recently reached a staff-level agreement on the latest review under Argentina's EFF arrangement. Failure to implement any approved program with the IMF could further adversely affect the country's economy and lessened financial sources could impair Argentina's ability to foster economic growth.

Ternium's business and results of operations in Argentina could be adversely affected by rapidly changing economic, political and social conditions in Argentina, or by the Argentine government's policy response to such conditions.

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

In the past, inflation has undermined the Argentine economy and the government's ability to stimulate economic growth. Consumer price inflation in Argentina, as reported by INDEC, the Argentine statistics and census bureau, was 211.4% in 2023, 94.8% in 2022 and 50.9% in 2021. Sustained high inflation in Argentina without a matching depreciation of the Argentine peso would negatively impact our results of operations and financial position, as ARS-denominated costs (mainly labor-related costs) at Ternium Argentina increase, thereby affecting cost-competitiveness and margins. A high inflation economy would undermine Argentina's foreign competitiveness in international markets and negatively affect economic 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 Ternium Argentina could be affected in the future.

Taxes on Argentine companies have been increasing over time; a further increase of the tax burden could adversely affect Ternium's results of operations, net results and financial condition.

The sustained and significant devaluation of the Argentine peso against the U.S. dollar coupled with high inflation rates have resulted in a material reduction of the real value that Ternium Argentina can deduct as cost of sales or cost of financial investments for tax purposes, thus creating artificial gains that are subject to income tax. Inflation adjustment for tax purposes is limited and subject to significant restrictions. For example, inflation adjustment of inventories and other current assets is permitted only if the consumer price inflation rate surpasses 100% in a 36-month period up to the close of the relevant fiscal year and, in the past, inflation adjustment has been further limited. If limitations to inflation adjustment are reinstated, Ternium Argentina could be subject to increased tax burden. Furthermore, because inflation adjustment of cash positions generated during the current fiscal year is not permitted, high nominal interest rates, which are normally expected in high inflation scenarios, materially overstate the financial income of such cash positions for tax purposes.

Provincial and municipal taxes on Ternium Argentina's operations have also increased over the last years. In 2021, the federal government and various local governments agreed on a new tax reform, which replaced the 2017 tax reform that provided for a gradual decrease of tax burden on Argentine corporations. In addition, the Argentine Congress passed a new law reinstating a 35% income tax for corporations and keeping a 7% tax on dividend distributions applicable to results originated from fiscal year 2021. Furthermore, during 2023, the Argentine government included in the PAIS tax base the purchase of foreign currency for the payment of imports of certain raw materials and intermediate goods. An initial rate of 7.5% was raised in December 2023 to 17.5%.

Ternium cannot predict whether future legislation, or any new tax regimes or tax reforms could result in a further increase of the tax burden on its operations in Argentina, which would adversely affect Ternium's results of operations, net results and financial condition.

Exchange controls in Argentina could negatively impact Ternium Argentina's operations, preventing Ternium from importing raw materials, paying dividends or transferring cash surpluses abroad, as a result of its inability to access the foreign exchange market.

From time to time, the Argentine authorities have taken measures to reduce the volatility of the ARS/\$ exchange rate and have implemented formal and informal restrictions on capital inflows and outflows. Between September 2019 and December 2023, the Argentine government imposed significant restrictions on foreign exchange transactions. Although after the new administration took office in December 2023 certain restrictions were eased and other changes to such regulation are expected, at the date of this annual report the scope and timing of upcoming changes remain unknown. For more information on our foreign exchange restrictions in Argentina, see note 30 "Foreign exchange restrictions in Argentina" to our consolidated financial statements included in this annual report.

Foreign exchange controls currently limit the purchase and transfer abroad of foreign currency for saving purposes, restricting Ternium Argentina's ability to hold excess cash reserves in foreign bank accounts. Accordingly, Ternium Argentina holds its cash and financial investments in the Argentine financial system. As of December 31, 2023, Ternium Argentina's cash and cash equivalents and other investments amounted to approximately \$1.1 billion, a large portion of which consisted of U.S. dollar-denominated sovereign bonds issued by the Argentine Government and payable in U.S. dollars, and Argentine Treasury bonds linked to the official exchange rate. The U.S. dollar value of these instruments recorded in Ternium's consolidated financial statements is based on their Argentine peso local market price, converted to the U.S. dollar at the ARS/\$ official exchange rate. Therefore, the valuation of such investments is subject to the volatility of the Argentine financial market and currency exchange rates, leading to a potential significant reduction of such value in our consolidated financial statements. For example, after a new administration took office in Argentina in December 2023, the Argentine Peso suffered a significant devaluation against the U.S. dollar. This event resulted in a decrease of \$537 million in the fair value of our holdings of Argentine securities in the fourth quarter of 2023. Furthermore, during the fourth quarter of 2023, Ternium's divestment of Argentine sovereign bonds resulted in a loss of \$58 million due to the recycling of changes in the fair value of financial instruments from Other Comprehensive Income to Financial Results. As of December 31, 2023, the balance of Ternium's Other Comprehensive Income in connection with its Argentine sovereign bond holdings amounted to a negative \$527 million.

For the last years, the Argentine authorities have limited the import of goods and services by Argentine companies, including Ternium Argentina and other companies in the steel value chain, by controlling access to the foreign exchange market. In December 2023, the new administration replaced the then existing imports payment system (which required prior governmental authorization to pay imports of goods or services) with a new system, applicable to imports accrued (in the case of services) or cleared by customs (in the case of goods) as from December 13, 2023, which does not require prior government approval, but subjects import payments to a deferred payment schedule.

Access to the official exchange market to make dividend payments continue to require prior Argentine Central bank approval, which is rarely, if ever, granted.

This context of volatility and uncertainty remains in place as of the date of this annual report. If control systems are maintained or are tightened, local demand for steel products and/or Ternium Argentina's operations or sales could be adversely affected. Furthermore, additional regulations or restrictions that could be imposed by the Argentine government could further restrict Ternium Argentina's ability to access the official foreign exchange market, expose Ternium to the risk of losses arising from fluctuations in the ARS/\$ exchange rate, or impair Ternium Argentina's ability to make payments to foreign suppliers or creditors (which could disrupt Ternium Argentina's operations), pay dividends or royalties abroad, or fund investments or other activities offshore.

Restrictions on supply of energy to Ternium Argentina's operations could curtail its production and negatively impact its sales and revenue, and Ternium's results of operations.

A significant share of Argentina's total electricity resources is based on natural gas-fired power generation. In the past, Argentina has suffered from an insufficient level of investment in natural gas and electricity supply and transport capacity, 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 users and, in particular, to industrial users, including Ternium Argentina, during seasons of high demand. Ternium Argentina's operations experienced constraints in their natural gas supply requirements and interruptions in their electricity supply at peak hours on many occasions.

Currently, Argentina completes its natural gas requirements through imports from Bolivia and the seaborne market. Natural gas imports from Bolivia are expected to decrease significantly in the coming years due to declining production. The construction of the second stage of a new natural gas pipeline in Argentina (the GPNK pipeline) would increase the supply of natural gas from the country's Vaca Muerta oil and gas shale formation, offsetting decreasing natural gas imports from Bolivia and replacing imports of liquefied natural gas. If natural gas and electricity supply and transport capacity fail to cover the demand for natural gas and electricity on a timely basis, including due to failure to complete the second stage of the GPNK pipeline or shortages in the availability of liquefied natural gas in the seaborne market, Ternium Argentina's local production (or that of its main customers and suppliers) could be curtailed, and Ternium Argentina's sales and revenues could decline, which may adversely affect Ternium Argentina's results of operations. For further information, see "—Risks Relating to the Steel Industry—Price fluctuations, shortages or disruptions in the supply of raw materials, slabs, energy and other inputs could adversely affect Ternium's profitability. Price fluctuations, shortages or disruptions in the supply of raw materials, slabs, energy and other inputs could adversely affect Ternium's profitability" above.

Brazil

Ternium has significant manufacturing operations and assets located in Brazil. Ternium has a participation in the control group of Usiminas, a large Brazilian steelmaker, and began consolidating Usiminas in July 2023. Ternium also owns Ternium Brasil, a company that has a slab making facility in Rio de Janeiro and exports most of its production. Ternium's results and net worth could be materially and adversely affected by economic, political, social, fiscal and regulatory developments in Brazil.

Changing economic policies and political conditions in Brazil, which on several occasions in the past resulted in economic uncertainties, recession and political instability, may occur in the future, thereby adversely affecting Ternium's business results and financial condition.

The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of the country's economy. The Brazilian government's actions to control inflation and implement other policies have involved hikes in interest rates, wage and price controls, foreign exchange controls and devaluation, freezing of bank accounts, capital controls and restrictions on imports. Such governmental policies may adversely affect our results and net worth. The Brazilian government's policies may also result in increases in tax payments or tariffs, which could adversely affect industry profitability. For example, in 2023 the Brazilian Congress approved major changes to the Brazilian tax regime, which, among other things, would replace current federal, state and municipal taxes levied on the trade of goods and services with a dual value added tax. Ancillary laws, which will define the rates and applicability of the new taxes, are expected to be discussed in Congress this year. The federal government should also submit an income tax reform bill during 2024. We cannot predict whether the new tax regime would result in a net tax burden increase for our operations in Brazil. Any increase in the applicable tax burden or tariffs would affect our consolidated cash flow and profitability.

The Brazilian economy has been affected by inflation, energy shortages, illiquid lending markets and other political, diplomatic, social and economic developments. Brazil's political environment has historically influenced, and continues to influence, the performance of the country's economy. Political crises have affected public and investor confidence, which resulted in economic deceleration. For example, Brazil has experienced heightened economic and political instability derived from various investigations into allegations of money laundering and corruption being conducted by the Office of the Brazilian Federal Prosecutor, including the Lava Jato investigation, which negatively impacted the Brazilian economy and political environment and contributed to a decline in market confidence in Brazil.

Uncertainty over whether the Brazilian government will change policies or regulations affecting economic or political factors may contribute to economic instability in Brazil. We cannot predict whether political instability will arise in the future nor its effect on the Brazilian economy and, consequently, on the results of operations and financial conditions of our businesses in Brazil.

Inflation may undermine economic growth in Brazil and impact Ternium's costs, thereby adversely affecting its results of operations and financial position.

High levels of inflation have in the past undermined the Brazilian economy and the government's ability to stimulate economic growth. Our results of operations and financial position could be negatively impacted, as BRL-denominated costs (mainly labor-related costs) may increase, thereby affecting cost-competitiveness. Inflationary pressures may also lead to the imposition of additional government policies to combat inflation and hinder access to Brazilian capital markets, which could adversely affect the business and the ability to finance operations and capital expenditures, making it impossible to estimate with reasonable certainty our future results of operations.

Certain Regulatory Risks And Litigation Risks

Ternium faces a significant loss contingency in Brazil in connection with its acquisition of a participation in the control group of Usiminas.

In 2013, Ternium was notified of a lawsuit filed in Brazil by Companhia Siderúrgica Nacional, or CSN, and various entities affiliated with CSN against Ternium Investments, Ternium Argentina and Confab, all of which compose the T/T Group within Usiminas control group. The entities named in the CSN lawsuit had acquired a participation in Usiminas in January 2012. The CSN lawsuit alleges that, under applicable Brazilian laws and rules, the acquirers were required to launch a tag-along tender offer to all non-controlling holders of Usiminas ordinary shares for a price per share equal to 80% of the price per share paid in such acquisition or BRL 28.8 and seeks an order to compel the acquirers to launch an offer at that price plus interest. If so ordered, the offer would need to be made to 182,609,851

ordinary shares of Usiminas not belonging to Usiminas control group. Ternium Investments and Ternium Argentina's respective shares in the offer would be 60.6% and 21.5%.

On September 23, 2013, a first instance court decision dismissed the CSN lawsuit, and on February 8, 2017, the court of appeals maintained the understanding of the first instance court. On August 18, 2017, CSN filed an appeal to the Superior Court of Justice, or SCJ, seeking the review and reversal of the decision issued by the Court of Appeals. On September 10, 2019, the SCJ declared CSN's appeal admissible. On March 7, 2023, the SCJ rejected CSN's appeal by majority vote. CSN made several submissions in connection with the SCJ decision, including a motion for clarification that challenged the merits of the SCJ decision. Decisions at the SCJ are adopted by majority vote, at the date of this report, voting at the SCJ with respect to the motion for clarification is ongoing. At an October 17, 2023 session, two justices voted in favor of remanding the case to the first instance for it to be retried following production and assessment of the new evidence, and two justices voted, without requiring any further evidence, in favor of granting CSN's motion for clarification and reversing the March 7, 2023 decision that rejected CSN's appeal; because the fifth member of SCJ excused himself from voting, a justice from another panel at the SCJ will be summoned to produce the tie-breaking vote. There are no specified deadlines for voting to be resumed or the SCJ decision to be issued. In any event, either party may appeal against a SCJ decision.

According to the views of the two justices that voted in favor of CSN's motion, Ternium and the other members of the T/T Group should be ordered to pay to CSN an indemnification amount equal to the difference between the price paid by the T/T Group in its acquisition and the market value of the Usiminas shares at signing, plus monetary adjustment and interest (at a rate of 1% per month) through the date of payment, plus legal costs equal to 10% of the compensation payable to CSN's lawyers, with CSN retaining ownership of the Usiminas ordinary shares it currently owns. If that view were to prevail, and depending on how the indemnification is calculated by other courts, Ternium Investments and Ternium Argentina could be ordered to pay an indemnification to CSN that, as of December 31, 2023, amounted to BRL 4.1 billion (approximately \$0.9 billion) in the aggregate.

For further information on Ternium's investment in Usiminas and related risks, see “-Risks Relating to Ternium's Business - “Failure to successfully implement Usiminas' business strategy could have a material adverse effect on Ternium's results, financial condition or net worth.”

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

International trade-related administrative proceedings, legal actions and restrictions pose a constant risk for international operations and sales throughout the world. Our steel processing activities require steel products, including significant quantities of steel slabs, from different foreign steel suppliers for its operations in Mexico, Colombia and Argentina. The Mexican, Argentine or Colombian governments may impose or increase duties on steel products imports. For example, on August 15, 2023, the Mexican government issued a decree raising a temporary import tariff on steel products other than semi-finished products from 15% to 25%, applicable to imports from countries with which Mexico had no trade agreement in place. Trade liberalization, mainly through free trade agreements, can reduce certain input costs and increase access to foreign markets. On the other hand, greater trade liberalization in the domestic markets in which we participate increases competition. During the last decade, steel exports surged as a consequence of a global downturn and the economic slowdown in China, and the number of antidumping, countervailing, safeguard measures and other trade restrictive actions increased substantially. Accordingly, producers that were restricted from certain markets sought alternative markets for their products. For example, in 2023 there was a surge of steel exports from China, which increased approximately 38% year-over-year. Conversely, flat steel imports in Brazil surged approximately 42% year-over-year in 2023, mainly due to the import of low-priced Chinese steel products. Continued increase in steel imports could erode our sales in domestic markets, and such market share losses may not be completely offset by increased exports to foreign markets.

Countries or regional blocs may impose restrictive import duties and other restrictions on imports under various trade related laws, such as national security, environmental and intellectual property regulations. For example, in 2018 the United States imposed, under Section 232 of the Trade Expansion Act of 1962, a 25% tariff on steel imports; however, Australia, Canada and Mexico were exempted from the tariff (though subject to a continuous monitoring system of their trade flows). Although Argentina, Brazil and South Korea were also exempted from the measure, they were subject to quota system agreements covering steel imports from those countries. In 2022, the United States shifted the 25% tariff applicable to the European Union to a Tariff Rate Quota (TRQ) system for steel products melted and poured in this region, and Japan and the United Kingdom entered into similar systems.

The timing and nature of the imposition of trade-related restrictions potentially affecting Ternium's sales are unpredictable. Trade restrictions on exports could adversely impact our ability to sell our products and, as a result, the overall business and our profit margins and financial condition could suffer. One significant source of trade restrictions

is unfair competition that could result in the imposition of “antidumping” and “countervailing” duties, as well as “safeguard measures”. These duties can severely limit or altogether prevent exports to relevant markets. In several export destination that are relevant to Ternium, such as the United States, safeguard duties and other protective measures have been imposed against a large number of steel imports. While some of those measures have been withdrawn, there is no assurance that these protective measures will not be reintroduced in the future, or that exempted countries will remain exempted from the tariff, including the 25% tariff on certain steel imports imposed by the United States under Section 232 of the Trade Expansion Act of 1962. For further information, see Item 4. “Information on the Company-B. Business Overview Regulations-Trade Regulations”.

Certain domestic producers have filed antidumping and/or countervailing duty actions against certain steel imports. Some of these actions have led, or may lead, to restrictions on our sales of steel products in certain steel markets and result in lower profit margins. Antidumping and/or countervailing duty actions and other government actions are largely unpredictable and additional duties or restrictions could be imposed in the future, limiting our sales to and potential growth in those markets, and increasing costs.

The cost of complying with environmental regulations, as well as potential product and environmental liabilities in a context of increasing environmental awareness, may affect Ternium’s steel production or processing operations, or may increase Ternium’s operating costs, negatively impacting Ternium’s business, financial condition, results of operations and prospects.

Steelmaking and mining activities 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 due to the risks inherent in the steel and mining industries. Laws and regulations protecting the environment have become increasingly complex and more stringent in recent years, leading to higher compliance costs.

We are required to obtain certain permits, licenses and authorizations from local, provincial or federal authorities for purposes of carrying out certain operations. Failure to obtain or renew such permits, licenses or authorizations, or to comply with their terms, may result in delays, fines, closure orders or requirements to halt or curtail our operations, negatively affecting our results.

Furthermore, environmental laws and regulations may, in some cases, impose strict liability 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. Such laws and regulations may expose Ternium to liability for the conduct of, or conditions caused by, third parties or for actions that complied with applicable laws at the time they were performed adversely affecting our business, financial condition, results of operations and prospects.

Our steel operations may also be subject to claims under federal and local laws and regulations on liability arising from damages to natural resources, release of toxic substances or other environmental damages, as well as for the investigation and clean-up of soil, surface water, sediments, groundwater and other natural resources. Claims for damages may arise with respect to current or former conditions at active or inactive sites that Ternium currently owns, leases or operates or at leased-land sites and third-party waste disposal sites. We may also be subject to litigation for alleged bodily injuries arising from claimed exposure to hazardous substances allegedly used, released, or disposed of by Ternium. Environmental damages caused by steel operations may result in costs and liabilities that could materially and adversely affect Ternium’s margins, cash flow and profitability. Third-party claims based on environmental or physical damages may exceed the limit of liability of the insurance policies that Ternium may have in place.

In addition, increasing public awareness on environmental matters put pressure on governmental authorities, particularly in mostly affected areas, to adopt measures or take initiatives that show concern for such matters, including by inspecting, monitoring or sanctioning local industries. Even if we comply with environmental regulations, we cannot assure that governmental authorities will not request Ternium to suspend or close its operations, which would disrupt production, adversely affecting Ternium’s business and results of operations.

For example, the city and metropolitan area of Monterrey in Nuevo León, Mexico, evidences unsatisfactory air quality indexes most days of the year, mainly because of human factors and an arid surrounding soil enclosed by hills. From time to time, particularly when the quality of the air is notoriously below acceptable rates, public opinion focuses on this matter and Ternium’s local operations become subject to further scrutiny. In January 2024, in response to media’s intense coverage of air quality issues in Monterrey and public opinion focus on the matter, the local authority inspected our Guerrero steelmaking facility. Although the authority concluded that the plant was in compliance with air emissions standards, air pollution remains a subject of local concern.

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 operations or reputation, trigger investigations or litigation resulting in an obligation to pay damages or incur remediation costs, or that governmental authorities or a court order request Ternium to suspend or close its operations.

Some of the activities for which Ternium supplies products, such as production of food cans, construction and the automotive industry, are subject to inherent risks that could result in death, personal injury, property damage or environmental pollution, and result in product liability risks that could extend to liability for damages caused by such products. Furthermore, products are also sold to, and used in, certain safety-critical appliances. Actual or claimed defects in such products may give rise to claims for losses suffered by customers and expose Ternium to financial losses from claims for damages. The insurance we maintain will not be available in cases of gross negligence or willful misconduct; in other cases, insurance 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 insurance may be less than the related impact on the enterprise value after a loss.

Climate change legislation and increasing climate regulatory requirements aimed at transitioning to a lower-carbon economy, together with increasing stakeholder expectations for reduced carbon emissions, could result in unexpected capital expenditures and costs, negatively affect Ternium's competitiveness, reducing its market share and results of operations, and hampering its ability to access adequate financial resources.

There is a growing awareness on greenhouse gas (GHG) emissions and climate change across different sectors of society. The Paris Agreement, adopted at the 2015 United Nations Climate Conference, sets out the global framework to limit the planet's rising temperature and to strengthen the countries' ability to deal with the effects of climate change. The EU Emissions Trading System (ETS) signaled a major EU energy policy to combat global warming based on a "cap & trade" program, and the European Green Deal, launched in 2019, focuses on adopting the required policies and measures aimed at achieving zero GHG emissions in Europe by 2050. The EU Taxonomy Regulation establishes a classification system for environmentally sustainable economic activities, laying out definitions to businesses, stakeholders and policymakers on which economic undertakings can be considered environmentally sustainable and requiring companies to disclose, in the annual reports, how environmentally sustainable their economic activities are. More recently, as part of the European Green Deal, the EU adopted the Corporate Sustainability Reporting Directive, which requires European large companies and listed issuers to disclose information on their risks and opportunities arising from social and environmental issues, and on the impacts of their activities on people and the environment. In the case of Ternium, the new EU non-financial disclosure requirements will apply with respect to the Company's 2025 annual report. Similarly, CBAM (EU's Carbon Border Adjustment Mechanism), which was adopted on May 17, 2023, aims at promoting emissions reductions worldwide by subjecting the import of certain products, including steel, from countries outside of the European Union to a carbon levy linked to the carbon price payable for goods produced in EU countries. Similarly, in response to an increasing investor focus and reliance on climate and ESG-related disclosure and investment, the Security Exchange Commission (SEC) announced in March 2021 the creation of a Climate and ESG Task Force to identify ESG-related misconduct and potential violations, and in March 2022, the SEC released a proposal to amend its disclosure rules. In March 2024, the SEC adopted the final rule on climate-related disclosures, which will require registrants, including the Company, from fiscal year 2025, to significantly expand the climate-related disclosures in their periodic reports, including information about climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate-related financial statement metrics in a note to their audited financial statements. Other countries are introducing or considering similar measures or regulations with the aim at lowering emissions as well as government initiatives to promote the use of alternative energy sources and substitute existing products and services with lower emissions alternatives (with many jurisdictions implementing tax advantages and other subsidies to promote the development of renewable energy sources, or even requiring minimum thresholds for power generation from renewable sources).

Ternium's industrial system includes two main technological routes to produce steel: the blast furnace / basic oxygen furnace route (BF/BOF) and the electric arc furnace route (EAF). The BF/BOF route has a significantly higher carbon emission intensity than the EAF route. Although several new initiatives and pilot projects under development seek to significantly reduce the BF/BOF route carbon emission intensity, no technology has yet achieved sufficient technology readiness level, nor is any technology available at scale or economically feasible, and there is no certainty that any such technology will be available in the near future. This issue affects most steel companies, as the BF/BOF route currently represents approximately 72% of global steelmaking production capacity. For further information about Ternium's technological routes to produce steel, see item 4. "Information on the Company – B. Business Overview – Production Facilities and Processes".

In addition, Ternium is developing several projects aimed at reducing carbon emission intensity in both of its steelmaking routes. These projects could experience delays or higher-than-anticipated costs, or may not yield the expected results.

Government and international organization's initiatives to promote the reduction of GHG emissions, such as the introduction of a carbon tax or carbon-pricing systems, the adoption of "cap-and-trade" systems or measures to avoid carbon leakage or promote the use of renewable energy sources could affect Ternium's steel production costs.

In Argentina, the 2017 tax reform introduced a tax on certain fossil fuels, which did not include natural gas. Metallurgical coal and petrochemical coke were exempted as long as they are used as part of an industrial process, other than for energy generation. Effective since March 2018, the tax on fossil fuels is set to increase 10% every year until 2028, when it is expected to reach an average \$10 per ton of carbon dioxide equivalent emitted. Similarly, in 2013, Mexico approved carbon taxing rules applicable to fossil fuels (setting a zero tax on natural gas) and in 2019 the government implemented a pilot program for the adoption of an Emissions Trading System aimed at reducing GHG emissions, by setting a cap on emissions and allowing for the trade of emission certificates. For the time being, there is no regulation for setting such system nor to determine allowances. Although existing carbon pricing mechanisms in Mexico and Argentina do not materially limit or penalize Ternium's GHG emissions, new carbon pricing mechanisms could increase Ternium's production costs. Particularly in Mexico, the state governments could set carbon taxes on top of the federal tax regime and the Emission Trading System. In addition, the Brazilian Congress has been discussing initiatives to introduce a carbon tax on industry processes and power generation facilities, which, if applicable to Ternium Brasil's and Usiminas' operations, would result in incremental costs. Such increases in costs could affect, in turn, Ternium's profitability and net results.

If there is not enough progress in significantly reducing emissions in the coming years, or emerging technologies for the reduction of carbon emission intensity of the BF/BOF route are not commercially available or are not economically viable, there is an increased likelihood of abrupt policy interventions as governments attempt to meet their environmental goals by adopting policy, legal, technology and market changes in the transition to a low-carbon global economy. In addition to incremental production costs, the adoption of new climate change legislation in the countries in which we operate could result in incremental compliance costs and unexpected capital expenditures, affect our competitiveness and reduce our market share and results of operations.

Furthermore, shifts in customer preferences and failure to respond to stakeholders' demand for climate-related measures and environmental standards could adversely affect the ability or willingness of our customers or suppliers to do business with us, harm our reputation, erode stakeholder support and restrict or reduce access to financial resources.

Risks Relating To the Company's ADS

The market price for the Company's ADS could be highly volatile.

Volatility in the price of the Company's ADS may be caused by factors within or outside of the Company's control and may be unrelated or disproportionate to the Company's operating results. In particular, the announcement of potentially adverse developments, such as proposed regulatory changes, new government investigations or the commencement or threat of litigation against Ternium, as well as the announcement of transactions, investments, or changes in strategies or business plans of Ternium or its competitors, could adversely affect the trading price of the Company's ADS, regardless of the likely outcome of those developments. Broad market and industry factors could adversely affect the market price of the Company's ADS, regardless of their actual effect on operating performance. As an example of this volatility, a low closing price of \$9.84 was reached on March 18, 2020, as the COVID-19 outbreak sent stock market prices sharply down, including the Company's ADS. Since then, the Company's ADS recovered and reached a high closing price of \$56.19 on August 11, 2021, as steel prices reached record levels in the United States and Mexico reflecting a recovery in steel demand that consistently outpaced steel production capacity restarts, but then fell to a low closing price of \$26.75 on September 26, 2022, as steel prices declined steadily. Since then, the Company's ADS recovered and reached a high closing price of \$45.20 on March 6, 2023, reflecting an upward trend in U.S. steel prices after bottoming during the fourth quarter of 2022. As of February 29, 2024, the closing price of Ternium's ADS was \$40.54. The trading price of the Company's ADSs could also suffer as a result of developments in emerging markets. Although the Company is organized as a Luxembourg corporation, it has substantial assets with operations in Mexico, Brazil, Argentina and Colombia. Financial and securities markets for companies with a substantial portion of their assets and exposure 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 and exposure in other emerging markets, including Mexico, Brazil, Argentina and Colombia. See "Risks Relating to the Countries in Which Ternium Operates."

Holders of shares or ADSs may not have access to as much information about the Company as they would in the case of a U.S. domestic issuer.

There may be less publicly available information about the Company than is regularly published by or about U.S. domestic issuers. Also, corporate and securities regulations governing Luxembourg companies may not be as extensive as those in effect in other jurisdictions, and U.S. securities regulations applicable to foreign private issuers, such as the Company, differ in certain respects from those applicable to U.S. domestic issuers. Furthermore, IFRS, the accounting standards in accordance with which the Company prepares its consolidated financial statements, differ in certain material aspects from U.S. GAAP. For a summary of the significant ways in which the Company's corporate governance practices differ from the corporate governance standards required for domestic companies by the New York Stock Exchange, or NYSE, see Item 16.G "Corporate Governance".

Holders of 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 participate and vote at general meetings of shareholders, to include items on the agenda for the general meetings of shareholders, to receive dividends and distributions, to bring actions, to examine 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, or BNY Mellon, as depositary under the ADS deposit agreement, 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 the Company makes a distribution in the form of securities, the Depositary is allowed, at its discretion, to sell the right to acquire those securities on your behalf and to instead distribute the net proceeds to you. Also, under certain circumstances, such as the Company's failure to provide the Depositary with voting materials on a timely basis, you may not be able to vote at general meetings of shareholders by giving instructions to the Depositary. If the Depositary does not receive voting instructions from the holder of ADSs by the prescribed deadline, or the instructions are not in proper form, then the Depositary shall deem such holder of ADSs to have instructed the Depositary to vote the underlying shares represented by ADSs in favor of any proposals or recommendations of the Company (including any recommendation by the Company to vote such underlying shares on any given issue in accordance with the majority shareholder vote on that issue) for which purposes the depositary shall issue a proxy to a person appointed by the Company to vote such underlying shares represented by ADSs in favor of any proposals or recommendations of the Company. Under the ADS deposit agreement, 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 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 preferential subscription rights (preemptive 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 has been authorized for a five-year period (ending in June 2025) to waive, limit or suppress such preemptive subscription rights. Notwithstanding the waiver of any preemptive subscription rights, for as long as the shares of the Company are listed on a regulated market, any issuance of shares for cash within the limits of the authorized share capital shall be subject to the preemptive subscription rights of existing shareholders, except (i) any issuance of shares 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); (ii) any issuance of shares against a contribution other than in cash; (iii) any issuance of shares 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; and (iv) any issuance of shares (including by way of free shares or at discount), up to an amount of 1.5% of the issued share capital of the Company, to directors, officers, agents, employees of the Company, its direct or indirect subsidiaries or its affiliates (collectively the "Beneficiaries"), including without limitation, the direct issuance of shares or upon the exercise of options, rights convertible into shares or similar instruments convertible or exchangeable into shares, issued for the purpose of compensation or incentive of the Beneficiaries or in relation thereto (which the board of directors shall be authorized to issue upon such terms and conditions as it deems fit). For further details, see Item 10. "Additional Information—B. Memorandum and Articles of Association".

Holders of ADSs in the United States may, in any event, not be able to exercise any preemptive rights, if granted, for shares underlying their ADSs unless additional shares and ADSs are registered under the U.S. Securities Act of 1933,

as amended, or the Securities Act, with respect to those rights or an exemption from registration requirements of the Securities Act is available. The Company intends 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 it considers appropriate at the time, and then to make a decision as to whether to register additional shares. The Company may decide not to register any additional shares, requiring a sale by the Depositary of the holders' rights and a distribution of the proceeds thereof. Should the Depositary 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 outside Luxembourg.

The Company is a société anonyme organized under the laws of the Grand Duchy of Luxembourg, and most of its assets are located in other jurisdictions. Furthermore, most of the Company's directors and officers reside in other jurisdictions. As a result, investors may not be able to effect service of process upon the Company or its directors or officers. Investors may also not be able to enforce against the Company or its directors or officers in the investors' domestic courts, judgments predicated upon the civil liability provisions of the domestic laws of the investors' home countries. Likewise, it may be difficult for investors not domiciled in Luxembourg to bring an original action in a Luxembourg court predicated upon the civil liability provisions of other securities laws, including 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 of civil liabilities predicated upon the civil liability provisions of securities laws, including U.S. federal securities laws, outside the jurisdiction where such judgments have been rendered; and enforceability 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 producer in the Americas. We provide advanced steel products to a wide range of manufacturing industries and the construction sector. We foster a culture of industrial and technological excellence and promote equal opportunity and equal treatment. We operate with a strong focus on environmental sustainability as we advance Ternium's decarbonization roadmap. We also support the development of our communities, especially through educational programs in Latin America. Finally, we foster the development of small and medium-sized customers and suppliers in Argentina and Mexico.

Ternium has grown across the Americas through a strategy mainly based on organic investments and acquisitions, consolidating its regional markets by seeking import substitution and expanding its commercial presence. At the heart of our growth strategy is our industrial center in Pesquería, Mexico, a greenfield project born in 2013. The Pesquería Industrial Center combines the latest technological developments to achieve efficient, high-quality production with a strong focus on people's safety along with an environmentally conscious approach. Also, in July 2023, Ternium increased its participation in Usiminas' control group, a leading flat steel manufacturing company in the Brazilian market, and entered into new shareholders agreements setting forth a new governance structure for Usiminas.

Climate Change. In 2021, with sustainability at its cornerstone, we set a medium-term goal to reduce our carbon dioxide emissions intensity in our steelmaking operations by 20% by 2030, compared to a 2018 baseline (scopes 1 and 2) along with a clearly defined roadmap based on six axes: energy efficiency; use of renewable energy; development of new raw materials in collaboration with business partners to partially replace coal and iron ore pellets; use of low-emission technologies; expansion of carbon capture and usage capacity, along with an increase in the use of scrap in the metal mix. Our new slab steel mill currently being built in the industrial center in Pesquería will be equipped with carbon capture capability as well as the possibility of using green hydrogen when market conditions permit, allowing Ternium to further advance its decarbonization roadmap. In addition, we continue to explore additional initiatives as part of our ambition to achieve carbon neutrality.

Furthermore, on March 27, 2024 Usiminas announced a medium-term goal to reduce carbon dioxide emissions intensity in the Ipatinga unit's steelmaking operations by 15% by 2030, compared to a 2019 baseline (scopes 1 and 2) along with a clearly defined roadmap based on energy efficiency and the optimization of the mix of raw materials. Initiatives include the revamp of blast furnace 3, completed at the end of 2023; a better utilization of gases from the steelmaking process as fuel; advance in managing overall energy consumption in all operations; increase the use of metallic scrap in steelmaking; application of biomass partially replacing coal and metallurgical coke; and greater use of renewable energy.

Environment, Health and Safety. Ternium is committed to protecting the health and safety of its employees, contractors and the communities where it operates. We engage our employees as well as our customers and suppliers to embrace our safety vision and objectives. We have standardized environment and health and safety (EHS) management systems and devote significant resources to EHS projects. Our evaluation of risks and EHS management are integrated in our business processes and reflected in our policies and procedures.

Social. The talent and determination of Ternium's employees are the cornerstone of our leadership. Through Ternium University, we offer a wide array of training programs to support our teams' efforts in their quest for innovation, continuous improvement and performance excellence. We work together with local institutions to enhance our communities' education and welfare. We are aware that, to be successful, industrial projects must thrive along with surrounding communities. We have built and operate a technical school in Mexico, and we are building a technical school in Brazil. We provide scholarships, internships, teachers' training and infrastructure funding to local schools. We also organize and fund volunteering programs and health prevention campaigns, and we sponsor sports, social events and arts exhibitions. Through ProPymes, we have been supporting small and medium-sized enterprises in the steel value chain for more than 20 years, strengthening our industrial network by enhancing our customers and suppliers' competitiveness.

Governance. Integrity is key to Ternium's long term success. The Company has appointed a business conduct compliance officer, who reports to the CEO. Ternium has mandatory training programs on the Company's Policy on Business Conduct and has adopted several policies, codes and procedures to ensure transparency and ethical behavior. In addition, the Company has put in place a Compliance Line to report violations to its code of conduct and principles. Our compliance department oversees SOX certifications and related party transactions. The Company's board of directors has an audit committee solely composed of independent directors. The internal audit department, which meets organizational independence and objectivity standards, reports to the chairman of the board and, with respect to internal control over financial reporting, to its audit committee.

A. History and Development of the Company

The Company

The Company is a *société anonyme* organized under the laws of the Grand-Duchy of Luxembourg established on December 22, 2003. The Company's registered office is located at 26 Boulevard Royal – 4th floor, L-2449 Luxembourg. Its agent for U.S. federal securities law purposes is Ternium U.S.A. Incorporated, located at 2200 West Loop South, Suite 945, Houston, TX 77027, United States.

Ternium

Ternium's origins began in September 1961 with the founding of Propulsora Siderúrgica ("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 Paraná S.A. (a company formed by the Argentine government in connection with the privatization of Sociedad Mixta Siderúrgica Argentina ("Somisa"), at that time the main integrated producer of flat steel in Argentina) and three other affiliated steel industry companies. After the merger, Propulsora changed its name to Siderar, and later to Ternium Argentina. San Faustin held a controlling interest in Siderar, with the remainder being held mainly by Usiminas, certain former employees of Somisa, and public investors.

In December 1997, a consortium formed by San Faustin, Ternium Argentina, Usiminas, Hylsamex, and Siderurgica Venezolana S.A. ("Sivensa"), won the bid in the privatization of a controlling interest in Sidor C.A. ("Sidor"), the largest steel company in Venezuela.

As part of a multiple-step corporate reorganization in 2005, San Faustin reorganized its investments in steel manufacturing, processing and distribution businesses by contributing to the Company San Faustin's controlling interests in Ternium Argentina and other subsidiaries, in exchange for shares of the Company. In addition, Usiminas and Sivensa exchanged their interests in Ternium Argentina, Sidor and other subsidiaries for shares of the Company. In 2005, we acquired, together with Ternium Argentina, an indirect 99.3% interest in the Mexican company Hylsamex and its subsidiaries.

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, and subsequently 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.

On December 28, 2006, we acquired an additional 4.85% interest in Ternium Argentina from CVRD Internacional S.A, thereby increasing our ownership interest in Ternium Argentina to 60.93%.

On April 29, 2007, we acquired Grupo Imsa through a cash tender offer and a cash redemption. Grupo Imsa was renamed Ternium Mexico and, effective March 31, 2008, Hylsamex merged with and into Ternium Mexico. In connection with this merger, Ternium Argentina acquired, and currently holds, a 28.73% participation in Ternium Mexico.

In April 2008, the National Assembly of Venezuela declared Sidor of public and social interest, and authorized the Venezuelan government to expropriate the company and its assets. On May 7, 2009, Ternium completed the transfer of its entire 59.7% interest in Sidor to Corporación Venezolana de Guayana, a Venezuelan state-owned entity.

On August 25, 2010, Ternium completed the acquisition of a 54% ownership interest in Ferrasa and, indirectly, in its wholly-owned Colombian subsidiaries, Siderúrgica de Caldas S.A.S. and Perfilamos del Cauca S.A.S. On April 7, 2015, Ternium acquired the remaining 46% minority interest in Ferrasa. Through this investment, Ternium expanded its business and commercial presence in Colombia. In 2017, Ferrasa was renamed Ternium Colombia.

In November 2010, Ternium and NSC established Tenigal, with each company holding 51% and 49% participations, respectively. Tenigal completed the construction of a hot dip galvanizing plant in the vicinity of Monterrey City, Mexico, which commenced production in the third quarter of 2013. Tenigal was designed to produce high grade and high quality galvanized and galvanized automotive steel sheets, including outer panel and high strength qualities.

On January 16, 2012, the Company's subsidiaries, Ternium Investments and Ternium Argentina (together with its wholly-owned subsidiary Prosid Investments S.A., or "Prosid", and the Company's affiliate, Confab Industrial S.A., a subsidiary of Tenaris, or TenarisConfab), joined the existing control group of Usiminas, a leading steel company in the Brazilian flat steel market, through the acquisition of 84.7, 30.0, and 25.0 million ordinary shares, respectively, and formed the so-called Ternium/Tenaris (T/T) Group.

On October 30, 2014, Ternium Investments acquired 51.4 million additional ordinary shares of Usiminas. On April 20, 2016, Ternium Investments subscribed to 7.0 million preferred shares of Usiminas and Ternium Argentina, together with Prosid, subscribed to an aggregate 1.5 million preferred shares of Usiminas. On July 19, 2016, Usiminas' extraordinary general shareholders' meeting homologated a capital increase, and Ternium Investments acquired 62.6 million additional ordinary shares, and Ternium Argentina and Prosid acquired an aggregate 13.8 million additional ordinary shares.

On September 7, 2017, the Company acquired a 100% ownership interest in thyssenkrupp Slab International B.V or tkSI, and its wholly-owned subsidiary CSA from thyssenkrupp AG, or tkAG. Through this investment, Ternium significantly expanded its steel slabs production capacity. As part of this process, CSA was renamed Ternium Brasil Ltda. and tkSI was absorbed by the Company's fully-owned subsidiary Ternium Internacional España S.L.

On July 3, 2023, Ternium Investments and Ternium Argentina, together with TenarisConfab, acquired from the NSC Group, pro rata to their then participations in the T/T Group, 68.7 million ordinary shares of Usiminas, increasing Ternium's participation in the Usiminas control group to 51.5%. A new shareholders' agreement was entered into as a result of the transaction, pursuant to which the T/T Group (formed by Ternium Investments, Ternium Argentina and Tenaris' subsidiary Confab Industrial) has the right to nominate a majority of the members of Usiminas' board of directors, the CEO and four other members of Usiminas' board of officers. We began to fully consolidate Usiminas in July 2023.

B. Business Overview

Our Business Strategy

Three main drivers compose Ternium's business strategy: a focus on sophisticated value-added products, the pursuit of strategic growth opportunities and a relentless quest for competitive industrial operations. Ternium aims to enhance stakeholder value by further consolidating our position as a leading steel producer in Latin America and a strong player in the Americas, while increasing its differentiation and strengthening its competitiveness.

We believe Ternium has built competitive advantages in its main steel markets. Our industrial presence and its network of distribution centers and commercial offices increase Ternium's ability to offer differentiated logistics and

stock management services. In addition, our integrated connectivity platform covering the entire customer relationship process enables Ternium to provide a better and faster response to its customer's needs.

Ternium works together with small and medium-sized customers and suppliers in Argentina and Mexico, through the ProPymes program, to help them prosper. The development of SMEs and a collaborative industrial network have strengthened the Ternium's value chain. This effort has led to a virtuous cycle of improved competitiveness, increased exports and import substitution of manufactured products.

Ternium's differentiation initiatives have also included investments in state-of-the-art technologies. As part of this strategy, Ternium Mexico has built its Pesquería Industrial Center, which currently comprises a hot-rolling mill, a cold-rolling mill, two galvanizing facilities and a painting line. In 2022, Ternium began the deployment of a new downstream project in this center. The project includes a push-pull pickling line and new finishing lines, currently expected to be commissioned in the second half of 2024, a hot-dip galvanizing line expected to begin operations by the end of 2025 and a cold-rolling mill in the first half of 2026. These projects are consistent with the Ternium's strategy to strengthen its competitive positioning in order to replace imports in the Mexican market, and better serve its customers with a broader and more technologically advanced product portfolio. Complementing its processing technology upgrade, Ternium is expanding its product research and development infrastructure in order to enhance its capabilities and speed up the development of a broader product portfolio, particularly in the high-end steel segment, to better serve its industrial customers.

In addition, Ternium has launched the construction of new steelmaking facilities in its Pesquería Industrial Center. The new facilities, consisting of an electric-arc-furnace-based steel shop and a DRI module, are expected to produce the highest specification steels, necessary for the most demanding applications of the automotive industry. The implementation of the USMCA trade agreement and the trend towards nearshoring of manufacturing capacity in the steel value chain have made the USMCA region an attractive destination for continued investment.

We believe that Ternium has substantial business opportunities in the USMCA region. Mexico has an attractive steel market with significant demand for advanced steel products, and Mexican steel producers cover approximately half of flat steel demand in the country. The Mexican industrial sector has access to the US and Canadian markets through the USMCA, and to other major economic regions and trade blocks through other free trade agreements. Mexico has privileged conditions to host a competitive and innovative manufacturing sector and its favorable geographic location provides a competitive logistics base to reach every major market. We believe that Ternium is well positioned in Mexico to compete with foreign producers and gradually substitute imports, as we have built a solid differentiation strategy, supported by its unique industrial presence, as well as by its market competitiveness.

In Brazil, the second largest steel market in Latin America, Usiminas is one of the main producers of flat steel products. The country's manufacturing sector accounts for a significant share of Usiminas sales, providing ample opportunities for the offering of value-added products and services. The appointment of Usiminas' new management team took place in a transformational year for Usiminas, as it successfully relined its main blast furnace. Usiminas took other strategic steps, including putting out of operation one of its smaller blast furnaces and one of its coking facilities. Additional management decisions led to higher efficiency in the metallic charge in the upstream processes and lower fuel rate at the blast furnaces. These actions were part of a significant management initiative that is focused on the streamlining of Usiminas' industrial system, with the aim at increasing its productivity, and these will continue to be Usiminas' focus throughout 2024.

Ternium Argentina has a significant presence in the Argentine steel market, the third largest in Latin America. The country's manufacturing customers account for approximately half of the local flat steel consumption, providing ample opportunities for the offering of value-added products and services. Ternium has a solid differentiation strategy in Argentina built on its industrial integration in the country, which allows it to offer customized products and value-added services.

In Colombia, the fourth largest steel market in Latin America, Ternium expanded its capacity by adding a greenfield reinforcing bar facility in Palmar de Varela in 2020. Other facilities with finishing lines and service centers in Guatemala, El Salvador, Nicaragua and Costa Rica enable Ternium to maintain a vast presence in the region.

Focus on sophisticated steel products. The incorporation of new technologies, the development of new advanced steel products and the integration of our industrial system are elements of a strategy aimed at increasing the participation of higher margin value-added products in Ternium's sales mix. Ternium's industrial center in Pesquería strengthened our positioning in the high-end market sector, expected to give way to a gradual substitution of imported steel in key industrial segments. The start-up of our new hot-rolling mill in 2021 represented a technological leap forward in Mexico's steel production capacity. The new downstream project in this industrial center will expand the facility's

advanced high-strength and ultra high-strength steel production capabilities for the automotive, transport and heavy machinery industries. The new steel slab mill under development in the same site will supply high-quality steel slabs to our new hot-rolling mill. Ternium's steel bar and coil mill in Palmar de Varela, Colombia is able to offer leading anti-seismic steel products for the Colombian construction sector, with improved resistance and toughness compared to those previously available in the market. For more information on Ternium's product research and development efforts, see "—Research and Development; Product Development." For further information on Ternium's capital expenditures, see "—Capital Expenditure Program."

Pursuit of strategic growth opportunities. We have a history of strategically growing our businesses through acquisitions and organic growth. We intend to continue identifying and actively pursuing growth-enhancing strategic opportunities to consolidate Ternium's presence in its main markets and expand it to the rest of the Americas. We also intend to increase our industrial system integration, broaden our offerings of value-added products, and enhance our production and distribution capabilities. For example, in 2017 Ternium acquired a steel producer, renamed Ternium Brasil, with facilities located in the state of Rio de Janeiro, Brazil, with annual production capacity of 5.0 million tons of high-end steel slabs. With this acquisition, total crude steel production capacity of Ternium's industrial system in 2017 increased to 12.4 million tons, or by approximately 70%. The acquisition of the Rio de Janeiro facility triggered the construction of the new hot-rolling mill in Pesquería, Mexico, with annual production capacity of 4.4 million tons which started up in 2021. This new facility enabled the integration of the Rio de Janeiro slab facility with Ternium's industrial system in Mexico. Furthermore, the new upstream and downstream investment projects being deployed in Pesquería are expected to place Ternium in an even better position to take advantage of attractive market opportunities like the nearshoring of supply chains. For further information on Ternium's capital expenditures, see "—Capital Expenditure Program."

Enhancement of Ternium's competitive position. In addition to developing a full range of steel products and delivering differentiated services to Ternium's customer base, we aim to enhance our competitive position by seeking excellence in operational performance. Our quest for operational excellence relies on the cross implementation of Ternium's managerial, commercial and production best practices. Ternium has a centralized industrial engineering, automation, occupational, health and safety (OH&S) and environmental management area. Focused on capacity utilization, quality and maintenance, this area facilitates the improvement of production processes through best practices, a coordinated deployment of new technologies and access to strong internal technical support.

Ternium's broad range of value-added products, just-in-time delivery, inventory management and other services offered to customers in major steel markets are supported by the our service center, distribution, sales and marketing networks. Ternium's ample range of products and services can be offered to its customer base in a coordinated way, as its industrial system runs on a unified IT platform. Ternium has integrated its processes with those of its customers and suppliers through our digital marketplace, "Ternium Activo". Most of our customers' orders are placed through this platform, which helps them improve their management processes.

Environmental, Social and Governance

Ternium aims to create value for all its stakeholders. Our main efforts focus in the areas of occupational health and safety, environmental management, human resources, community relations and the value chain, and aim at ensuring a sustainable operation in the long-term.

Improving our safety performance. The safety and well-being of our employees is our top priority and key to our success as a sustainable organization over time. We strive to create and sustain a safety culture aimed at safeguarding our employees' well-being. OH&S management and risk assessment are integrated into our business processes and are reflected in Ternium's OH&S policy. OH&S performance is included in the managers' integrated set of objectives. Senior managers lead every initiative aimed at forging our OH&S culture. We design strategies to align our culture with our OH&S vision. We seek to engage our employees, customers and contractors in order to deploy our vision and targets, managing our production processes safely and implementing an effective communication. Through our "Safety First" program, safety behavior has been placed at the cornerstone of our culture. We have dedicated safety management teams that evaluate facilities and processes with an ample view, and design plans to mitigate risks.

Minimizing our environmental footprint. The protection of the environment is a fundamental value for Ternium. The Company's Environmental and Energy Policy expresses our commitment to the preservation of the environment. Ternium's steel and mining operations are subject to laws and regulations to protect the environment, including the use of land, air emissions, wastewater treatment and discharge, the use, handling and disposal of hazardous or toxic materials, and the handling and disposal of waste. Ternium's corporate environmental and energy policy requires that each of its business units comply with applicable environmental laws and regulations. We aim at achieving the highest standards of environmental performance, as a basis to ensure a sustainable development, and encourage our supply chain to embrace these principles.

Our environmental performance leans on an environmental and energy management system encompassing every production unit. We audit and certify our systems and procedures on a regular basis, which results in updates to our environmental management processes and the identification of improvement opportunities. Systems are certified under the ISO 14001 environmental management norm in all steel making and most processing facilities and under the ISO 50001 energy management norm in most top energy consuming operations. We are in the process of incorporating additional facilities to our ISO 50001 certification scope.

Another element for ensuring the preservation of the environment is management supervision. Monthly, the Industrial, Environmental, Health and Safety Management Committee, led by the CEO, gathers to review and discuss our environmental and safety performance. We consistently invest in environmental improvement projects, and are deploying a medium-term plan that is mainly focused on strengthening infrastructure in connection with particulate matter emission control, material efficiency and water quality control at the primary areas of our operations.

For further information on environmental regulations, see Item 4. “Information on the Company —B. Business Overview — Regulations - Environmental Regulation”. For a description of some of the risks associated with the environment, health and safety, see Item 3. “Key Information—D. Risk Factors.”

Realizing our people's full potential. We work constantly towards the consolidation of an organization that offers equal opportunity and treatment, and that promotes industrial and technological excellence. We believe that our performance is dependent on the development of personnel competences and skills for each position in the company, and in a careful planning of succession and continuity processes. In this regard, we have centralized personnel training activities in Ternium University (TU) and Usiminas' Corporate University and we have a Career Development program and a Succession program for key positions.

We have adopted policies on Human Rights and Diversity and Work Environment Free of Harassment. We aim to foster a workplace environment that attracts and develops talents across all genders, nationalities, generations, cultures, religions and backgrounds, respecting and valuing individual differences. Ternium's Code of Conduct prohibits unlawful discrimination in employment relations and ensures that every person has the right to apply for employment with us or to be considered for a new position strictly based only on the skills required for such task.

Helping communities thrive. We believe that an industrial project like ours can only be sustainable if community and industry grow together. This is the principle guiding our community programs, which focus on four main fields:

- Education. We are convinced that education is the key to prosperous community growth. Therefore, we have developed and ran educational programs covering the entire school cycle, from elementary to post-graduate, helping children and youngsters to fulfill their potential and become active contributors to society. Our programs include the Roberto Rocca Technical Schools, the Roberto Rocca Technical Gene, the Roberto Rocca After School Program and Roberto Rocca Scholarships.
- Culture. As a multi-cultural and multi-lingual company, we enrich and broaden people's cultural horizons in communities near our facilities, fostering diversity and inclusion by promoting cultural activities. Our programs include the Film Festival and the Photo Library, together with Instituto Usiminas' initiatives.
- Volunteer work. We encourage our employees to volunteer for community activities with a special focus on refurbishing schools, aimed at helping those in need and cultivating pride and integration in our communities. With this purpose, we developed the Volunteers in Action program.
- Health. We seek to improve people's quality of life and foster welfare. With this purpose, we fund infrastructure projects and improvements at hospitals and health care centers near our facilities.

Abiding by these general directives, our programs have been designed to be implemented at local level, taking into account the particular circumstances of each community where we operate.

Strengthening our value chain. We offer support to small and medium size enterprises (SMEs) through ProPymes, a program that provides a variety of services including training, industrial assistance, institutional assistance, commercial support and financial aid. The ProPymes program fosters the development of the industrial value chain in Mexico and Argentina, and helped create an industrial network that encourages the professionalization and quest for excellence of SMEs, which, based on knowledge sharing, reciprocal learning and exchange of experiences, aims at the implementation along the value chain of the best practices utilized in the industry.

Integrity. We believe integrity is key to our long-term sustainability. With ethical behavior and compliance with law as a core value, we continuously work on building a corporate culture of transparency. The Company has adopted a Code of Conduct, which has recently been updated, incorporating guidelines and standards of integrity and transparency that apply to all directors, officers and employees. As far as the nature of each relation permits, the principles described in the Code of Conduct also apply to relations with our contractors, subcontractors, suppliers and associated persons.

The Code of Conduct also includes guidelines related to the promotion of a healthy and safe workplace environment, respect for human and labor rights, the protection of the environment, our commitment to fair, honest and transparent competition, and the protection of data privacy of our employees and third parties with whom we conduct business. The Company has also adopted a Code of Ethics for Senior Financial Officers to supplement its Code of Conduct, which applies specifically to the chief executive officer, the chief financial officer, the chief accounting officer or controller, or other persons performing similar functions. In addition, the Company has adopted a Transparency Policy governing relationships with third parties, a Policy on Business Conduct, a Code of Conduct for Suppliers, an Anti-fraud Policy, a Policy on Securities Trading, a Policy on Financial and Accounting Controls, and a Policy on Personal Data Protection. As a condition for employment, all employees must acknowledge and commit to comply with Ternium's Code of Conduct and eligible employees (salaried employees and managers, excluding supervisors) must acknowledge and commit to comply with Ternium's Policy on Business Conduct.

Our Products

Ternium produces mainly finished and semi-finished steel products and iron ore, which are sold either directly to steel manufacturers and steel processors or to end-users after different value-adding processes. We also produce electricity and sell unused balances to the Mexican and Brazilian electric grids.

In the steel segment, steel products include slabs, billets and round bars (steel in its basic, semi-finished state), heavy plates, hot-rolled coils and sheets, bars and stirrups, wire rods, cold-rolled coils and sheets, tin plate, hot dipped galvanized and electrogalvanized sheets and pre-painted sheets, steel pipes and tubular products, beams and roll formed products. 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. Other products in the steel segment include electricity and pig iron.

In the mining segment, iron ore is sold as lump, concentrates (sinter feed and pellet feed fines) and pellets.

Steel products

Slabs, billets and round bars: these products are semi-finished steel forms with dimensions suitable for its processing into specific product types. Slabs are processed into hot-rolled flat products. The use of slabs is determined by their dimensions and by their chemical and metallurgical characteristics. Billets are processed into long steel products, such as wire rods, bars and other shapes. Round bars are processed into seamless tubes.

Heavy plates: these products are used in a variety of applications in infrastructure, shipbuilding, civil construction (including bridges, sheds and buildings), maritime platforms, large diameter tubes, road and mining machinery and equipment, sugar and alcohol plants and power generation plants, including wind towers. They can be produced under a wide range of mechanical resistance and dimensions.

Hot-rolled 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 flat products can be supplied as coils, strips or as sheets cut to a specific length. These products also serve as inputs for the production of cold-rolled products. Merchant bars include specific shape features, such as rounds, flats, angles, squares and channels, which are used by customers to manufacture a wide variety of products such as furniture, stair railings and farm equipment. Reinforcing bars (rebars) and stirrups, obtained from the mechanical transformation of rebars, are used to strengthen concrete highways, bridges and buildings. 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.

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.

Coated products: galvanized sheets are produced by adding a layer of zinc to cold-rolled coils, which are afterwards cut into sheets. Galvanized sheets are used in the automotive, construction and home appliances industries. Galvanized coils can also be further processed with a color coating to produce pre-painted sheets, resulting in a product that is mainly sold for building coverings, manufacturing of ceiling systems, panels, air conditioning ducts, refrigerators, air conditioners, washing machines and several other uses. Ternium also offers 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. Tinplate, given its resistance to corrosion and its mechanical and chemical characteristics, is mainly sold to the packaging industry for food canning, sprays and paint containers. Tinplate is produced by coating cold-rolled coils with a layer of tin.

Roll-formed and tubular products: these products include tubes for general use, structural tubes, tubes for mechanical applications, conduction tubes, conduction electrical tubes, oil tubes and pre-engineered metal building systems. Tubular 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, including C and Z section steel profiles (purlings) 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. Other 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. Pre-engineered metal building systems are steel construction systems designed for use in low-rise non-residential buildings, and are constructed from the mechanical transformation of flat steel such as frames, secondary steel members, roofs and walls panels, as well as finishing and accessories.

Other products: other products include mainly electricity and pig iron. Pig iron is a semi-finished product obtained in the blast furnace that is mostly used as metallic charge in the steel shop for the production of crude steel, and also marketed to other steel producers and to manufacturers of iron-based cast products.

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.

Iron ore products

Lumps, concentrates (sinter feed and pellet feed fines) and pellets: These products are raw materials used for the production of steel. Lump ore is coarse ore with diameter of between 32 and 6.3 millimeters, sinter feed is iron ore with diameter of between 6.3 and 0.15 millimeters and pellet feed is iron ore with diameter of less than 0.15 millimeters.

Lump iron ore is used in the production of steel without any further process. The sinter feed has to be agglomerated via a sintering process to enable its use in the blast furnace. The pellet feed has to be pelletized to enable its use in the blast furnace or DRI processes. Pellet feed can also be sinterized. In Mexico, Las Encinas and Peña Colorada ship most of the pellets to Ternium Mexico’s steelmaking facilities and they also market non-pelletizable iron ore fines, if any, to other steel manufacturers. In Brazil, Mineração Usiminas ships lumps and concentrates to Usiminas’ steel manufacturing operations, and ships mainly concentrates to other steel manufacturers.

Production Facilities and Processes

Ternium’s aggregate production capacity of steel slabs and billets as of December 31, 2023, 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 15.4 million tons. Ternium’s aggregate production capacity of finished steel products, calculated based on the same criteria as for steel slabs and billets production, was approximately 22.3 million tons. Usiminas’ production capacity of iron ore lumps, sinter feed and pellet feed was 9.0 million tons as of December 31, 2023, and production capacity for iron ore pellets in Mexico as of December 31, 2023, was 4.0 million tons.

Steel production facilities, service centers and distribution centers

The following table provides an overview, by type of asset, of production capacity as of December 31, 2023:

Production asset	Quantity	Nominal capacity (thousand tons per year) ¹				
		Ternium Mexico/ Tenigal	Usiminas	Ternium Argentina	Ternium Brasil	Other
Coke Plant ²	8		800	1,040	1,800	
Sinter Plant	5		6,300	1,480	5,700	
Direct Reduced Iron Plant	3	2,710				
Blast Furnace ³	5		3,800	2,210	5,300	
Electric Arc Furnace	5	4,190				250
Basic Oxygen Furnace	10		4,800	3,500	5,200	
Vacuum Degassing	5	840	2,000	1,200	3,200	
AHF Plant	3		1,900		3,000	
Thin Slab Continuous Caster	1	2,460				
Slab Continuous Caster ⁴	7		3,800	2,300	5,000	
Billet Continuous Caster	3	1,640				245
Thick Plate Mill	1		1,000			
Hot-rolling Mill (flat products)	6	9,910	5,900	2,890		
Skin-Pass Mill	7	3,860	1,300	990		
Hot-rolling Mill (long products)	5	1,190				760
Pickling Line	13	5,390	4,380	1,910		
Cold-Rolling Mill (Tandem or Reversing)	12	3,900	4,100	1,840		
Electrolytic Cleaning	6	1,940	500	230		
Annealing Line	14	1,430	2,700	1,330		
Temper Mill	9	2,040	1,600	2,020		
Tension-Leveling / Inspection Line	18	1,480	2,300	1,150		
Electro-Tinplating line	1			160		
Hot Dip Galvanizing Line	15	2,390	1,030	640		385
Electro-Galvanizing Line	2		360	110		
Color-Coating Line	9	810		120		210
Slitter	40	2,090	500	500		310
Cut to length	50	570	1,100	1,000		220
Roll forming Line	34	510		540		230
Panel Line	4	80				
Profile Line	15	140		80		110
Tube Line	24	520	70	190		60
Wire drawing Lines	12					100
Wire Mesh Lines	2					40
Rebar Processing Lines ⁵	48					190

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 Usiminas' nominal coke production capacity was adjusted to reflect the shut-down of coke battery #4 in December 2023.

³ Usiminas' nominal pig iron production capacity was adjusted to reflect the shut-down of blast furnace #1 in December 2023, and Ternium Argentina's nominal pig iron production capacity was adjusted to reflect the shut-down of blast furnace #1 in 2015.

⁴ Usiminas' nominal slab production capacity was adjusted to reflect the shut-down of blast furnace #1 in December 2023 and Ternium Argentina's nominal slab production capacity was adjusted to reflect a lower nominal production capacity of pig iron and the shut-down of blast furnace #1 in 2015.

⁵ Includes shears, straighteners, stirrup benders and shaping centers.

Mexico. Ternium Mexico has 12 steel production and/or processing units in Mexico, 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 Mexico has twelve distribution centers, or DCs, in Mexico, aimed at serving customers mainly in the construction sector, and Tenigal owns a galvanizing facility located in Ternium Mexico's Pesquería industrial center.

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

Unit	Type of plant				Location
	Integrated ¹	Downstream ²	Service center	Distribution center	
Guerrero	X		X		San Nicolás d.l.G., Nuevo León
Apodaca	X				Apodaca, Nuevo León
Puebla	X				Puebla, Puebla
Juventud		X	X		San Nicolás d.l.G., Nuevo León
Churubusco		X	X		Monterrey, Nuevo León
Monclova		X			Monclova, Coahuila
Universidad		X			San Nicolás d.l.G., Nuevo León
Pesquería		X			Pesquería, Nuevo León
Apodaca Industrial			X		Apodaca, Nuevo León
Apodaca Comercial			X		Apodaca, Nuevo León
Edificios Metálicos			X		Ciénaga de Flores, Nuevo León
San Luis			X		San Luis, San Luis Potosí
DC Chihuahua				X	Chihuahua, Chihuahua
DC Tijuana				X	Tijuana, Baja California
DC Norte				X	Escobedo, Nuevo León
DC Puebla				X	Puebla, Puebla
DC Guadalajara				X	Guadalajara, Jalisco
DC México				X	Tultitlán, Estado de México
DC Culiacán				X	Culiacán, Sinaloa
DC Veracruz				X	Veracruz, Veracruz
DC Mérida				X	Mérida, Yucatán
DC Tuxtla				X	Tuxtla Gtz, Chiapas
DC León				X	León, Guanajuato
DC Villahermosa				X	Villahermosa, Tabasco

¹ "Integrated" refers to a type of steel plant that includes at least steelmaking and hot-rolling facilities.

² "Downstream" refers to a type of steel plant that includes hot-rolling, cold-rolling and/or steel coating facilities.

Guerrero unit: located in the metropolitan area of Monterrey, Nuevo León, Mexico, the Guerrero unit 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 ("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. Ternium's procurement policy for these products is described in greater depth in "—B. Business Overview—Raw Materials, Slabs, Energy and Other Inputs."

Apodaca unit: located in Nuevo León, Mexico, the Apodaca unit 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. Ternium's procurement policy for scrap is described in greater depth in Item 4. "Information on the Company —B. Business Overview—Raw Materials, Slabs, Energy and Other Inputs."

Puebla unit: located in Puebla, Mexico, the Puebla unit produces rebar, wire rod and round bar 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. Ternium's procurement policy for these products is described in greater depth in "—Raw Materials, Slabs, Energy and Other Inputs."

Juventud unit: located in Nuevo León, Mexico, the Juventud unit 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.

Churubusco unit: located in Nuevo León, Mexico, the Churubusco unit 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 has a steel service center that produces slitted and cut-to-length products for the industrial sector. The facility sources its requirements of slabs from Ternium Brasil, from third party Mexican producers and from the international markets. Ternium's procurement policy for slabs is described in greater depth in "—Raw Materials, Slabs, Energy and Other Inputs."

Monclova unit: located in Coahuila, Mexico, the Monclova unit 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.

Universidad unit: located in Nuevo León, Mexico, and across the street from the Guerrero unit, the Universidad 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.

Pesquería industrial center: located in Nuevo León, Mexico, the Pesquería industrial center produces hot-rolled, cold-rolled, galvanized and color coated coils for the automotive and home appliance industries, among other industrial sectors. The hot-rolling mill processes slabs sourced from Ternium Brazil as well as from third parties. The cold-rolling mill processes hot-rolled coils sourced from the hot-rolling mill and also from Ternium Mexico's Churubusco and Guerrero units, as well as from third parties. Ternium Mexico is building new facilities in this industrial center. During the second half of 2024, we expect to inaugurate a 550 thousand tons per year pickling line and the first lines in a new service center. By the end of 2025, we expect to start-up a new galvanizing line, and in the first half of 2026, a new cold rolling mill with annual capacity of 1.6 and 0.6 million tons, respectively. In 2026, we expect to inaugurate a new slab mill with annual capacity of 2.6 million tons, which will include an electric-arc-furnace and direct reduction iron facilities. These projects are consistent with Ternium's strategy to strengthen its competitive positioning in order to replace imports in the Mexican market, better serve its customers with a broader and more technologically advanced product portfolio, accelerate our progress toward achieving our decarbonization target and maintain compliance with the USMCA's 'melted and poured' requirements. For further information on Ternium's capital expenditures, see "—B. Business Overview—Capital Expenditure Program."

Apodaca Industrial unit: located in Nuevo León, Mexico, the Apodaca Industrial unit 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.

Apodaca Comercial unit: located in Nuevo León, Mexico, the Apodaca Comercial unit 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.

Edificios Metálicos unit: located in Nuevo León, Mexico, the Edificios Metálicos unit is a steel service center that produces metal building 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.

San Luis unit: Located in San Luis Potosí, Mexico, the San Luis unit 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.

Usiminas. Usiminas has eight steel production and/or processing units in Brazil, consisting of one integrated flat steel-making plant (including a steel service center); one downstream flat steel production plant, combining hot-rolling and cold-rolling facilities; and seven steel service centers. In addition, Usiminas has seven distribution centers, or DCs, in Brazil, five customer warehouses and two ports, aimed at better serving its customers in the country.

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

Unit	Type of plant				Location
	Integrated	Downstream	Service Center	Distribution Center	
Ipatinga	X	X	X		Ipatinga, Minas Gerais
Cubatão		X			Cubatão, São Paulo
Guarulhos			X		Guarulhos, São Paulo
São Paulo				X	São Paulo, São Paulo
Santo André				X	Santo André, São Paulo
Betim			X	X	Betim, Minas Gerais
Santa Luzia			X	X	Santa Luzia, Minas Gerais
Cabo do Santo Agostinho			X		Cabo do Santo Agostinho, Pernambuco
Taubaté			X	X	Taubaté, São Paulo
Porto Alegre			X	X	Porto Alegre, Rio de Janeiro
Caxias do Sul				X	Caxias do Sul, Rio Grande do Sul

Ipatinga unit: located in Minas Gerais, Brazil, the Ipatinga unit produces hot-rolled plates and hot-rolled, cold-rolled, hot-dipped galvanized and electrogalvanized coils for the automotive, oil and gas and machinery and equipment industries, and for further processing in Usiminas' service centers. It also produces slitted and cut-to-length products for the industrial sector and profiles and tubes for the industrial and construction sectors. The Ipatinga unit is an integrated facility based on blast furnace and basic oxygen furnace technologies, supplemented with a sinter plant, coking batteries, a co-product plant and a power plant. It uses metallurgical coal and iron ore pellets, lumps and fines as main raw materials. The facility sources all of its coal needs from the international markets and its iron ore needs from Mineração Usiminas and other Brazilian mining companies, which are shipped to the facilities through railroad. Usiminas' procurement policy for these products is described in greater depth in "—B. Business Overview—Raw Materials, Slabs, Energy and Other Inputs."

Cubatão unit: located in São Paulo, Brazil, the Cubatão unit produces hot-rolled and cold-rolled coils for the automotive, oil and gas and machinery and equipment industries, and for further processing in Usiminas' service centers. The facility sources its requirements of slabs from Ternium Brasil and from third parties. Usiminas' procurement policy for slabs is described in greater depth in "—Raw Materials, Slabs, Energy and Other Inputs."

Service centers: in addition to the service center of the Ipatinga unit, the Guarulhos and Taubaté units located in São Paulo, the Betim and Santa Luzia units located in Minas Gerais, the Cabo do Santo Agostinho unit located in Pernambuco and the Porto Alegre unit located in Rio Grande do Sul, Brazil, are steel service centers that produce slitted, cut-to-length and tubular products for industrial customers. These plants transform coated and uncoated coils received from Usiminas' Ipatinga and Cubatão units.

Argentina. Ternium Argentina has eight steel production and/or processing units in Argentina, consisting of one integrated flat steel-making plant; four downstream flat steel processing plants, comprising cold-rolling, coating or tube-making facilities (three of which include steel service centers); and three additional steel service centers. In addition, Ternium has a DC in Argentina, aimed at serving customers mainly in the construction sector.

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

Unit	Type of plant				Location
	Integrated	Downstream	Service center	Distribution center	
San Nicolás	X				Ramallo, Buenos Aires
Canning		X	X		Canning, Buenos Aires
Haedo		X	X		Haedo, Buenos Aires
Florencio Varela		X	X		Florencio Varela, Buenos Aires
Ensenada		X			Ensenada, Buenos Aires
Rosario			X		Rosario, Santa Fe
Serviacero III			X		Ramallo, Buenos Aires
Sidercrom			X		Ramallo, Buenos Aires
El Talar				X	El Talar, Buenos Aires

San Nicolás unit: located in the Province of Buenos Aires, Argentina, the San Nicolás unit produces slabs, hot-rolled, cold-rolled and tinplate coils for the construction, industrial, packaging and naval sectors, and for further processing in other Ternium Argentina units. The San Nicolás unit includes an integrated facility based on blast furnace and basic oxygen furnace technologies, supplemented with a sinter plant, coking batteries, a co-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. In addition, the facility sources its net requirements of steel products from the international market and Ternium Brasil. Ternium's procurement policy for these products is described in greater depth in "—B. Business Overview—Raw Materials, Slabs, Energy and Other Inputs."

Canning and Haedo units: located in the Province of Buenos Aires, Argentina, the Canning and Haedo units 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 Ternium Argentina's San Nicolás and Ensenada units.

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

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

Rosario unit: located in the Province of Santa Fe, Argentina, the Rosario unit is a steel service center that produces tubes for the construction industry. This plant processes hot-rolled coils received from Ternium Argentina's San Nicolás unit.

Serviacero III unit: located in the Province of Buenos Aires, Argentina, the Serviacero III unit 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 Ternium Argentina's San Nicolás unit.

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

Ternium Argentina is building a new tube distribution center in Rosario, Santa Fe, which it expects to inaugurate during the second quarter of 2024. The new distribution center will allow it to offer new services to its customers as well as increase the efficiency of its operations. In addition, Ternium Argentina is building a new wind farm in the Province of Buenos Aires, Argentina. This new facility will enable the company to replace approximately 90% of the electricity currently purchased from third parties for its operations in the country. For further information on Ternium's capital expenditures, see "—B. Business Overview—Capital Expenditure Program." For further information on

Ternium's decarbonization strategy, see “—B. Business Overview—Environmental, Social and Governance — Minimizing our environmental footprint.”

Other countries. Ternium Brasil, Ternium U.S.A, Ternium Colombia, Ternium del Atlantico and Ternium Guatemala have a total of 19 steel production and/or processing units in Brazil, the United States, Colombia and Central America, consisting of two integrated steel-making plants (one of which produces flat steel products in Brazil and the other long steel products in Colombia); one downstream long steel hot-rolling plant; two downstream flat steel processing plants, comprising coating facilities (one of which includes a steel service center and a steel retail distribution center); and fourteen steel service centers. In addition, Ternium has ten DCs aimed at serving customers mainly in the construction sector.

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

Unit	Country	Type of plant				Location
		Integrated	Downstream	Service Center	Distribution Center	
Rio de Janeiro	Brazil	X				Santa Cruz, Rio de Janeiro
Shreveport	USA		X			Shreveport, Louisiana
Manizales Steel	Colombia	X				Manizales, Caldas
Atlántico	Colombia		X			Palmar de Varela, Atlántico
Barranquilla	Colombia			X		Malambo, Atlántico
Bogotá	Colombia			X		Bogotá, Cundinamarca
Manizales Services	Colombia			X		Manizales, Caldas
Cali	Colombia			X		Puerto Tejada, Cauca
Itagüí	Colombia			X		Itagüí, Antioquia
DC Montería	Colombia				X	Montería, Córdoba
DC Bucaramanga	Colombia				X	Bucaramanga, Santander
Villa Nueva	Guatemala		X	X	X	Villa Nueva, Guatemala
Huehuetenango	Guatemala			X		Huehuetenango, Huehuetenango
Jutiapa	Guatemala			X		Jutiapa, Jutiapa
Teculután	Guatemala			X		Teculután, Zacapa
Coatepeque	Guatemala			X		Coatepeque, Quetzaltenango
Escuintla	Guatemala			X		Escuintla, Escuintla
DC Zona 9	Guatemala				X	Guatemala, Guatemala
DC Petapa	Guatemala				X	Guatemala, Guatemala
DC Mazatenango	Guatemala				X	Mazatenango, Suchitepéquez
DC Petén	Guatemala				X	Petén, Petén
DC Quetzaltenango	Guatemala				X	Quetzaltenango, Quetzaltenango
DC Cobán	Guatemala				X	Cobán, Alta Verapaz
DC Chiquimula	Guatemala				X	Chiquimula, Chiquimula
DC Quiché	Guatemala				X	Quiché, Guatemala
San Salvador	El Salvador			X		San Salvador, San Salvador
San Miguel	El Salvador			X		San Miguel, San Salvador
Managua	Nicaragua			X		Managua, Managua
San José	Costa Rica			X		San José, Costa Rica

Rio de Janeiro unit: located in the State of Rio de Janeiro, Brazil, this unit produces slabs for further processing in other Ternium units in Mexico and Argentina, and for sale to third parties. The Rio de Janeiro unit includes an integrated facility based on blast furnace and basic oxygen furnace technologies, supplemented with a sinter plant,

coking batteries and a power plant. It uses metallurgical coal and iron ore pellets, lumps and fines as main raw materials. The facility sources all of its coal needs from the international markets (shipped to its own port on the Atlantic Ocean coastline), and its iron ore needs from the local market (shipped to its own yards through a railroad system). Ternium's procurement policy for these products is described in greater depth in "—B. Business Overview—Raw Materials, Slabs, Energy and Other Inputs."

Shreveport unit: located in Louisiana, United States, the Shreveport unit produces galvanized and color coated sheets. It processes cold-rolled coils procured mainly from Ternium Mexico or the U.S. market. Ternium recently launched an expansion of its Shreveport facility, with a second coil coating paint line expected to start-up during the first half of 2025.

Manizales Steel unit: located in Caldas, Colombia, the Manizales Steel unit 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 "—B. Business Overview—Raw Materials, Slabs, Energy and Other Inputs."

Atlántico unit: located in Atlántico, Colombia, the Atlántico unit is a downstream processing steel mill that produces steel bar and coil for the construction industry. This plant processes steel billets purchased in the international market.

Barranquilla unit: located in Atlántico, Colombia, the Barranquilla unit 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, rebar received from the Manizales unit and rebar purchased in the international markets. Hot-rolled and cold-rolled coils are received mainly from the units in Nuevo León.

Bogotá and Manizales Services units: the Bogotá unit in Cundinamarca and the Manizales Services unit in Caldas are steel service centers located in Colombia that produce customized rebar-based products for the construction industry. These plants process rebar received from the Manizales Steel unit and rebar purchased in the international markets.

Cali unit: located in Cauca, Colombia, the Cali unit is a steel service center that produces profiles, tubes, structural beams and rebar-based customized products for the construction industry. This plant processes hot-rolled and cold-rolled coils received mainly from units in Nuevo León and purchased in the international markets.

Itagüí unit: located in Antioquia, Colombia, the Itagüí unit 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, rebar received from the Manizales Steel unit and rebar purchased in the international markets.

Villa Nueva unit: located in Guatemala, Guatemala, the Villa Nueva unit produces galvanized sheets for the construction industry and for further processing in other 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, and a steel retail distribution center. 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.

Huehuetenango, Jutiapa, Teculután, and Coatepeque units: the Huehuetenango unit in Huehuetenango, the Jutiapa unit in Jutiapa, the Teculután unit in Zacapa and the Coatepeque unit in Quetzaltenango are steel service centers located in Guatemala that produce roll-formed products for the construction industry. These plants process coated steel coils mainly procured from Ternium Mexico or received from the Villa Nueva unit.

Escuintla unit: located in Escuintla, Guatemala, the Escuintla unit is a steel service center that produces roll-formed products and profiles for the construction industry. This plant process hot-rolled and coated steel coils mainly procured from Ternium Mexico or received from the Villa Nueva unit.

San Salvador, San Miguel and Managua units: the San Salvador and San Miguel units 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 the Villa Nueva unit.

San José unit: located in San José, Costa Rica, this is a steel service center that produces roll-formed and cut-to-length products for the construction industry. These plants process coated coils procured from Ternium Mexico or received from the Villa Nueva unit.

Mining Production Facilities in Mexico

Ternium has iron ore production facilities in Mexico. We have a 100% interest in Las Encinas, and a 50% interest in Consorcio Peña Colorada, and conduct our mining activities through these companies. In 2023, we recorded iron ore shipments of 3.4 million tons, all of which were destined to Ternium's steelmaking facilities in Mexico. The following table provides an overview of Las Encinas' and Consorcio Peña Colorada's active mining operations:

Company	Mine	Location	Type of Mine
Las Encinas	Aquila	Aquila, Michoacán	Open pit
Las Encinas	Palomas	Pihuamo and Tecalitlán, Jalisco	Open pit
Consorcio Peña Colorada	Peña Colorada	Minatitlán, Colima	Open pit

In addition, Las Encinas owns El Encino and Cerro Nahuatl mines, and has operated the El Chilillo mine, all of which are substantially exhausted.

The following table provides an overview, by type of facility, of Ternium's production capacity as of December 31, 2023:

Production facility	Las Encinas		Consorcio Peña Colorada ⁽¹⁾	
	Quantity	Capacity ⁽²⁾	Quantity	Capacity ⁽²⁾
Crushing Plant ⁽³⁾	2	4,500	1	18,000
Grinding and concentration Plant ⁽³⁾	1	3,500	1	16,300
Pelletizing Line	1	1,900	2	4,100

- (1) Figures correspond to total capacity. Ternium has a 50% interest in Consorcio Peña Colorada.
- (2) In thousands of tons per year. Crushing capacity for Las Encinas includes crushing lines located close to the Aquila and El Encino mines. In addition, Las Encinas operates at the Palomas mine, under a lease agreement, a crushing facility with annual capacity of 500,000 tons.
- (3) The capacity figures for the crushing and concentration plants refer to the plants' iron ore processing capacity. The plants' actual iron ore concentrate production depends on the iron ore grade of the processed material.

The following table provides a description of tailings dams in Mexico as of December 31, 2023:

Dam / section	Las Encinas			Consorcio Peña Colorada ⁽¹⁾		
	Cerro Nahuatl	Alzada / 1	Alzada / 2	Guásimas	Arrayanal / 1	Arrayanal / 2
Type of structure	Downstream	Combined ⁽³⁾	Downstream	Combined ⁽⁴⁾	Downstream ⁽⁵⁾	Downstream
Status	Closing procedure	Stand by	Operative	Closing procedure	Operative	Operative
Deposits volume ⁽²⁾	9	11	4	54	24	18

- (1) Figures correspond to total capacity. Ternium has a 50% interest in Consorcio Peña Colorada.
- (2) In million cubic meters.
- (3) Three out of six embankments were originally built upstream, and then reinforced to meet all requirements under the strictest international seismic standards.
- (4) Out of a total eight embankments, one was built with a combination of downstream and centerline methodologies, one was built as a downstream starter dam and six were built with an upstream methodology. In order to reduce risks of collapse under the strictest international seismic standards, certain reinforcements are recommended to comply with safety factors under a dynamic/post seismic condition. Ternium has indicated Consorcio Peña Colorada that it supports Consorcio Peña Colorada's efforts to mitigate those risks. The completion of the project could take approximately two years. For a description of risks, see Item 3. "Key Information-D.Risk Factors-Risks Relating to Ternium's Mining Activities-Unexpected natural and operational catastrophes may impact the environment or cause exposure to hazardous substances, adversely impact Ternium's operations and profitability, and result in material liabilities to Ternium."

- (5) Includes upstream embankments in non-relevant zones.

Location Map of Las Encinas and Consorcio Peña Colorada's Active Mines



Las Encinas

Las Encinas produces iron ore pellets and magnetite concentrate in Mexico. At present, Las Encinas operates the Aquila and Palomas open pit mines located in Michoacán and Jalisco, respectively. Las Encinas facilities include three crushing plants (located close to each of the Aquila, the El Encino and the Palomas mines), and a concentration and pelletizing plant located in Alzada, Colima. Its major processing facilities (crushing, concentration and pelletizing facilities) include two primary crushers and a dry cobbing plant located in the Aquila mine, a crushing plant, which includes two primary crushers and pre-concentration with magnetic pulleys located at the El Encino mine, and a semi-mobile crushing plant, which includes primary crushers and pre-concentration with magnetic pulleys located at the Palomas mine (operated under a lease agreement), and horizontal and vertical ball mills and several stages of magnetic separation in the Alzada facilities. Las Encinas has two operational tailings dams in Alzada and an idled tailings dam located in Cerro Náhuatl.

The iron ore pre-concentrate is transported from the Aquila mine to a transfer station at Tecoman, Colima, by truck and from Tecoman to the Alzada facilities by rail and truck for processing in the concentration plant (located at approximately 160 kilometers from the Aquila mine). The iron ore extracted from the Palomas mine is currently processed in a crushing facility in the mine, and the crushed iron ore is transported from the Palomas mine to the Alzada facilities by truck for processing in the concentration plant in Alzada (located at approximately 60 kilometers from the Palomas mine). In addition, our plant located in Alzada may receive, from time to time, magnetite iron ore purchased by Las Encinas from other local concessionaires. The iron ore pellets produced in the Alzada facilities are transported by rail to Ternium Mexico's integrated facilities in Monterrey and Puebla, Mexico. The Aquila, El Encino and Palomas operations and the Alzada facilities receive electrical power from the Comisión Federal de Electricidad ("CFE"), the Mexican state-owned electric utility company.

Active mines in Mexico

At the Aquila site, Las Encinas holds all the mining rights for the extraction of iron ore. The Aquila operations (including an open pit mine and crushing facilities) stand on 586 hectares, which are leased to Las Encinas by the local community of San Miguel de Aquila. The lease agreement allows Las Encinas to perform all mining activities, including the extraction of iron ore, necessary to exploit the ore located in mining rights granted to Las Encinas by the Mexican federal authorities until the permanent closure of the mine. Las Encinas has operated this mine since 1998.

Aquila is a mine composed predominantly of magnetite ore with hematite traces, and sulphides, silicates and carbonates gangues. The form of mineralization is massive and disseminated (hornfels, endoeskarn), with mineralized breccia. The mine site is hosted along to a regional fault, between an intrusive granodiorite and limestone, and the shape of the deposit is a northeast-southwest mineralization, mainly controlled by geological structures.

At the Palomas Mine, Las Encinas holds mining rights for the extraction of iron ore over 376 hectares. The Palomas operations (an open pit mine) stand on an area owned by Las Encinas, which started operating this mine in 2017.

The Palomas mine is a deposit iron skarn hosted in calcareous and granitic rocks with different kind halos of alteration grade. Mineralization is massive, bordered by disseminated mineral. The ore body is situated in concordant tabular horizons with a northwest and southeast-oriented pseudo stratification and northeast-oriented dip. The mineralization is predominantly magnetite ore with hematite traces. The gangue mineral is composed of garnet, pyrite and calcite. The surrounding rocks are skarn (calcareous protolyte, clayey calcareous and Cretaceous sandy) or hornfels (clayey protolyte). The stratigraphic sequence is affected by dyke intrusions of monzonite and granite composition.

Mineral reserve and resource estimates at Las Encinas mines are based on a long-term iron ore reference price of \$90 per dry metric ton for 62% ferrous CFR China, adjusted for grade, logistics, and other adjustments.

Areas under exploration in Mexico

Las Encinas holds mining rights over other areas scattered throughout Michoacán, Jalisco and Colima, Mexico. Las Encinas has developed and may continue pursuing the development of small to mid-sized mining operations similar to Palomas, as a way to diversify its sources of iron ore and to make effective use of its mining rights in the region.

Exhausted mines in Mexico

The El Chilillo open pit mine was operated until 2015. The El Chilillo mineral reserves were exhausted, the mine's operations were suspended and the land returned to the owners. Ternium has already completed the requisite restoration works and has filed the applicable report with the environmental authority.

The El Encino open pit and underground mine was operated until 2011. The El Encino mineral reserves were exhausted and the mine's operations have been suspended. Ternium is currently evaluating the steps required to proceed with its permanent closure. The crushing and transfer facilities at El Encino are still in operation and will remain active to receive, process and transfer to the Alzada pelletizing plant iron ore that Las Encinas buys from time to time from other local concessionaires.

The Cerro Nahuatl open pit mine located in Colima, Mexico, operated until 2008. The Cerro Nahuatl mineral reserves were exhausted and the mine's operation has been suspended. Ternium is currently following the steps required to proceed with its permanent closure.

Consorcio Peña Colorada

Consorcio Peña Colorada, a company owned 50% by Ternium and 50% by ArcelorMittal S.A. ("ArcelorMittal"), produces iron ore pellets and magnetite concentrate in Mexico. Consorcio Peña Colorada operates the Peña Colorada open pit mine as well as a concentrating facility and a two-line pelletizing facility. Consorcio Peña Colorada owns part of the property where its mine and processing facilities stand, and leases 1,204 hectares adjacent to the mine to deposit removed material and, in the future, to exploit ore reserves as part of the regular short-term and long-term life of mine plan.

Consorcio Peña Colorada has operated since 1974 and holds mining rights over 39,980 hectares. The Peña Colorada mine is a complex polyphase iron ore deposit. Several magmatic and hydrothermal events produced iron mineralization as skarns or skarnoids, and late dikes and faults that crosscut the mineralized bodies. The main mineralization events are a massive ore body and a disseminated ore body, within polymictic breccia zones. Reserve estimates at the Peña Colorada mine are based on a long-term iron ore reference price of \$70 per dry metric ton for

62% ferrous CFR China, adjusted for grade, logistics, and other adjustments. Resources are estimated based on the same long-term price forecast used for reserves, increased by a revenue factor of 1.30 and adjusted upwards or downwards for mine specific factors and further adjusted for grade, logistics and other modifying factors.

The concentration plant is located at the mine in Minatitlán, Colima, and the pelletizing plant is located near the Manzanillo seaport on the Pacific coast in Colima, 50 kilometers from Minatitlán. Consorcio Peña Colorada's major processing facilities include a primary crusher, two autogenous mill, horizontal and vertical ball mills, several stages of magnetic separation and two pelletizing lines. The concentrate is sent as a pulp through a 45 kilometers-long pipeline from the mine and mineral processing plant in Minatitlán to the pelletizing plant in Manzanillo.

Consorcio Peña Colorada has an operational tailings dam in Arrayanal, Colima, and a tailings dam in the process of closure located in Guásimas, Colima, with limited use. A paste plant operates near the Arrayanal dam to help increase the solid content of tailings. The Peña Colorada mine and the pelletizing plant receive electrical power from CFE.

Ternium is required to buy from Consorcio Peña Colorada half of the mine's annual production. For further information, see "—Raw Materials, Slabs, Energy and Other Inputs—Mexico—Iron Ore." Iron ore concentrate and pellets sold to Ternium are shipped by rail from the mine to Ternium's facilities in Mexico or exported to third parties through the Manzanillo port.

Iron ore mineral resources and reserves in Mexico

In 2023, net sales of Ternium's mining segment in Mexico represented 2.8% of the Company's consolidated net sales and were totally used internally for steel making. As of December 31, 2023, the property, plant and equipment value of Ternium's mining segment in Mexico represented 5.4% of the Company's consolidated property, plant and equipment value. None of our iron ore mines is considered to be material on an individual basis.

The estimates of mineral resources and mineral reserves at our mines and projects have been prepared by qualified persons. The 2023 mineral resource and mineral reserve estimates at the Aquila and Palomas mining properties have been prepared by a qualified person who is employed by Ternium. The 2023 mineral resource and mineral reserve estimates for the Peña Colorada mine were audited by SLR Consulting (Canada) Ltd. In addition, external qualified professionals and companies collaborate with management to validate findings in relevant areas such as geotechnology, geology and mining design.

Las Encinas and Consorcio Peña Colorada have in place quality control and quality assurance processes and procedures to estimate mineral resources and mineral reserves. Las Encinas and Consorcio Peña Colorada adopted internal procedures that describe the systems and processes to effectively manage mining activities. These procedures follow industry practices, are managed by experienced and qualified technical experts, and are regularly reviewed and updated.

In the field, information is managed by experienced professionals who follow specified procedures. Data derived from exploration drilling, field sampling, process tests, and product quality is subject to thorough sample security and integrity protocols, field and laboratory quality assurance and quality control processes, as well as data validation procedures. Quality control processes and procedures vary depending on the specific nature of the drilling, sampling program or laboratory analysis. Operational and historical data is subject to internal validation procedures. Compliance with such procedures is verified through internal database audits and spatial and statistical analyses.

Mineral resource and reserve estimations are subject to normal industry risks, including metal prices, economic and market risks, metallurgical performance, and geological modeling. For geological risk, Ternium has modeling and estimation procedures following mining industry best practices, including drilling, core logging, sampling, and density protocols. For information on risks relating to the determination of mineral resources and reserves, see "Risks Relating to Ternium's Mining Activities - Ternium's resource and reserve estimates may differ materially from actually recoverable mineral quantities, or its estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine or cause Ternium to revise its resource or reserve estimates."

Iron ore mineral reserves in Mexico

The table below details Ternium's estimated proven and probable iron ore mineral reserves in Mexico as of December 31, 2023. The classification of the iron ore reserve estimates as proven or probable reflects the variability in the mineralization at the selected cut-off grade, the mining selectivity and the production rate and ability of the operation to blend the different ore types that may occur within each deposit. Mineral reserves are reported as Run of Mine (ROM). Tonnage is reported on a wet metric ton basis.

Iron ore reserves as of	December 31, 2023						December 31, 2022	
	Proven		Probable		Total		Total	
	Million tons	Fe % ⁽¹⁾	Million tons	Fe % ⁽¹⁾	Million tons	Fe % ⁽¹⁾	Million tons	Fe % ⁽¹⁾
Las Encinas	16	33	8	32	25	32	21	39
Peña Colorada ⁽²⁾	46	22	69	20	115	21	121	21

- (1) Represents total iron content for Las Encinas and magnetic iron content for Peña Colorada.
- (2) Reported figures are for Peña Colorada's operation at Ternium's 50% ownership interest in Consorcio Peña Colorada.

The table below provides additional information on iron ore production and average estimated mine life.

Operations/Projects	% Ownership	In Operation Since	2023 Run of Mine Production (million tons)	2023 Saleable Production (million tons) ⁽¹⁾	Estimated Mine Life (Years) ⁽²⁾
Las Encinas ⁽³⁾	100	1970	1.9	1.4	6
Peña Colorada ⁽⁴⁾	50	1974	6.4	2.0	16

- (1) Saleable production consists of a mix of direct shipped ore, concentrate, pellet feed and pellet products which have an iron content of approximately 65% to 66%.
- (2) Mine life is calculated assuming the full utilization of the pellet plant and corresponds to the duration of ore reserve estimates only.
- (3) 2023 includes exclusively the Aquila and Palomas mines. Run of mine production in 2023 was 1.9 million tons and in 2022 was 3.1 million tons.
- (4) Run of mine production in 2023 was 6.4 million tons and in 2022 was 6.8 million tons. Reported figures are for Peña Colorada's operation at Ternium's 50% ownership interest in Consorcio Peña Colorada.

The reserve calculations were prepared in compliance with the requirements of SEC rules, under which:

- Reserves are the part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination.
- Proven reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches or working or drill holes; grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth, and mineral content of reserves are well established.
- Probable reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

The demonstration of economic viability is established through the application of a life of mine plan for each operation or project providing a positive net present value on a cash forward-looking basis. Economic viability is demonstrated using forecasts of operating and capital costs based on historical performance, with adjustments based on planned process improvements, changes in production volumes and in fixed and variable proportions of costs, and forecasted fluctuations in costs of raw material, supplies, energy and wages. Mineral reserve estimates are updated annually in order to reflect new geological information and current mine plan and business strategies. Our reserve estimates are of in-place material after adjustments for mining depletion and mining losses and recoveries, with no adjustments made for metal losses due to processing. For a description of risks relating to reserves and reserve estimates, see Item 3. "Key Information—D.Risk Factors—Risks Relating to Ternium's Mining Activities—Ternium's reserve estimates may differ materially from actually recoverable mineral quantities, or its estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine in the future or cause Ternium to revise its reserve estimates."

Our mining leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all mineral reserves on the leased properties to be mined in accordance with current production schedules. Our mineral reserves may include areas where some additional approvals remain outstanding but where, based on the technical investigations we carry out as part of our mine planning process and our knowledge and experience of the approvals process, we expect that such approvals will be obtained as part of the normal course of business and within the timeframe required by the current life of mine schedule.

Changes in iron ore reserve estimates in Mexico (2023 versus 2022)

Las Encinas' iron ore mineral reserve estimates as of December 31, 2023 were 25 million tons on a run-of-mine basis (with an average iron grade of 32%), increasing by 4 million tons compared to those recorded as of the end of 2022. The increase during 2023 was due to the incorporation of 6 million tons of new reserves at the Aquila mine, partially offset by a 2 million-ton reserve depletion in the year.

Peña Colorada's iron ore mineral reserve estimates as of December 31, 2023 were 115 million tons on a run-of-mine basis (with an average iron grade of 21%), decreasing by 6 million tons compared to those recorded as of December 31, 2022 due to the depletion of reserves. Reported figures are for Peña Colorada's operation at Ternium's 50% ownership interest in Consorcio Peña Colorada.

Iron Ore Mineral Resources in Mexico

The following tables summarize Ternium's mineral resources in its active mines in Mexico, as of the end of the fiscal year ended December 31, 2023 and 2022. Mineral resources are reported as Run of Mine (ROM). Tonnage is reported on a wet metric ton basis. Mineral Resources are exclusive of Mineral Reserves.

Iron ore measured and indicated resources as of	December 31, 2023						December 31, 2022	
	Measured		Indicated		Measured + indicated		Measured + indicated	
	Million tons	Fe % ⁽¹⁾	Million tons	Fe % ⁽¹⁾	Million tons	Fe % ⁽¹⁾	Million tons	Fe % ⁽¹⁾
Las Encinas	—	—	—	—	—	—	—	—
Peña Colorada ⁽²⁾	17	25	22	22	39	24	43	23

Iron ore inferred resources as of	December 31, 2023		December 31, 2022	
	Million tons	Fe % ⁽¹⁾	Million tons	Fe % ⁽¹⁾
Las Encinas	12	33	21	36
Peña Colorada ⁽²⁾	0	21	0	21

(1) Represents total iron content for Las Encinas and magnetic iron content for Peña Colorada.

(2) Reported figures are for Peña Colorada's operation at Ternium's 50% ownership interest in Consorcio Peña Colorada.

In the past, Las Encinas has advanced the development of certain projects in other locations to incorporate additional iron ore resources, including iron ore resource development projects in Sierra del Alo and Colomera.

Changes in iron ore mineral resource estimates in Mexico (2023 versus 2022)

Las Encinas' iron ore resource estimates as of December 31, 2023, were 12 million tons of inferred resources (with an average iron grade of 33%), decreasing 9 million tons compared to inferred resources as of December 31, 2022. The decrease in resources in 2023 was due mainly to the reclassification of 6 million tons to reserves and the elimination of 3 million tons of resources in the context of an intensive drilling campaign performed in the Aquila mine aimed at validating inferred ore bodies. Estimation works under development in the Aquila mine could result in future additional decreases in inferred resources. For information on risks relating to the determination of mineral resources and reserves, see "Risks Relating to Ternium's Mining Activities - Ternium's resource and reserve estimates may differ materially from actually recoverable mineral quantities, or its estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine or cause Ternium to revise its resource or reserve estimates."

Peña Colorada's iron ore resource estimates as of December 31, 2023, were 39 million tons of measured and indicated resources (with an average iron grade of 24%), decreasing by 4 million tons compared to those recorded as of December 31, 2022 due to the update of pit optimization parameters.

Mining Property, Plant and Equipment in Mexico

The table below details the value of Ternium's mining segment property, plants and equipment in Mexico as of December 31, 2023.

<i>In millions of U.S. dollars</i>	Property, Plant and Equipment
Las Encinas	162.0
Consorcio Peña Colorada	247.9

Mining Production Facilities in Brazil

Ternium started to consolidate Usiminas in July 2023. Usiminas has a 70% interest in Mineração Usiminas, and conducts its mining activities in Brazil through this company. In the second half of 2023, we recorded iron ore shipments of 4.8 million tons from Mineração Usiminas' operations, which were destined to third parties and to Usiminas' steelmaking facilities in Ipatinga. The following table provides an overview of Mineração Usiminas' active mining operations:

Mine	Location	Type of Mine
Oeste	Itatiaiuçu, Minas Gerais	Open pit
Central	Itatiaiuçu, Minas Gerais	Open pit
Leste/Camargos ⁽¹⁾	Mateus Leme, Minas Gerais	Open pit

- (1) Friable ore at the Leste area has been exhausted at the end of 2023. The Camargos area is being developed to feed the Leste processing plant with friable ore.

The following table provides an overview of Mineração Usiminas' production capacity as of December 31, 2023:

Production facility	Capacity ⁽¹⁾
Oeste Plant	2,700
Samambaia Plant	2,400
Flotation Plant	2,900
Leste Plant ⁽²⁾	1,000

- (1) In thousands of tons per year. Capacity figures are based on the quality of the run-of-mine material that fed the plants in 2023.

- (2) Currently in stand-by, until works are finished to be able to ship friable ore from the Camargos area.

As of December 31, 2023, Mineração Usiminas had one remaining tailings dam:

Dam / section	Samambaia 0
Type of structure	Downstream
Status	Closed
Deposits volume ⁽¹⁾	8

- (1) In million cubic meters.

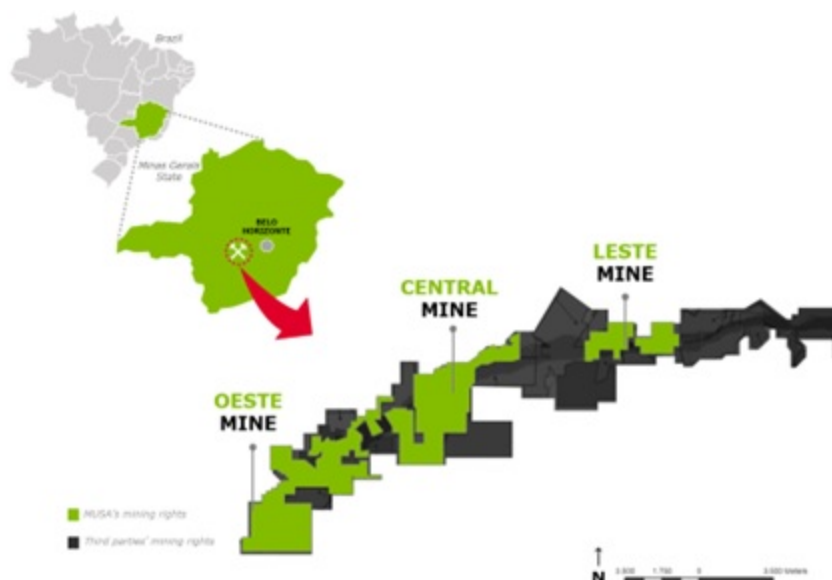
In addition, Mineração Usiminas had two tailings dams that were declared decommissioned, Somisa and Central, as we completed their closing procedure and fulfilled the legal requirements for such declaration. Mineração Usiminas has initiated the required legal steps for the Minas Gerais' authorities to declare decommissioned its Samambaia 0 tailings dam.

Location Map of Active Mines

Oeste: latitude 20° 9'40.00"S longitude 44°27'30.00"W.

Central: latitude 20° 7'58.48"S longitude 44°24'48.35"W.

Leste/Camargos: latitude 20° 7'16.73"S longitude 44°22'2.96"W.



Mineração Usiminas operates one crushing/classification plant located in the Leste mine, and three concentration plants located in the Oeste and Central mines. Its major processing facilities include crushers, mill, screens, cyclones, spiral classifier, spiral concentrators, jigs, magnetic concentrators, flotation cells, flotation columns, filters and a decanter. In 2021, Mineração Usiminas implemented a dry stacking system to process tailings and, accordingly, tailings dams are no longer used.

Iron or lumps, sinter feed and pellet feed are transported by truck from the mines to railroad terminals. The iron ore destined to Usiminas' Ipatinga unit is transported by railroad from the Modal railroad terminals. Sinter feed and pellet feed destined to offshore customers, mainly from Asia, is transported by railroad to ports in the Atlantic Ocean coast. The facilities receive electrical power from CEMIG, a local electric utility company.

Active mines in Brazil

Mineração Usiminas currently operates three iron ore mines: Oeste, Central and Leste. The Oeste, Central and Leste iron ore mines, together with their iron ore processing facilities, stand on 1,905 hectares, 1,250 hectares and 445 hectares, respectively. The environmental licences in force allow Mineração Usiminas to perform all mining activities necessary to exploit the ore located in every area where it has mining rights, until the permanent closure of the mines. Mineração Usiminas has operated these mines since 2010.

The Oeste and Central mines are composed predominantly of siliceous itabirite (friable, semi-compact and compact itabirite). The mineralization occurs as a tens of meters thick tabular or folded layers of banded iron formation. The mines are located on the iron formation which occurs between quartzite and phyllites in a kilometeric mountain range.

The Leste mine is composed predominantly of layers of siliceous itabirite (friable, semi-compact and compact itabirite) with interdigitated lenses of magnetite itabirite, which changes laterally to dolomite, and portions of clayey iron formation that occurs close to the contact with the quartzites of the Cercadinho formation. This mine is also located on an iron formation, which occurs between quartzites and phyllites.

Mineral reserve and resource estimates at Mineração Usiminas mines are based on an estimated long-term iron ore price of \$85 per dry metric ton for 62% iron content CFR China, adjusted by grade and other chemical elements content.

Iron ore mineral resources and reserves in Brazil

In the second half of 2023, Mineração Usiminas' mining products shipments represented 2.1% of Ternium's consolidated net sales. As of December 31, 2023, the property, plant and equipment value of Mineração Usiminas represented 5.7% of the Ternium's consolidated property, plant and equipment value. None of our iron ore mines is considered to be material on an individual basis.

The estimates of mineral resources and mineral reserves at our mines and projects have been certified by a qualified person with GE21 Consultoria Mineral Ltda ("GE21") contracted by Mineração Usiminas.

Mineração Usiminas adopted internal procedures that describe the systems and processes to effectively manage mining activities. These procedures follow industry practices, are managed by experienced and qualified technical experts, and are regularly reviewed and updated.

In the field, information is managed by experienced professionals who follow specified procedures. Data derived from exploration drilling, field sampling, process tests, and end product quality is subject to thorough sample security and integrity protocols, field and laboratory quality assurance and quality control processes, as well as data validation procedures. Quality control processes and procedures vary depending on the specific nature of the drilling, sampling program or laboratory analysis. Operational and historical data is subject to internal validation procedures. Compliance with such procedures is verified through internal database audits and spatial and statistical analyses.

Mineral resource and reserve estimations are subject to normal industry risks, including metal prices, economic and market risks, metallurgical performance, and geological modeling. For geological risk, Mineração Usiminas has modeling and estimation procedures following mining industry best practices, including drilling, core logging, sampling, and density protocols. For information on risks relating to the determination of mineral resources and reserves, see Item 3. "Key Information - Risks Relating to the Mining Activities - Ternium's resource and reserve estimates may differ materially from actually recoverable mineral quantities, or its estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine or cause Ternium to revise its resource or reserve estimates."

Iron ore mineral reserves in Brazil

The table below details Mineração Usiminas' estimated proven and probable iron ore mineral reserves as of December 2023. The classification of the iron ore reserve estimates as proven or probable reflects the variability in the mineralization at the selected cut-off grade, the mining selectivity and the production rate and ability of the operation to blend different ore types that may occur within each deposit. Mineral reserves are reported as Run of Mine (ROM). Tonnage is reported on a dry metric ton basis. To be able to process compact itabirites, Mineração Usiminas would need to deploy a new project that requires new equipment and facilities and significant capital expenditures. This project is currently under analysis and has not been yet approved. For information on risks relating to this investment, see Item 3. "Key Information - Risks Relating to the Mining Activities - Inability to complete activities required to maintain iron ore and pellets production rates over time could increase Ternium's steel production cost."

Iron ore reserves ⁽¹⁾						
	Proven		Probable		Total	
	Million tons	Fe % ⁽²⁾	Million tons	Fe % ⁽²⁾	Million tons	Fe % ⁽²⁾
Mineração Usiminas	533	39	292	37	825	38
Friable itabirites	131	47	49	48	180	47
Compact itabirites	402	36	243	35	645	36

(1) Mineral Reserves are the economically viable portion of the measured and indicated Mineral Resources, based on a benchmark long-term iron ore price of \$85 per dry metric ton for 62% iron content CFR China. Reserve report for Mina Oeste was dated December 29, 2023, for Mina Central was dated December 28, 2023, and for Mina Leste was dated November 29, 2023. The cut-off grade was 30% Fe. Estimates were performed with the Studio NPVS 1.4.26.0 software. Mineral Reserves included 30 million tons of iron ore with a 40.5% content of compact stoke piles classified as indicated. The stock piles were estimated and classified based on topography survey and channel samples. GE21 recommends a systematic sampling be carried out to confirm the quality of the compact stock pile.

(2) Represents total iron content.

The table below provides additional information on iron ore production and average estimated mine life.

Operations/Projects	% Ownership ⁽¹⁾	In Operation Since	2023 Run of Mine Production (million tons)	2023 Saleable Production (million tons) ⁽²⁾	Estimated Mine Life (Years) ⁽³⁾
Friable itabirites	70	2011	22.0	8.8	7
Compact itabirites ⁽⁴⁾	70	n/a	n/a	n/a	34

- (1) Corresponds to Usiminas' 70% interest in Mineração Usiminas.
- (2) Saleable production consists of a mix of direct shipped ore, lump, sinter feed and pellet feed products which have an iron content of approximately 61%.
- (3) Mine life is calculated assuming the full utilization of the concentration facilities and corresponds to the duration of ore reserve estimates.
- (4) To be able to process compact itabirites, Mineração Usiminas is required to deploy a new project that entails new equipment and facilities and significant capital expenditures, and estimated mine life will depend, among other factors, on actual processing capacity incorporated as part of such project. For information on risks relating to this investment, see Item 3. "Key Information - D.Risk Factors - Risks Relating to the Mining Activities - Inability to complete activities required to maintain iron ore and pellets production rates over time could increase Ternium's steel production cost."

Mineral reserve estimates are updated annually in order to reflect new geological information and current mine plan and business strategies. Our reserve estimates are of in-place material after adjustments for mining depletion and mining losses and recoveries, with no adjustments made for metal losses due to processing. For a description of risks relating to reserves and reserve estimates, see Item 3. "Key Information—D.Risk Factors—Risks Relating to the Mining Activities—Ternium's reserve estimates may differ materially from actually recoverable mineral quantities, or its estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine in the future or cause Ternium to revise its reserve estimates."

Our mining leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all mineral reserves on the leased properties to be mined in accordance with current production schedules. Our mineral reserves may include areas where some additional approvals remain outstanding but where, based on the technical investigations we carry out as part of our mine planning process and our knowledge and experience of the approvals process, we expect that such approvals will be obtained as part of the normal course of business and within the timeframe required by the current life of mine schedule.

Iron Ore Mineral Resources in Brazil

Mineral Resources include a 30 million-ton stock of compact itabirite, 40.5% iron content, classified as indicated. Stock pile size and iron content were estimated and classified based on topography surveys and samples. GE21 recommends a systematic sampling be carried out to confirm the quality of compact stock pile. The following tables summarize Mineração Usiminas' mineral resources in its active mines, as of December 2023. Mineral resources are reported as Run of Mine (ROM). Tonnage is reported on a wet metric ton basis. Mineral Resources are exclusive of Mineral Reserves.

Iron ore measured and indicated resources ⁽¹⁾ as of	December 2023					
	Measured		Indicated		Measured + indicated	
	Million tons	Fe % ⁽²⁾	Million tons	Fe % ⁽²⁾	Million tons	Fe % ⁽²⁾
Mineração Usiminas	924	39	679	37	1,603	38
Friable itabirites	223	46	86	48	309	47
Compact itabirites	701	36	593	35	1,294	36

Iron ore inferred resources as of	December 2023	
	Million tons	Fe % ⁽²⁾
Mineração Usiminas	348	36
Friable itabirites	55	50
Compact itabirites	293	33

(1) Mineral resource report for Mina Oeste was dated December 29, 2023, for Mina Central was dated December 28, 2023, and for Mina Leste was dated November 29, 2023. The cut-off grade was 20% Fe. Estimates were performed with the Studio NPVS 1.4.26.0 software.

(2) Represents total iron content.

Mining Property, Plant and Equipment in Brazil

Mineração Usiminas' property, plants and equipment value as of December 31, 2023 amounted to \$434.8 million.

Production process

Ternium specializes in manufacturing and processing finished steel products. In addition, Ternium extracts and processes iron ore and produces electricity.

Ternium's facilities use different technologies and have different levels of integration. The basic inputs for steel production are iron ore, methalurgical coal and energy. Iron ore is used in three different formats: fines and lumps and pellets. Ternium's steel production processes consume energy mainly in the form of natural gas, coal and electricity.

Iron ore extraction and processing. The iron production process begins with the extraction of iron ore from open pit mines owned and operated by Las Encinas and Peña Colorada in Mexico and Mineração Usiminas in Brazil. The mining process consists of removing the ore from the surface using explosives, loading it and transporting it by truck to the crushing facilities where it is crushed to a specified size.

After crushing, the ore goes through several stages of grinding and concentration. Grinding reduces the size of the ore, while concentration, using magnetic, densitometric and flotation methods, separates the iron from the tailings to produce iron ore concentrate. This process is carried out using water as an auxiliary element. Excess water is then recovered through a filtration process. The iron ore concentrate is then shipped to our steel mills and third parties.

After the filtering process and by leaving the necessary humidity, pellets are formed 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 blast furnace and the electric arc furnace methods.

Under the blast furnace method, which is used in Brazil and Argentina, iron ore pellets, lumps, sinter (a mixture of iron ore fines and limestone produced in sinter facilities) and coke (a solid residue obtained from the distillation of coal produced in 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.

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 Apodaca 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 Hytemp® technology, which permits the hot discharge of the DRI to the electric arc furnace, generating significant energy savings and improving productivity.

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. In Mexico, Brazil and Argentina, Ternium processes steel slabs produced in Ternium Brazil and/or purchased in the marketplace, as in Mexico and Brazil its steel processing capacity is higher than its steel production capacity, and in Argentina its steel processing capacity

utilization has been higher in recent years than its steel production capacity. Ternium may purchase hot-rolled, cold-rolled and coated products as well for further processing in its lines.

Thin-slabs, slabs and billets are processed in the hot-rolling mills in Mexico, Brazil, 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 addition, in Brazil Usiminas obtains plates from conventional slabs in a thick plate line. 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 their final use, rebars can be further processed into stirrups and other customized shapes in our service centers in Colombia.

Depending on its final use, the hot-rolled coils are then tempered and/or pickled in Mexico, Brazil 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 temper 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 tinplate at Ternium Argentina's facility (by adding a thin layer of tin), into galvanized or electrogalvanized sheets at several of Ternium's facilities in Mexico, Argentina the United States, Guatemala and at Usiminas' facilities (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 slitted, 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

Net Sales

As of December 31, 2023, the Company was organized into three operating segments: Steel, Mining and Usiminas.

- The Steel segment includes the sales of steel products by the Company's subsidiaries, other than Usiminas, which comprises mainly slabs, hot and cold rolled products, coated products, roll-formed and tubular products, billets, bars and other products.
- The Mining segment includes the sales of mining products by the Company's subsidiaries, other than Usiminas, mainly iron ore and pellets, and comprises the mining activities of Las Encinas and 50% of Peña Colorada.
- The Usiminas segment includes the sales of steel and mining products by Usiminas since July 2023 following the increase of Ternium's participation in Usiminas control group. Usiminas manufactures and sells various products and raw materials, such as flat steel, iron ore, stamped steel parts for the automotive industry and products for the civil construction and capital goods industry.

For purposes of reporting geographical information, net sales are allocated based on the customer's location. For further information, see note 4 to the consolidated financial statements included in this annual report.

Ternium primarily sells its steel products in Latin American countries and the southern United States, where it can leverage its strategically located manufacturing facilities to provide specialized products, delivery services to its customers and reduced freight costs. Ternium's consolidated net sales amounted to \$17.6 billion in 2023, \$16.4 billion in 2022 and \$16.1 billion in 2021. For further information on our net sales, see Item 5. "Operating and Financial Review and Prospects—A. Results of Operations."

The prices of our steel products generally reflect international market prices for similar products adjusted to reflect regional conditions. We adjust prices for our products periodically in response to changes in the import prices of foreign steel, export prices, and supply and demand. For further information, 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.

The following table shows the steel segment net sales and shipments, for the years indicated:

<i>Steel Segment</i>	Net sales (million U.S. dollars)			Shipments (thousand tons)		
	For the year ended December 31,			For the year ended December 31,		
	2023	2022	2021	2023	2022	2021
Mexico	9,311	8,828	8,872	8,355	6,843	6,534
Brazil	342	582	975	486	723	1,160
Southern Region	3,402	3,834	3,374	2,151	2,362	2,503
Other Markets	1,841	2,848	2,574	1,537	1,968	1,868
Total steel products	14,897	16,092	15,795	12,529	11,896	12,065
Other products (1)	298	323	248			
Total steel segment	15,194	16,414	16,043			

(1) The item “Other products” primarily includes Ternium Brasil’s and Ternium Mexico’s electricity sales.

The following table shows the mining segment net sales and shipments, for the years indicated:

<i>Mining Segment</i>	Net sales (million U.S. dollars)			Shipments (thousand tons)		
	For the year ended December 31,			For the year ended December 31,		
	2023	2022	2021	2023	2022	2021
Intercompany	500	411	479	3,402	3,456	3,547
Third parties	—	0	48	—	0	262
Total mining segment	500	411	526	3,402	3,457	3,809

The following table shows the Usiminas segment net sales and shipments, for the years indicated:

<i>Usiminas Segment</i>	Net sales (million U.S. dollars)			Shipments (thousand tons)		
	For the year ended December 31,			For the year ended December 31,		
	2023*	2022	2021	2023*	2022	2021
Mexico	—	—	—	—	—	—
Brazil	2,193	—	—	1,897	—	—
Southern Region	168	—	—	121	—	—
Other Markets	43	—	—	69	—	—
Total Usiminas steel products	2,403	—	—	2,086	—	—
Intercompany	46	—	—	646	—	—
Third parties	329	—	—	4,128	—	—
Total Usiminas mining products	375	—	—	4,774	—	—
Usiminas segment consolidated	2,732	—	—			

*Note: Ternium started to consolidate Usiminas in July 2023.

The following table shows consolidated net sales and shipments, for the years indicated:

Consolidated	Net sales (million U.S. dollars)			Shipments (thousand tons)		
	For the year ended December 31,			For the year ended December 31,		
	2023	2022	2021	2023	2022	2021
Mexico	9,311	8,828	8,872	8,355	6,843	6,534
Brazil	2,279	582	975	2,014	723	1,160
Southern Region	3,569	3,834	3,374	2,271	2,362	2,503
Other Markets	1,853	2,848	2,574	1,573	1,968	1,868
Total steel products	17,013	16,092	15,795	14,213	11,896	12,065
Mining products	329	—	48	4,128	—	262
Other products (1)	268	323	248			
Total Net Sales	17,610	16,414	16,091			

(1) The item “Other products” primarily includes Ternium Brasil’s and Ternium Mexico’s electricity sales.

Consolidated steel products sales

Mexico

Sales to customers in Mexico accounted for 55% of Ternium’s consolidated net sales of steel products during 2023, 55% during 2022 and 56% during 2021. For further information, see Item 5. “Operating and Financial Review and Prospects—A. Results of Operations—Fiscal Year Ended December 31, 2023 compared to Fiscal Year Ended December 31, 2022—Net Sales” and “—Fiscal Year Ended December 31, 2022, compared to Fiscal Year Ended December 31, 2021—Net Sales.”

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 automotive, packaging, electric motors and service center industries, as well as distributors. The principal segments in the Mexican coated steel market are construction, automotive, home appliances and manufacturing (air conditioning, lamps and furniture). Ternium serves industrial customers, who require high-quality specifications, as well as commercial customers through service centers and warehouses. Rebar and wire rod markets in Mexico are 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.

Brazil

Sales to customers in Brazil accounted for 13% of consolidated net sales of steel products during 2023, 4% during 2022 and 6% during 2021. For further information, see Item 5. “Operating and Financial Review and Prospects—A. Results of Operations—Fiscal Year Ended December 31, 2023 compared to Fiscal Year Ended December 31, 2022—Net Sales” and “—Fiscal Year Ended December 31, 2022, compared to Fiscal Year Ended December 31, 2021—Net Sales.”

In 2021, 2022 and the first half of 2023, sales in Brazil consisted mainly of steel slabs shipped to Usiminas and other steel companies. In the second half of 2023, Ternium started to consolidate Usiminas shipments, resulting in a significant increase in reported volumes in the country. Usiminas’ steel product sales in Brazil target the automotive industry, the construction and agriculture sectors, the packaging sector (for food, paints, sprays and petrochemicals), the tube and pipe sector (related to liquids, gas transportation and distribution networks), the capital goods sector and the home appliances sector. The customer base in Brazil consists primarily of independent SME companies and distributors, which in turn process or retail products to their customers in different market sectors. In addition, Usiminas serves large industrial customers, such as customers in the automotive industry, which require customized products and services that Usiminas can provide through its service centers and finishing facilities.

Southern Region

Sales to customers in the Southern Region (which encompasses Argentina, Bolivia, Chile, Paraguay and Uruguay) accounted for 21% of Ternium's consolidated net sales of steel products during 2023, 24% during 2022 and 21% during 2021. The vast majority of sales in the Southern Region are made to customers in Argentina. For further information, see Item 5. "Operating and Financial Review and Prospects—A. Results of Operations—Fiscal Year Ended December 31, 2023 compared to Fiscal Year Ended December 31, 2022—Net Sales" and "—Fiscal Year Ended December 31, 2022, compared to Fiscal Year Ended December 31, 2021—Net Sales."

Ternium's sales in this region 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 the Southern Region consists primarily of independent SME 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 customers in the automotive industry, which require customized products and services that Ternium can provide through its service centers and finishing facilities.

Ternium's principal customers in the Southern Region are located near Ternium Argentina's production facilities in Argentina. Ternium's net sales in Argentina represent approximately 20% of our consolidated net sales. We also sell a small portion of our production to customers in Bolivia, Chile, Paraguay and Uruguay.

Other Markets

Sales to customers in other markets, which include mainly shipments to the United States, Colombia and Central America, accounted for 11% of Ternium's consolidated net sales of steel products during 2023, 18% during 2022 and 15% during 2021. For further information, see Item 5. "Operating and Financial Review and Prospects—A. Results of Operations—Fiscal Year Ended December 31, 2023 compared to Fiscal Year Ended December 31, 2022—Net Sales" and "—Fiscal Year Ended December 31, 2022, compared to Fiscal Year Ended December 31, 2021—Net Sales."

Steel customers in the United States are served directly through the Shreveport plant and through Ternium Internacional's Houston, TX, commercial office. The Gulf Coast and a large portion of the West Coast in particular are regions for which our Mexican facilities have distribution advantages. Ternium's main markets in the United States are the construction industry and the energy related sectors.

Customers in Colombia are served directly through Ternium Colombia and Ternium del Atlántico. Ternium offers a variety of customized products through its various service centers in the country. Our main local markets are the construction industry and the energy related sectors.

Customers in Central America are served directly through Ternium's facilities in Guatemala, El Salvador, Nicaragua and Costa Rica. Ternium offers a variety of customized products through its various service and distribution centers in the region. Ternium's main market in Central America is the construction industry.

Consolidated mining products sales

Mineração Usiminas' shipments of iron ore are marketed mainly to Chinese steel producers and, to a lesser extent, for other foreign and Brazilian steel producers, as well as for internal consumption at the Ipatinga facility in Brazil. Las Encinas' and Consorcio Peña Colorada's iron ore shipments are destined mainly for internal consumption at the Guerrero and Puebla facilities in Mexico and surpluses, if any, are destined for the international market. For further information, see Item 5. "Operating and Financial Review and Prospects—A. Results of Operations—Fiscal Year Ended December 31, 2023 compared to Fiscal Year Ended December 31, 2022—Net Sales" and "—Fiscal Year Ended December 31, 2022, compared to Fiscal Year Ended December 31, 2021—Net Sales."

Marketing

Consolidated steel products sales

Ternium's marketing strategy in the steel segment is to expand higher margin value-added products and services in Ternium's sales mix. Over time, Ternium expects to increase its 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 increase steelmaking and processing capacity and will continue to work with its customers to anticipate their needs and develop customized products for particular applications, and maintain a strategic presence

in several steel markets through its network of commercial offices. A principal component of Ternium's marketing strategy 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 information that can be applied to future product development.

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 strengthen Ternium's positioning in regional markets and offer services to customers, Ternium manages its exports from countries where it has manufacturing facilities through a network of commercial offices. Ternium operates through strategically located subsidiaries, providing customers with services and support. Ternium has extensive experience promoting steel products. Its marketing expertise helps us expand our position in current markets and to develop new ones.

Mexico

Several local and foreign steel producers direct part of their sales efforts to the Mexican market and, as a result, Ternium engages in significant marketing efforts in this country. Ternium's steel customers in Mexico are in the construction, automotive, metal-mechanic and home appliances sectors, among other industries. In Mexico, we offer customized services through our network of service and distribution centers.

Through its service centers, located in northern and central Mexico, Ternium can cut and roll-form its products to specific client requirements. Customized products include metallic roofing, sheets and strips used in the automotive industry and cut-to-length products used in the home appliance and construction industries. Ternium has several distribution centers and commercial offices in the country, which 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, a group of international companies controlled by San Faustin, for the development of its local customers and suppliers named Propymes. The objective of the program is to improve their competitiveness, to increase their exports and to allow them to substitute imports with local products. Approximately 1,060 companies are part of this program in Mexico, which provides support for industrial, training, and institutional requirements of the participating companies.

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.

Brazil

Several local and foreign steel producers direct part of their sales efforts to the Brazilian market and, as a result, Ternium's subsidiary Usiminas engages significant marketing efforts in the country. Usiminas' steel customers are in the automotive, construction, metal-mechanic and home appliances sectors, among other industries. In Brazil, Usiminas offers customized services through its network of service and distribution centers. Delivery services are supported by its two port terminals, and by third-party freight carriers. Usiminas' service centers, located in the states of São Paulo, Minas Gerais, Pernambuco, Rio de Janeiro and Rio Grande do Sul, process steel coils according to customer requirements, including cut-to-length products, sheets, strips and tubes used in the automotive, civil construction, distribution, electro-electronic, machinery & equipment, home appliance and/or other industries. Usiminas seeks to increase its competitive advantages by providing value-added services, including technical assistance related to steel use and production, and developing new steel products.

Southern Region

Ternium's sales efforts in this region are 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 Ternium Argentina's service centers, Ternium can cut or roll-form its products to specific client requirements. Customized products include metallic roofing, blanks for vehicles, steel for agricultural machinery,

different types of tinplate used to produce sprays and food containers and cut-to-length products used in the home appliance and construction industries.

In this region, Ternium has commercial offices in Argentina 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 1,100 companies are part of this program, which provides support for industrial, training, commercial, financial, institutional and energy transition requirements of the participating companies.

Other Markets

Ternium's finished steel customers in other markets are mainly in the construction and energy-related industries in the United States, Colombia and Central America. In Colombia and Central America, we offer customized services through our network of service and distribution centers.

Through Ternium's facilities and service centers located in Colombia, Costa Rica, El Salvador, Guatemala, Nicaragua and southern United States, Ternium can cut, paint or roll-form its products to specific client requirements mainly in the construction industry. In addition, Ternium has a commercial office in Houston, TX, which enables it to offer differentiated services to various customers.

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

Consolidated mining product sales

Mineração Usiminas' mining operations supply iron ore for internal consumption at the Ipatinga facility and to third parties in Brazil, and to Chinese and other customers in the international markets. Iron ore exports are delivered at a Brazilian port terminal or, depending on agreed upon commercial terms, at the port of destination. In the domestic market, customers collect the iron ore at a Brazilian railway terminal or at the mine. Las Encinas' and Consorcio Peña Colorada's mining activities are mainly aimed at supplying iron ore for internal consumption at the Guerrero and Puebla facilities in Mexico. Surplus production of iron ore, if any, is commercialized to third parties.

Competition

Steel

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. International trade of steel is also relevant, despite the limitations associated with transportation costs, as well as the restrictive effects of protective tariffs and other trade restrictions. Historically, 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.

There has been a trend toward steel industry consolidation among Ternium's competitors. Below is a summary of the most significant transactions:

- June 2006: Mittal Steel Company, N.V. and Arcelor S.A. merged to create ArcelorMittal, the world's largest steel company.
- March 2007: Votorantim S.A. acquired Colombia's Acerias Paz del Rio S.A., or Acerias Paz del Rio.
- April 2007: Tata Steel Limited, or Tata Steel completed the acquisition of Corus Group Plc.
- July 2007: Gerdau Ameristeel Corporation acquired Chaparral Steel Company.
- August 2007: United States Steel Corporation, or US Steel, acquired Stelco Incorporated.

- March 2008 to May 2008: OAO Severstal acquired WCI Steel Incorporated, Esmark Incorporated and a mill located in Sparrows Point (subsequently, during 2011, it divested Sparrows Point, Warren and Wheeling facilities).
- October 2012: Nippon Steel Corporation and Sumitomo Metal Industries Limited merged to form NSC, the world's second largest steel company at the time.
- February 2014: ArcelorMittal and NSC acquired ThyssenKrupp Steel USA LLC, a steel processor based in Alabama, through a 50/50 joint venture.
- September 2014: AK Steel Holding Corporation and Steel Dynamics Incorporated acquired OAO Severstal's U.S. Dearborn and Columbus operations, respectively.
- June 2016: Hebei Iron and Steel Group, or HBIS Group, acquired Serbian Zelezara Smederevo steel mill, becoming the world's third largest steel producer.
- December 2016: Baosteel Group Corporation and Wuhan Iron and Steel Corporation merged to create China Baowu Steel Group Corporation, or Baowu Steel Group, which became the world's second largest steel producer.
- March 2017: NSC acquired a majority stake in Nisshin Steel Company Limited, a Japanese steel company.
- May 2018: Tata Steel acquired a controlling stake in bankrupt Indian steel company Bhushan Steel Limited.
- November 2018: ArcelorMittal announced the acquisition of a 94.4% ownership interest in Ilva S.p.A.
- October 2019: US Steel completed the acquisition of a 49.9% ownership interest in Big River Steel and in December 2020 exercised the option to acquire the remaining 50.1% of the shares.
- December 2019: ArcelorMittal and NSC completed the acquisition of Essar Steel India Limited.
- March 2020: Cleveland-Cliffs Inc. completed the acquisition of AK Steel Holding Corporation.
- December 2020: Cleveland-Cliffs Inc. completed the acquisition of substantially all of the operations of ArcelorMittal USA LLC and its subsidiaries, forming the largest flat-rolled steel producer in North America.
- March 2021: JSW Steel announced the acquisition of Bhushan Power and Steel Ltd under the provisions of India's insolvency bankruptcy code. In addition, JSW Steel announced the acquisition of Welspun's plates, coil mill business.
- January 2022: NSC announced it entered into a share purchase agreement to acquire 49.99% of G Steel and 40.45% of GJ Steel, and that it will launch a tender offer to acquire the remaining shares of both companies.
- February 2022: Nucor Corporation completed the acquisition of a 51% ownership position in California Steel Industries, or CSI. CSI has become a joint venture between Nucor and JFE.
- March 2023: ArcelorMittal acquired Companhia Siderúrgica do Pecém.
- December 2023: NSC announced that it has entered into a definitive agreement with US Steel pursuant to which NSC will acquire US Steel in an all-cash transaction, subject to customary regulatory approval.

Despite this trend, the global steel market remains highly fragmented. In 2022, the most recent year for which statistics are available, the five largest steel producers, China Baowu Group, ArcelorMittal, Ansteel Group, NSC and Shagang Group, accounted for 18% of total worldwide steel production, compared to 15% for the five largest steel producers in 2000.

Historically, steel prices have exhibited significant volatility. Events that contribute to continuously volatile steel price cycles include spikes and decreases in raw material prices, new steelmaking capacity additions (at a pace higher than steel demand growth), the idling and restart of steelmaking capacity and adverse economic conditions. In the United States, for instance, prices of hot-rolled coils bottomed in 2020 to USD485 per ton, peaked at USD2,135 per ton in 2021, and then showed significant volatility during 2022 and 2023.

Mexico

Ternium competes in the Mexican steel market with domestic, US and other foreign steel producers. According to the Mexican chamber of the iron and steel industry (*Cámara Nacional de la Industria del Hierro y el Acero*, or

"Canacero"), imports of finished flat steel products into Mexico accounted for approximately 10.2, 8.5 and, 9.9 million tons in 2023, 2022 and 2021, respectively.

In the past, our largest Mexican competitor in the flat products market was AHMSA, an integrated steel producer located in Monclova, Coahuila, which produced a wide variety of steel products. AHMSA's operations have been severely impaired due to its deteriorated financial condition. AHMSA has recently announced binding agreements with a potential investor aimed at restructuring its liabilities and restarting operations. Other competitors in Mexico with facilities in the country, some of which are also customers, are ArcelorMittal with a hot-rolling mill; Galvasid S.A. de C.V. (controlled by Grupo LM), a producer of galvanized and pre-painted coils; Zincacero S.A. de C.V. (controlled by Grupo Villacero), a producer of galvanized and pre-painted coils; Posco, a Korean steel company with a galvanizing facility; NUCOR-JFE, a joint venture between Nucor Corporation and JFE Steel Corporation that operates a galvanizing facility; Talleres y Aceros S.A. de C.V., or TYASA, which has a flat steel Castrip® mill, a reversing cold-rolling mill and a galvanizing facility; and Grupo Acerero S.A. de C.V., or GASA, which operates a plate mill.

Our largest foreign competitors in the flat products market are Cleveland Cliff Inc.; Nucor Corporation; US Steel; ArcelorMittal-NSC, a joint venture between ArcelorMittal and NSC that operates a plant in Calvert, Alabama, US; Steel Dynamics Incorporated, which is ramping-up a new steel mill in Sinton, Texas, US; and Posco.

In the rebar market, Ternium's largest competitor is ArcelorMittal. To a lesser extent, Ternium also faces competition from Deacero S.A. de C.V., or Deacero, Grupo Simec S.A.B. de C.V., or Simec, controlled by Grupo ICH, TYASA, GASA and Gerdau Corsa. In the low-carbon wire rod market, Ternium's main competitors are Deacero, ArcelorMittal and, to a lesser extent, TYASA, GASA and Simec.

In the small diameter welded pipe market, Ternium's main competitors, which are also customers, are Productos Laminados de Monterrey S.A. de C.V., or Prolamsa and Grupo LM. Orders in this market are usually small and cover a wide range of product specifications.

Brazil

Usiminas competes in the Brazilian steel market with domestic and foreign steel producers. Usiminas' largest competitors in Brazil are ArcelorMittal, which has flat steel integrated and downstream facilities in the states of Espírito Santo and Santa Catarina; CSN, which has flat steel integrated and downstream facilities in the state of Rio de Janeiro and Paraná; and Gerdau S.A., which has flat steel integrated operations in the state of Minas Gerais, producing a wide variety of flat steel products. Flat steel imports in Brazil are mainly of Chinese origin, which, according to the Brazilian foreign trade statistics agency, accounted for approximately 74% of total imports in 2023. According to the Brazilian steel institute (Instituto Aço Brasil), imports of finished flat steel products into Brazil accounted for approximately 3.0, 2.1 and 2.5 million tons in 2023, 2022 and 2021, respectively.

Southern Region

Within the Southern Region, Argentina accounts for the majority of Ternium's sales. Ternium Argentina is the main producer of flat-rolled steel products in Argentina. Its main competition in the Argentine flat steel market are imports, particularly from Brazil. Ternium maintains a leading position in the flat steel market of Paraguay and is present in the flat steel markets of Bolivia, Chile and Uruguay, where the location of Ternium's facilities in neighboring Argentina provides a logistical advantage to supply these markets vis-à-vis its foreign competitors.

Other Markets

Within other markets, Ternium's most significant markets for finished steel products are the southern United States, Colombia and Central America.

Through its Colombian subsidiaries, Ternium is the main flat steel processor in the country and is also one of the main long steel producer. Its main competitors in the Colombian steel market are Acerías Paz del Río, Gerdau Diaco, Acerías de Colombia, Siderúrgica Nacional and Siderúrgica del Occidente, and it also faces competition from imports.

Ternium has a small participation in the U.S. steel market 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.

Ternium maintains a significant position in the coated flat steel market of Central America, supported by logistical advantages provided by nearby facilities located in Costa Rica, El Salvador, Guatemala, Nicaragua and Mexico. In addition, Ternium keeps a presence in other markets in the Americas.

Mining

The majority of iron ore supplies to the international seaborne market come from Australia and Brazil, from the major global miners Vale, Rio Tinto BHP Billiton, Fortescue Metals Group and Anglo American, as well as from iron ore junior companies in these countries. Other iron ore producers in Brazil are CSN, ArcelorMittal and Gerdau, which are, at the same time, major steelmaking companies and iron ore consumers. A share of the iron ore obtained by steelmaking companies is made available for sale in the local and export markets. There are also other small iron ore mining companies that sell their production mostly to local steel-making operations. In Mexico, the main other iron ore producers are AHMSA and ArcelorMittal, which are, at the same time, major steel-making companies and iron ore consumers. Only a small portion of the iron ore obtained by these three companies is made available for sale in the Mexican or export market. There are also other small iron ore mining concessionaires that sell their production mostly to local steel-making operations.

Capital Expenditure Program

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

- increase steel production and processing capacity;
- increase product range;
- reduce production costs;
- replace equipment;
- improve product quality, equipment reliability and productivity;
- provide enhanced customer services.
- comply with applicable safety and environmental standards; and
- advance Ternium's decarbonization roadmap.

Capital expenditures in 2023 was \$1.5 billion, including advanced payments to equipment suppliers of \$259 million and the consolidation of Usiminas' capital expenditures since July 2023. In 2022, capital expenditures were \$580.6 million and in 2021 capital expenditures were \$523.6 million. The main projects, which are been developed in certain facilities in Mexico, Brazil and Argentina, are described below.

Steel

Mexico. During 2023, capital expenditures in Ternium Mexico's steel operations and Tenigal amounted to \$676 million (including advanced payments) and were mostly related to the following projects:

- *New downstream facilities at Ternium Mexico's industrial center in Pesquería.* During 2023, Ternium Mexico advanced the construction of new facilities in this industrial center. During the second half of 2024, we expect to inaugurate the first lines of our downstream project, with the start-up of a 550 thousand tons per year pickling line and the first lines in our new service center; by the end of 2025 we expect to start-up the new galvanizing line; and in the first half of 2026 the new cold-rolling mill is expected to begin operations. The new cold-rolling mill and the new hot-dip galvanizing line will have annual capacity of 1.6 and 0.6 million tons, respectively.
- Environmental and safety projects. During 2023, Ternium Mexico advanced various environmental and safety projects in its facilities. Of note in the Guerrero unit, we continued enhancing the material handling and control and regulation system at the direct reduction facilities. In addition, we recovered green areas following certain improvements introduced in the operation of a warehouse for hot-rolled products, including as a result of the expansion of the hot-rolling mill runway. In the Universidad unit, we advanced a project to replace tanks at the pickling and rinsing processes. In the Churubusco unit, we made progress in the revamping of one pickling line.

Brazil. During 2023, Ternium Brasil's capital expenditures in its Rio de Janeiro facility amounted to \$129 million (including advanced payments). Capital expenditures were mostly related to several projects aimed at improving product quality and equipment reliability, reducing costs, and improving environmental and safety conditions. These projects included, among others, the replacement of the mobile machinery and enhancements to the humidification system in the co-products area, works to improve and increase the capacity of the scrap yard and progress in the incorporation of new regenerators in the blast furnaces.

Argentina. During 2023, Ternium Argentina's capital expenditures in its facilities amounted to \$146 million (including advanced payments), mostly related to the following projects:

- *Environmental projects.* During 2023, Ternium Argentina advanced various environmental projects mainly in the San Nicolás unit. During the year, we inaugurated new equalization and sedimentation ponds, and advanced the development of a project to enhance particulate matter emission monitoring and control systems, expected to be completed during 2024.
- *New wind farm mill in the Province of Buenos Aires.* During 2023, Ternium Argentina made progress in the construction of a new wind farm mill. With nominal power capacity of 99 megawatts, the new facility is expected to supply approximately 90% of the electricity that Ternium Argentina currently purchases from third parties. The inauguration of the new facility is expected by year-end 2024.
- *Other projects.* Ternium Argentina enhanced safety conditions in the operation of a coking battery. In addition, we advanced the construction of a new distribution center in the Province of Santa Fe, which we expect to inaugurate during the second quarter of 2024. Furthermore, we made progress in the development of diverse projects focused on technology applied to operations and maintenance.

Mining

During 2023, capital expenditures in Las Encinas' and Ternium's share in Consorcio Peña Colorada's mining operations were \$147 million (including advanced payments). Las Encinas' capital expenditures amounted to \$59 million in the year, mainly related to preparation works at new iron ore bodies in the Palomas and Aquila mines, and progress in the construction of a flotation system at the Alzada facility.

Ternium's share in Consorcio Peña Colorada's capital expenditures amounted to \$88 million, mainly related to preparation works at a new iron ore body in the Peña Colorada mine, the installation of a silica reduction system, maintenance activities and the acquisition of mining equipment.

Usiminas

During the second half of 2023, Usiminas capital expenditures in its steel and mining businesses amounted to \$336 million (including advanced payments). Capital expenditures were mostly related to the following projects:

- *Relining of blast furnace #3.* The relining of Usiminas' main blast furnace entailed a significant technological update with the incorporation of advanced performance and control models. The blast furnace, which is being ramped-up, is expected to operate with increased productivity and efficiency, lower costs and improved environmental and safety conditions.
- *Revamping of steel shop #2.* Activities included the replacement and repair of main metal structures, the restoration of central foundations and scale channels, as well as the modernization of slab-cutting machines. This investment was aimed at enhancing process control, increasing productivity and efficiency, and reducing costs.
- *Several projects at Mineração Usiminas.* During 2023, the most material capital expenditure projects were those for the construction of waste pile infrastructure, the replacement of mining equipment and studies in connection with the Compactos Project.

2024 Capital Expenditures

Ternium's capital expenditures in 2024 are expected to be between \$1.8 and \$2.0 billion (including Usiminas' capital expenditures expectation of \$350 million and advanced payments to equipment manufacturers).

The main capital expenditure projects during 2024 will relate to the following:

- progress in the construction of new downstream and upstream facilities at Ternium Mexico's industrial center in Pesquería, Mexico. In addition to its downstream projects, Ternium Mexico commenced activities related to the construction of a new steel mill, including an electric-arc-furnace-based steel shop with an RH degasser and a slab caster with two lines with annual capacity of 2.6 million tons, a DRI module with annual capacity of 2.1 million tons and a port facility for raw material handling. Ternium Mexico has reassessed the estimated cost of its upstream and downstream expansion projects in Pesquería to a total of \$3.5 billion. The new estimate represents an increase of 9%, or \$280 million, compared to the original figure, mainly reflecting higher prices and foreign exchange fluctuations;

- repair activities at Usiminas' coking battery #2 to gradually increase its productivity. With capital expenditures of approximately \$200 million, this project is expected to conclude in 2026;
- progress in the pulverized coal injection (PCI) project in Usiminas' blast furnace #3. This new equipment, which should be operational by 2026 at a total cost of approximately \$50 million, will allow for the partial replacement of the use of coke with PCI, improving the blast furnace efficiency;
- progress in the construction of a new wind farm in the Province of Buenos Aires, Argentina with total investment of \$220 million and expected start-up by year-end 2024. The new wind farm is expected to have a nominal capacity of 99 megawatts; and
- several projects aimed at further improving environmental and safety conditions throughout our main facilities.

Raw Materials, Slabs, Energy and Other Inputs

The main inputs for Ternium's facilities are the following: in Mexico, slabs, iron ore, steel scrap, electricity and natural gas; in Brazil and Argentina, iron ore and metallurgical coal; and in Colombia, steel products, steel scrap and electricity. Below is a more complete description of the supply conditions for raw materials, slabs, billets, 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, slabs, energy and other inputs, see Item 3. "Key Information—D. Risk Factors—Risks Relating to the Steel Industry—Price fluctuations, shortages or disruptions in the supply of raw materials, slabs, energy and other inputs could adversely affect Ternium's profitability and —Risks Relating To Ternium's Business—The physical risks resulting from climate change, including extreme weather conditions and shifts in weather patterns may adversely impact Ternium's business."

Ternium Mexico and Tenigal

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

Slabs. Ternium's Mexican subsidiaries have some non-integrated steel processing facilities that consume large quantities of slabs purchased from third-party suppliers or from Ternium Brasil and, from time to time, Ternium Argentina. Slab consumption could vary significantly from year to year in accordance with market conditions. Our Mexican subsidiaries purchased, either from third parties or from other Ternium facilities, 6.2 million, 5.1 million and 4.4 million tons of slabs in 2023, 2022 and 2021, respectively. Slab purchase prices are market-based. A new wave of international sanctions against Russian steel companies that have not been affected by current sanctions in connection with the armed conflict in Ukraine, could result in increased restrictions in the availability of steel slabs for Ternium Mexico's operations.

Iron ore. As described under "—Production Facilities and Processes—Mining Production Facilities" above, in Mexico Ternium own interests in two mining companies: 100% of the equity of Las Encinas and a 50% equity stake in Consorcio Peña Colorada. Under our arrangement with Consorcio Peña Colorada, we are committed to off-take 50% of the annual production of the Peña Colorada mine. In 2023, 3.4 million tons of iron ore were shipped from these two companies to Ternium's Mexican steel production facilities. On average, we consume approximately 1.0 ton of iron ore to produce one ton of crude steel at our EAF facilities in Mexico.

Steel scrap. We source steel scrap from the Mexican market, through Ternium's own steel scrap collecting and processing operations, and from the US market. Steel scrap is purchased at market prices. On average, we consume approximately 0.5 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. In Mexico, Ternium purchases electricity from Techgen S.A. de C.V., or Techgen, and CFE. Techgen owns a natural gas-fired combined cycle power plant in the Pesquería area of the State of Nuevo León, Mexico. Techgen is a joint venture company in which Ternium participates, and it contracts 78% of Techgen's capacity of approximately 900 megawatts, or MW. As the capacity contracted by Ternium is significantly higher than the capacity currently required, Ternium resells unused electricity to the Mexican market. For further information on the Techgen investment, see "—C. Organizational Structure—Other investments—Techgen". On average, we consume approximately 0.7 megawatts-hour, or MWH of electricity to produce one ton of crude steel at our mini-mill facilities in Mexico.

In the last few years, the Mexican government made various attempts to modify rules and regulations governing the energy markets in Mexico with potential impact on the energy supply and its cost. For further description of this issue see “Risk Factors –Risks Relating to the Countries in Which Ternium Operates –Mexico – Energy or constitutional reforms in Mexico could adversely impact Ternium’s results of operations and net results”.

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. Ternium has secured with *Centro Nacional de Control del Gas Natural*, the Mexican national center for natural gas control, natural gas transportation capacity on *Sistema de Transporte y Almacenamiento Nacional Integrado de Gas Natural*, the Mexican natural gas transportation grid. Ternium has also natural gas distribution agreements with Gas Industrial de Monterrey S.A. de C.V., or GIMSA, Compañía Mexicana de Gas S.A. de C.V. and Naturgy Mexico S.A. de C.V.

In addition, Ternium has a one-year renewable natural gas supply agreement with NEG Natural S.A. de C.V., or NEG, a subsidiary of Mexican conglomerate ALFA. Natural gas prices in Mexico are mainly based on the Houston Ship Channel reference price plus transportation, distribution and service costs depending on the location of the delivery points in Mexico. On average, we consume approximately 8.4 million btu of natural gas to produce one ton of crude steel at our mini-mill facilities in Mexico.

For a description of the Mexican government attempts to modify rules and regulations governing the energy markets in Mexico see “Risk Factors –Risks Relating to the Countries in Which Ternium Operates –Mexico – Energy or constitutional reforms in Mexico could adversely impact Ternium’s results of operations and net results”.

Usiminas

Usiminas produces crude steel through the use of blast furnace technology. Usiminas’ manufacturing of finished steel products relies on the supply of steel slabs from its upstream facilities, and on the purchase of steel slabs from third parties and Ternium Brasil. The principal raw materials used to produce steel are iron ore, metallurgical coal, pulverized coal and coke. The manufacturing process also requires significant quantities of electricity and natural gas.

Slabs. Usiminas has non-integrated steel processing facilities that consume large quantities of slabs. In addition, Usiminas’ integrated operations may require the purchase of slabs for downstream processing, to supplement its own production of crude steel, as it did in 2023 when its main blast furnace went through a relining process. Slab consumption can vary significantly from year to year in accordance with market conditions. Usiminas purchased and processed, either from third parties or from Ternium Brasil, 2.2 million, 2.0 million and 2.3 million tons of slabs in 2023, 2022 and 2021, respectively. Slab purchase prices are market-based.

Iron ore. As described under “—Production Facilities and Processes—Mining Production Facilities” above, Usiminas has a 70% equity participation in Mineração Usiminas. In 2023, 1.4 million tons of iron ore were shipped from Mineração Usiminas to Usiminas’ steel production facilities, representing 52% of its iron ore requirements. In addition, Usiminas purchases iron ore, in the form of pellets, under short-term/quarterly supply agreements with Vale, totaling 0.3 million tons in 2023. Usiminas’ geographic location provides favorable access to high quality iron ore produced in Brazil’s iron ore mines in the southeast region. Usiminas consumes approximately 1.6 tons of iron ore to produce one ton of crude steel.

Metallurgical coal and related materials. Usiminas obtains its coke through the distillation in its coke ovens of metallurgical coal and petroleum coke. The facilities require different types of coal to produce coke. Usiminas also purchases other coal qualities, able to be injected in the blast furnace, and coke. Coal and coke are purchased under long-term contracts and on the spot market from several major international suppliers based mainly in Australia, United States and Colombia. Prices under contracts are determined in accordance with market conditions. Petroleum coke is purchased from Petróleo Brasileiro S.A., or Petrobras. However, Usiminas paused the purchase of petroleum coke in July 2022 due to production problems in its coking batteries. Usiminas consumes approximately 1.4 tons of metallurgical coal and third-party coke to produce one ton of crude steel.

Electricity. Usiminas consumes large quantities of electricity for its manufacturing activities. A share of the electricity required by Usiminas is self-generated on site in its thermoelectric plant, which has an installed power capacity of 130 MW. This thermoelectric plant uses steam primarily generated from co-product gases obtained in the steelmaking process (blast furnace, coke oven gases and steel shop) enriched with natural gas. Actual power generation depends on the volume of co-product gases provided by the production process.

Usiminas purchases additional electricity requirements mainly from Engie Brasil Energia, AES Brasil Energia, Companhia Energética de Minas Gerais, or CEMIG, ENEL Brasil, Statkraft Energia do Brasil and Canadian Solar

Brasil, under take-or-pay based contracts expiring between 2024 and 2026. In addition, Usiminas' Cubatão facility purchases electricity from CEMIG under a long-term supply agreement expiring in 2030. Usiminas has entered into a long-term supply agreement with renewable energy producer Canadian Solar Brasil for the supply of electricity, equivalent to 12% of Usiminas' consumption. The supply contract starts in 2025 and expires in 2039. Usiminas consumes approximately 2.200 GWh/year of electricity.

Natural gas. Usiminas also consumes substantial volumes of natural gas, particularly to operate its steel plant and also to generate electricity in its thermoelectric plant in order to supply priority areas in the event of a power grid supply failure. Usiminas has one-year renewable contracts for the purchase of natural gas with Companhia de Gas de Minas Gerais, or GASMIG, and Companhia de Gás de São Paulo, or COMGÁS. Usiminas consumes approximately 35.000 MMBTU/day of natural gas.

Other inputs. At Usiminas' facilities, White Martins Gases Industriais owns and manages on-site plants from where it supplies industrial gases for the steelmaking process under long-term agreements expiring in 2032. White Martins Gases Industriais also supplies hydrogen through road transportation for Cubatão's cold-rolling process, under a long-term agreement expiring in 2027. Messer Gases Brasil supplies hydrogen through road transportation for Ipatinga's cold-rolling and galvanizing processes, under a long-term agreement expiring in 2026.

Ternium Brasil and Ternium Argentina

Ternium Brasil and Ternium Argentina produce crude steel through the use of blast furnace technology. The principal raw materials used to produce steel are iron ore, metallurgical coal and, in Ternium Brasil, pulverized 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 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 Vetria Mineração S.A. Our geographic location in Brazil provides favorable access to high quality iron ore pellets, lumps and fines produced in Brazil's iron ore mines in the Southeast Region mainly, and our geographic location in Argentina 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). In addition, Ternium Argentina's steelmaking facility receives iron ore pellets and fines from ports located on Brazil's ocean coast. We consume approximately 1.6 tons of iron ore to produce one ton of crude steel in Ternium Brasil and approximately 1.3 tons of iron ore to produce one ton of crude steel in Ternium Argentina.

Metallurgical coal and related materials. Ternium Brasil and Ternium Argentina obtain their coke through the distillation in their coke ovens of metallurgical coal and petroleum coke. The facilities require different types of coal to produce coke. In addition, Ternium Brasil purchases other coal qualities to inject in the blast furnace. 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. We purchase petroleum coke produced by oil companies in Argentina and Brazil. The volume purchased from each supplier mainly depends on the technical quality requirements of the blast furnace operations. We consume approximately 0.7 tons of metallurgical coal, pulverized coal and imported coke to produce one ton of crude steel in Ternium Brasil and 0.5 tons of metallurgical coal and petroleum coke to produce one ton of crude steel in Ternium Argentina.

Electricity. Ternium Brasil and Ternium Argentina consume large quantities of electricity for their manufacturing activities. The electricity required by Ternium Brasil is self-generated on site by its thermoelectric plant with an installed power capacity of 490 MW, with excess electricity production sold in the Brazilian wholesale market. Part of the electricity required by Ternium Argentina's San Nicolás facility is self-generated on site by a wholly-owned thermoelectric plant with an installed power capacity of 108 MW. These thermoelectric plants use steam primarily generated from co-product gases obtained in the steelmaking process (blast furnace and coke oven gases). Actual power generation depends on the volume of co-product gases provided by the production processes. Ternium Argentina will build a new wind farm with nominal power capacity of 99 MW, from which it expects to replace approximately 90% of the electricity that it currently purchases from third party providers. For further information see "—Capital Expenditure Program".

Additional fuel requirements for steam production are covered with natural gas purchased from different market vendors and/or, in the case of Ternium Argentina, fuel oil bought at market prices. Ternium Argentina covers electricity shortfalls or sells surpluses, as the case may be, at spot prices with CAMMESA, the Argentine wholesale electricity market manager. Argentine laws establish that large energy consumers must increase the share of renewable energy consumption from 16% by 2023 to 20% by 2025. CAMMESA is responsible for meeting these renewable

energy consumption targets for those large consumers that do not procure renewable energy from other sources. We purchase approximately 0.1 MWH of electricity to produce one ton of crude steel in Argentina.

Natural gas. Ternium Brasil and Ternium Argentina also consume substantial volumes of natural gas, particularly to operate their steel plants and power generation facilities. Ternium Brasil purchases natural gas at market prices from Companhia Distribuidora de Gás do Rio de Janeiro, or CEG. Ternium Brasil has a natural gas transportation and distribution agreement with CEG that is automatically renewed every year. We consume approximately 0.5 million btu of purchased natural gas to produce one ton of crude steel in Brazil.

Ternium Argentina purchases natural gas at market prices mainly from Tecpetrol, in which San Faustin holds a controlling interest, Pluspetrol S.A., and natural gas traders, including MetroEnergia S.A., Natural Energy S.A., Energy Traders S.A., Gas Patagonia S.A. and Gas Meridional S.R.L. In several occasions in the past, the provision of natural gas to industrial users (including Ternium Argentina) suffered restrictions during seasons of high demand. For additional information regarding factors affecting our operations in Argentina, see Item 3. “Key Information—D. Risk Factors—Risks Relating to the Countries in Which Ternium Operate—Argentina”

For its San Nicolás facility, Ternium Argentina has a long-term natural gas transportation agreement with Transportadora de Gas del Norte S.A., or TGN, and a renewable one-year natural gas distribution agreement with Litoral Gas S.A., or Litoral Gas. TGN and Litoral Gas are companies in which San Faustin holds significant but non-controlling interests. For its other facilities Ternium Argentina’s natural gas transportation and distribution needs are covered by the corresponding regional distributors Camuzzi Gas Pampeana S.A., Metrogas S.A. and Naturgy BAN S.A. We consume approximately 5.2 million btu of purchased natural gas to produce one ton of crude steel in Argentina.

Other inputs. Ternium Brasil and Ternium Argentina have on-site oxygen, nitrogen and argon separation plants in order to extract these gases for use in the steelmaking process. Ternium Brasil’s separation plants are managed by a consortium formed by Air Liquide Brasil Ltda., AirSteel Ltda., White Martins Gases Industriais Ltda., White Martins Steel Ltda. and ThyssenKrupp MinEnergy GmbH under a long-term contract for the supply of air, oxygen, nitrogen and argon. Ternium Argentina’s separation plants are managed by Air Liquide Argentina S.A. under a long-term contract for the supply of oxygen, nitrogen and argon.

Colombia

In Colombia, Ternium’s manufacturing of finished steel products relies on three sources: (a) the production of steel in its steelmaking facilities, which are based on the electric arc furnace technology; (b) the purchase of steel billets to be processed in its steel bar and coil mill; and (c) the purchase of steel products, both from our overseas subsidiaries and from third parties. The electric arc furnace technology melts steel scrap to produce steel billets, which are then rolled into various long products. The production process requires extensive use of electricity. Steel products are the largest component of production costs; scrap and electricity costs are also significant.

Semi-finished and finished steel products. The operations in Colombia include non-integrated facilities that process steel supplied by Ternium’s overseas subsidiaries and semi-finished and finished steel purchased from third-party suppliers procured in the domestic and international markets. We purchased from third parties approximately 263,900 tons of semi-finished and finished steel products in 2023, 155,700 tons in 2022 and 485,000 tons in 2021.

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 supply contract expiring in December 2028. The electricity price is based on a fixed rate adjusted by the wholesale price index. We consume approximately 0.5 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, the European Standards, the Japanese Industrial Standards, the Society of Automotive Engineers, and the standards of the American Petroleum Institute. Ternium also has product certifications based on international or local standards depending on the markets served.

Ternium established and implemented a Quality Management System, or QMS, and continuously improves its effectiveness in compliance with the requirements of the applicable ISO 9001:2015 and IATF 16949:2016, intended for production of automotive supplies, and other specific requirements. Ternium's QMS operates with aligned strategies, objectives and criteria throughout Ternium's subsidiaries. Annual audits are carried out to keep the ISO multisite certification, with Bureau Veritas Certification auditing the QMS of Usiminas and Lloyd's Register Quality Assurance auditing the QMS of other Ternium's subsidiaries.

Ternium's metallurgical testing laboratories are accredited for the performance of various relevant technical tests in accordance with ISO/IEC 17025:2017 General Requirements for the Competence of Testing and Calibration Laboratories or equivalent standards.

Ternium has in place a Product Safety Management program in accordance with IATF 16949:2016, encompassing steel products incorporated at safety components of vehicles. This program aims at contributing to the automotive industry's goal of preventing massive product recall events.

Research and Development; Product Development

Research and development activities are focused on the expansion of our offerings of advanced steel products, on the study and testing of new technologies to decarbonize our operations and on partnering with customers in the design of manufactured components containing steel. We aim at further developing our capabilities in the production and processing of high value-added steel products and the design of steel-based components to support the automotive industry's effort toward the development of the mobility of the future. We also aim at fulfilling the requirements of a wide variety of manufacturing sectors that are intensifying the use of advanced steel products to apply to new solutions for the energy transition.

We devote research and development resources to create new steel qualities aimed at fulfilling these requirements. Our research and development activities and our capital expenditures program are designed to achieve steel products with increasingly complex functional properties and lower carbon footprint. We intend to shorten the development cycle for new products to promptly make use of the advanced technologies incorporated in our facilities. We also leverage our research and development capabilities to assist our operating personnel in delivering solutions to our customers in their day-to-day operations.

Our research and development areas are also focused on generating knowledge and training employees to maximize performance. We are integrating several new technologies and artificial intelligence solutions to our research and development processes to leverage on the product and process knowledge gained over the years and strengthen our focus on innovation.

Ternium Lab, our research and development center in Pesquería, Mexico, features physical modeling, simulation of industrial processes, robotized testing, and full-scale welding processes and advanced characterization. In addition, we operate research facilities with laboratories in Brazil and Argentina, where we carry out product performance tests and simulate production processes.

Usiminas' research and development center (RDC) supports the development of new products and the testing of steel product performance, and provides assistance to applied engineering activities and customers in connection with the optimization of steel product capabilities.

Ternium Lab facilities are accredited to certify steel products according to international standards and customer specifications, providing a reliable service to Ternium's customers as it has been approved by most of our automotive industry customers for the purpose of certifying steel products. Since its inauguration, Ternium Lab has granted approval for more than 100 steel products designed for industrial applications, enabling Ternium to swiftly incorporate its new hot-rolling mill in Pesquería into its products' processing routes.

In 2024, we expect to incorporate into Ternium Lab a new state-of-the-art continuous galvanizing simulator, which should allow us to evaluate new coatings, new product development and the integral galvanizing process. With this simulator, we expect to enhance the development system of advanced hot-rolled galvanized steel products to be processed in the new galvanizing line that is being built in the industrial center in Pesquería. The line is expected to be able to produce high-strength high-gauge products for the automotive and renewable energy markets.

Our in-house research activities are complemented by our involvement in a global network of industry consortia, universities, and research centers. During 2023, we continued to actively participate in the engineering core team of the Steel E-Motive project, sponsored by WorldAutoSteel, for the design of cost effective, safe, and sustainable autonomous and connected electric vehicles using advanced engineering and high-strength steel technologies.

Likewise, we partner with universities on joint initiatives, fostering the involvement of researchers and students from prestigious institutions in early-stage development projects. During 2023, we advanced new initiatives together with researchers and students of recognized institutions with the aim of expanding and diversifying our capabilities and research network. These initiatives were centered on initial stage project development, involving primary steel, metallurgy, rolling and coating.

During 2023, we continued assessing new technologies to decarbonize our operations in the long term. To develop these initiatives, we partner with other companies, including our affiliate Tenova, a company focused on the design and development of technological solutions for metals processing. In addition, we are building pilot equipment and have enhanced our computing capabilities to simulate and study fuel injection mechanisms in a blast furnace and in a direct reduction unit, aimed at injecting renewable fuels to substitute natural gas. These fuels are obtained from raw materials or energy sources that are restored or regenerated at a pace similar to their consumption rate.

We have developed a battery pack for future electric vehicles, which we have shared with select customers. Ternium plans to continue increasing its involvement in the electric vehicle market through joint developments.

To facilitate our early involvement in vehicle design processes, Ternium Lab has been linked to most of our customers' development centers. Vehicle designers can access the performance parameters of our steel products through their own design software and assess, in designing their next models, our products' weldability and their deformation and energy absorption capabilities. Ternium Lab keeps us connected with the market and our customers, has become a reference for the industry and is creating new business opportunities and new collaboration patterns.

Usiminas' customer technical support focused on advising and assisting users on issues concerning the product engineering final application, including the stamping process, welding, fatigue, corrosion resistance, wear resistance, zinc and post treatment coatings and structural integrity.

We continued assisting manufacturers of heavy transport equipment in the design of high-performance components and their associated manufacturing processes, leveraging the improved capabilities of new high-resistance steel products. In this regard, during 2023 our research and development team collaborated in the design of a new prototype for sand transportation, achieving a light equipment with increased erosion resistance.

In 2023, we developed high-performance steel together with Tenaris for the manufacturing of welded pipes for energy infrastructure projects. Through this project, we enhanced the product range of high-pressure, high-resistance and high-toughness plate portfolios for natural gas pipelines. Project development in collaboration with leading industrial companies allows us to anticipate market requirements, plan new processes with new equipment and technology, and build strong relationships with our value chain.

Regulations

Environmental, Social and Governance Regulations

We are subject to a wide range of local, provincial and national laws, regulations, permit requirements and decrees relating to environmental, social and governance matters, including laws and regulations relating to climate-change mitigation, use of resources, hazardous materials and radioactive materials, air emissions, water discharges and waste management; legislation on human rights and modern slavery; human capital, including equal opportunity, gender and disabilities equality, working conditions, work-life balance, and labor market access; and applicable rules on internal control and risk management, anti-corruption, business partner relationship management and other governance issues. For more information on the Company's governance practices and applicable regulations, see Item 6 "Directors, Senior Management and Employees" and Item 16G. "Corporate Governance".

ESG regulation has been evolving over the past years and is expected to continue to evolve in the future, particularly with respect to environmental matters. Laws and regulations protecting the environment have become increasingly complex and more stringent and expensive to implement in recent years. Environmental requirements vary from one jurisdiction to another adding complexity to the operations of regional companies, such as Ternium.

In response to an increasing investor focus and reliance on climate and ESG-related disclosure and investment, the SEC announced in March 2021 the creation of a Climate and ESG Task Force to identify ESG-related misconduct and potential violations, and in March 2022, the SEC released a proposal to amend its disclosure rules on climate change matters. In March 2024, the SEC adopted the final rules on climate-related disclosure, which will require registrants, including Ternium, from fiscal year 2025, to significantly expand the climate-related disclosures in their periodic

reports, including information about climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate-related financial statement metrics in a note to their audited financial statements.

In addition, the Paris Agreement, adopted at the 2015 United Nations Climate Conference, sets out the global framework to limit the rising temperature of the planet and to strengthen the countries' ability to deal with the effects of climate change. In order to achieve climate neutrality by the year 2050, the European Commission has laid out several action plans, such as the EU climate adaptation strategy, sustainable finance policies and the raw materials alliance. More recently, as part of the European Green Deal, the EU adopted the Corporate Sustainability Reporting Directive, which requires European large companies and listed issuers to disclose information on their risks and opportunities arising from social and environmental issues, and on the impacts of their activities on people and the environment. In the case of Ternium, the EU Corporate Sustainability Reporting Directive will apply with respect to the Company's 2025 annual report.

Laws and regulations protecting the environment have become increasingly complex and more stringent and expensive to implement in recent years. Environmental requirements vary from one jurisdiction to another adding complexity to the operations of global companies, such as Ternium. Ternium's corporate environmental and energy policy commits each of its business units to comply with 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 a regional level.

The ultimate impact of complying with ESG regulations, in particular with applicable environmental regulation, is not always clearly known or determinable because certain laws and regulations have been evolving in the past years or are under constant review by competent authorities. The expenditures required to comply with environmental 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.

For more information on the impact of climate change legislations and increasing regulatory requirements, see Item 3.D. "Key Information – Risk Factors - Certain Regulatory Risks and Litigation Risks – The cost of complying with environmental regulations, as well as potential product and environmental liabilities in a context of increasing environmental awareness, may affect Ternium's steel production or processing operations, or may increase Ternium's operating costs, negatively impacting Ternium's business, financial condition, results of operations and prospects;" and Item 3.D. "Key Information – Risk Factors - Certain Regulatory Risks and Litigation Risks – Climate change legislation and increasing climate regulatory requirements aimed at transitioning to a lower-carbon economy, together with increasing stakeholder expectations for reduced carbon emissions, could result in unexpected capital expenditures and costs, negatively affect Ternium's competitiveness, reducing its market share and results of operations, and hampering its ability to access adequate financial resources."

Below is a summary of relevant environmental legislation applicable to Ternium.

Mexico:

Mexican environmental laws establish the "polluter pays" principle, pursuant to which the individual that causes an environmental breach is responsible for restoring the environment to its pre-pollution condition and face economic and, in some cases, criminal liabilities. Mexican regulations also establish an annual report scheme of GHG emissions.

In addition, Mexican regulations provide for carbon dioxide emission taxes through taxes on fuels, with rates reviewed annually, depending on their efficiency in terms of carbon dioxide emission per unit of energy obtained. The carbon dioxide emission tax for natural gas is currently zero. Mexico has also started a pilot trade market for carbon dioxide emissions. Although the operational phase is expected to commence during the third quarter of 2023, as of the date of this annual report the applicable rules are not yet known. Ternium Mexico is a large consumer of natural gas. For further information see "—Raw Materials, Slabs, Energy and Other Inputs."

Brazil:

The Company's activities are subject to a wide range of local, provincial and national laws, regulations, permit requirements and decrees relating to environmental, social and governance matters, including laws and regulations relating to climate-change mitigation, use of resources, hazardous materials and radioactive materials, and air emissions, water discharges and waste management, and legislation on human rights and modern slavery. Laws and regulations protecting the environment have become increasingly complex and more stringent and expensive to

implement in recent years. Compliance with environmental laws and regulations, and monitoring regulatory changes, are addressed primarily at a regional level.

Brazilian environmental legislation imposes criminal and administrative penalties on natural persons and legal entities that commit environmental crimes or infractions, as well as for the obligation to repair the environmental damage caused. Environmental crimes or infractions could subject the Company to penalties that include:

- fines that at the administrative level could reach as high as BRL50 million, depending on the violator's economic capacity and past record, as well as the severity of the facts and prior history, with the amounts potentially doubled or tripled in the case of repeat offenders;
- suspension of or interference in the activities of the respective enterprise; and
- loss of benefits, such as the suspension of government financing and the inability to qualify for public bidding processes and tax breaks.

In addition, strict liability is applicable to environmental crimes for both natural persons and legal entities. Environmental legislation also provides for disregarding the legal status of a company's controlling shareholders whenever such status represents an impediment to receiving restitution for environmental damages.

In the civil sphere, environmental damage results in joint and several liability as well as strict liability. This means that the obligation to repair the environmental damage may affect all those directly or indirectly involved, regardless of any proof of who is to blame. As a result, the hiring of third parties to intervene in its operations to perform such services as final disposal of solid waste does not exempt the Company from liability for any environmental damage that may occur.

Argentina:

Argentine environmental laws and regulations require the renewal of environmental licenses and emission permits every two or four years, depending on the activity. Although such renewals may take longer than expected and the renewal process may extend beyond the due date of the then current licenses and permits, no shut down orders against the Company have ever been issued while the renewal processes are ongoing. In addition, Argentine environmental laws and regulations require mandatory environmental insurance to cover facilities that use hazardous materials.

Argentine legislation provides for mandatory minimum shares of renewable energy in total electricity consumption. For further information see “—Raw Materials, Slabs, Energy and Other Inputs—Brazil and Argentina—Electricity”.

In addition, Argentine law provides for a carbon dioxide emission tax. Natural gas is excluded from such tax, and metallurgical coal and petrochemical coke are exempted as long as they are used as part of an industrial process, other than for energy generation. For additional information regarding how carbon taxes affect our operations in Argentina, see Item 3. “Key Information—D. Risk Factors—Certain Regulatory Risks And Litigation Risks—Climate change legislation and increasing climate regulatory requirements aimed at transitioning to a lower-carbon economy, together with increasing stakeholder expectations for reduced carbon emissions, could result in unexpected capital expenditures and costs, negatively affect Ternium's competitiveness, reducing its market share and results of operations, and hampering its ability to access adequate financial resources.”

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 Mexico's 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 holder of a mining concession is obligated, among other things, to explore or exploit the relevant concession (including the achievement of minimum investment targets), 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 Secretariat of Economy. 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.

In April 2023, Mexico approved a significant reform to its mining laws. Among other changes, future mining activities have been prohibited in certain areas where superficial bodies of water exist, and areas declared by federal or local governments as natural reserves. In addition, governmental authorities are authorized to order removal of existing deposits under certain circumstances of location and risk. The new legislation prohibits the use of national waters for the transportation of certain materials, grants to the Mexican geological service exclusive rights to conduct exploration activities and provides for mandatory bidding processes in the granting of new exploration and exploitation concessions, limiting concessions to a 30-year duration with 25-year automatic extension and a further 25-year extension through a prior bidding process. Concessions may be revoked on certain grounds, including for failure to initiate or interrupt operations within a specified timeframe or to file a mine closing plan, and accidents could result in punishments consisting of increased fines and other consequences. In addition, new permits entailing an increase in water consumption will be subject to several new conditions related to water availability in the regions where Las Encinas and Peña Colorada operate. Granting of new mining rights by the federal government will also be subject to the granting of new water consumption permits based on such new conditions. Furthermore, the new law seeks to regulate royalties or the sharing of profits with local communities, and mandates consultation processes with native and Afro-Mexican communities. The Supreme Court and other federal courts are analyzing the constitutionality of the new legislation. Mining companies operating in Mexico, including Las Encinas and Peña Colorada, expect resolutions of these matters during 2024.

For information regarding amendments to the mining law and regulations in Mexico, see Item 3. “Key Information—D. Risk Factors—Risks Relating to Ternium's Mining Activities—Required governmental concessions could be subject to prior consultation with native communities in Mexico or local communities in Brazil, changes or termination, permits and rights of use and occupancy could be difficult to obtain or maintain and taxes or royalties applicable to the mining industry could increase, all of which could adversely affect Ternium’s mining activities and operating costs.”

Mining regulations in Brazil

Our operations are subject to Brazilian regulations relating to mining and mining concessions. Under Brazilian law, mineral resources belong to the Brazilian nation and can only be exploited under a government concession. We are required to obtain authorizations, licenses, permits or approvals from governmental authorities to construct and operate mining facilities. Government agencies are generally responsible for granting mining concessions and monitoring compliance with mining laws and regulations.

The ANM (National Mining Agency) has issued several resolutions regulating companies operating tailings dams in the country. These resolutions provide for the embargo and suspension of tailings dams and mining complexes in certain situations. They also provide for fines of up to BRL1 billion, calculated on the basis of the mining company's total revenues and research budget. Several laws and regulations issued by the Federal Government and the State of Minas Gerais provide for the prohibition and timely decommissioning of upstream tailings dams. Mineração Usiminas has completed the decommissioning of its upstream tailings dams and has implemented tailings filtration and storage methods that do not rely on tailings dams to continue operating its mines and plants. Its last tailings dam, constructed as a downstream method, is in the process of de-characterisation. There are no tailings dams in operation. For further

information see Item 4. “Information on the Company - B. Business Overview - Mining Production Facilities in Brazil.”

Mineração Usiminas also complies with other laws and regulations related to mining activities, including those for the protection of caves.

Trade regulations

Intense global competition in the steel industry leads many countries, from time to time, 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 industries from increased imports sold at dumped or subsidized prices. Mexico, Colombia and the United States, among other countries, have several trade remedy measures in place. In addition to antidumping and countervailing measures, in 2018 the United States imposed, under Section 232 of the Trade Expansion Act of 1962, a 25% tariff on steel imports; however, Australia, Canada and Mexico are exempted from the tariff, though subject to a continuous monitoring system of their trade flows. In this regard, in February 2024 the Office of the U.S. Trade Representative met Mexican government representatives amid concerns on allegedly unfair trade practices such as transshipment of non-USMCA material into the United States. Although Argentina, Brazil and South Korea were also exempted from the measure, they were subject to quota system agreements covering steel imports from those countries. In the case of the European Union, the United Kingdom and Japan, in 2022 the U.S. shifted the 25% tariff to a Tariff Rate Quota (TRQ) system for steel products melted and poured in those regions. In the case of Ukraine, since June 1, 2022, the country has been exempted from the measure on goods entered for consumption for one-year terms. Current term is due on May 31, 2024.

Bilateral or regional free trade agreements have liberalized trade among some countries, providing for reduced or zero tariffs for many goods, including steel products. The entry into force of various free trade agreements and certain countries’ imposition of trade remedy measures can and have both benefited and adversely affected Ternium’s home markets and export sales of steel products, as described below. For further information, 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.” Relevant free trade agreements and trade remedy measures, by country, are described below:

Mexico

Imports of steel products to Mexico:

The Mexican government has imposed certain antidumping measures on imports of steel products that are similar to the ones produced by Ternium Mexico. The following is a description of measures currently in effect and ongoing investigations:

- *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. The measure has been extended four times for five years each, on March 17, 2006; on September 8, 2011 (modifying the duties to 21% and 25% for Russia and Ukraine respectively); on January 28, 2016 and on March 23, 2021. On July 19, 2013, the Mexican government initiated an anti-circumvention investigation on imports of boron-alloyed hot-rolled products from Russia. On March 21, 2014, Mexico’s Secretariat of Economy published the final determination on the investigation, by which boron-alloyed hot-rolled products from Russia are now subject to a 21% antidumping duty. Furthermore, on December 22, 2015, the Mexican government published the final antidumping determination imposing definitive and specific antidumping duties on China (\$354.92 per ton, except for imports from Tangshan Iron and Steel Group Company Limited, which were fixed in \$335.60 per ton), Germany (\$166.01 per ton, except for imports from ArcelorMittal Bremen GmbH, which were fixed in \$137 per ton) and France (\$75.59 per ton, except for imports from ArcelorMittal Méditerranée S.A.S., which were fixed in \$67.54 per ton), on hot-rolled products. The measure was extended for five years on April 19, 2022.
- *Plate in coils:* Since June 1996, an antidumping duty of 29.3% has been in place on imports from Russia. The measure has been extended four times, in June 2003, June 2007, November 2012 and May 2017. On July 5, 2013, the Mexican government initiated an anti-circumvention investigation on imports of boron-alloyed plate in coil imports from Russia. On February 19, 2014, Mexico’s Secretariat of Economy published the final determination on the investigation by which boron-alloyed plate in coil imports are now subject to a 29.3% antidumping duty. On November 24, 2022, the measure was extended for 5 more years, until June 2026. The Mexican government is undergoing a change of circumstances review of the measure in connection with Russian invasion of Ukraine. A preliminary determination was issued on September 21, 2023, with an antidumping duty of 12.35%, and a final decision is pending.

- *Cold-rolled products:* In June 1999, Mexico imposed antidumping duties on cold-rolled steel sheets from the Russian Federation and Kazakhstan of 15% and 22%, respectively. The measure has been extended four times, in December 2005, December 2010, July 2015, and August 2020. In addition, on October 1, 2012, the Mexican government initiated an antidumping investigation on cold-rolled steel imports from South Korea. On December 26, 2013, Mexico's Secretariat of Economy published a suspension agreement under which Korean exporters, Posco and Hyundai Hysco Company Limited, or Hyundai, voluntarily undertook to limit their cold-rolled products exports to the Mexican market. On May 25, 2016, the Mexican authorities initiated a change of circumstances review of this suspension agreement, and on June 13, 2017, the Secretariat of Economy issued a final determination increasing Posco's and Hyundai's quotas for 2017 and 2018. On August 23, 2018, the Mexican government initiated a sunset review of the agreement and issued a final affirmative determination on November 1, 2019. On May 14, 2019, Mexico initiated a second change of circumstances review of the suspension agreement for Posco and on November 5, 2020, a final determination was issued increasing Posco's quota for the years 2019 to 2023. On December 22, 2023, a sunset and a change of circumstances review of the measure were initiated. Furthermore, on June 19, 2015, Mexico imposed antidumping duties on cold-rolled steel products from China between 65.99% and 103.41%, with rates depending on the Chinese exporting company. The measure has been extended for five years in August 2022. In December 2015, Mexico initiated a circumvention inquiry against cold rolled steel products with boron added from China. On July 11, 2016, the Mexican government issued a final determination confirming China's circumvention practice and thus, extending the antidumping duties. On August 16, 2021, under the latest sunset review, this measure was extended until June 2025. In addition, on July 28, 2022, the Mexican government initiated an antidumping investigation on imports of cold-rolled steel from Vietnam and on December 28, 2023, it imposed final antidumping duties on margins from 11.64% to 79.24%.
- *Coated flat products:* On December 17, 2015, the Mexican government initiated an antidumping investigation on coated flat products from China and Taiwan. On July 29, 2016, Mexico issued a preliminary determination imposing provisional antidumping duties on Chinese exports of between \$192 and \$438 per ton, and of \$563 per ton on Taiwanese products. On June 5, 2017, Mexico issued a final determination imposing antidumping duties on Chinese exports of between 22.22% and 76.33%, and of between 22.26% and 52.57% on Taiwanese products. On November 21, 2017, Mexico amended its final determination imposing antidumping duties applicable to products sold by Chinese companies, one of which was imposed duties for \$187 per ton, while others face duties ranging between 22.26% and 76.33% of the products' price. A sunset review of these measures was initiated on June 2, 2022. In addition, on August 30, 2021, Mexico initiated an antidumping investigation on coated flat products imports from Vietnam, and on February 24, 2023, Mexico issued a final determination imposing antidumping duties applicable to products sold by Vietnamese companies, of up to 10.84%. On September 14, 2023, Mexico imposed an antidumping duty of 2.06% to Maruichi Sun Steel, the only Vietnamese company not previously covered by the order.
- *Reinforcing bars:* Since 1995, imports of reinforcing bars from Brazil are subject to an antidumping duty of 57.69%. Subsequent sunset reviews determined the continuation of the antidumping duty for additional five-year periods. On December 23, 2021, under the latest sunset review, this measure was extended until August 2025.
- *Wire rod:* Since September 2000, imports of wire rod from Ukraine are subject to an antidumping duty. The initial antidumping margin was 30.52%. In June 2006, the first sunset review resolution determined the continuation of the antidumping duty for five more years. On September 7, 2010, a second sunset review was initiated, and on March 7, 2012, the Mexican government increased the antidumping duty to 41% until September 2015. The Mexican government initiated the third sunset review on September 4, 2015, and extended the measures for an additional five-year period on September 2, 2016. On Dec. 10, 2021, under the latest sunset review, this measure was extended until September 2025. In addition, on September 2, 2015, the Mexican government initiated an antidumping investigation on wire rod from China. On July 28, 2016, the Mexican government imposed a specific antidumping duty of US\$0.49 per kilogram for five years, extended for an additional five-year period on January 19, 2023.
- *Welded Tubes:* On December 7, 2016, the Mexican government initiated an antidumping investigation on welded tubes of circular, square or rectangular cross section from China. On March 8, 2018, Mexico imposed final antidumping duties on Chinese exports of between \$356 and \$618 per ton. The Mexican Government initiated the sunset review together with a change of circumstances review of the measure on March 7, 2023, and on October 27, 2023, took a preliminary decision to hold the margins under the change of circumstances review.

On October 7, 2015, the Mexican Government issued a decree imposing a temporary 15% import tariff on steel products other than semi-finished products, including plate, hot-rolled, cold-rolled, coated, tubular, structural and wire rod, applicable to imports from countries with whom Mexico had no trade agreement in place. Per the amendment to the tariff schedule published on November 18, 2022, the import tariff of most products was to be reduced to 10% from June 1, 2023 and would be further reduced to 5% from September 22, 2023 (and lifted on October 1, 2024) with the

exception of certain products that have different tariff reduction schedules (such as two-size zinc plated steel sheets and some seamless pipe products, towers and lattice masts). However, on August 15, 2023, Mexico amended the rule, increasing the scope of the measure and the tariffs to 25% for the majority of steel products until July 31, 2025.

Exports of steel products from Mexico:

U.S. authorities have imposed a number of measures on steel import products from Mexico, thereby restricting Ternium's exports to the U.S. The following is a description of measures currently in effect and ongoing investigations:

- *Carbon and alloy steel wire rod:* Ternium Mexico's wire rod exports are subject to an antidumping duty of 4.64% pursuant to the latest administrative review on the antidumping duty order on carbon and certain alloy steel wire rod. On August 27, 2020, as a result of the most recent sunset review, such duty was extended for five more years.
- *Pipe and tube:* During 2007, U.S. authorities initiated an antidumping investigation of light-walled rectangular pipe and tube, or LWRPT, from, among other countries, Mexico. On June 13, 2008, the authorities made a final determination of sales at less than fair value in the investigation of LWRPT from Mexico and, consequently, imposed antidumping duties. On February 18, 2011, the authorities published the final results of the first administrative review by which Mexican LWRPT exports were subject to an antidumping duty of 6.13% until May 23, 2014, when U.S. authorities made a final affirmative sunset review of 2.40% for Maquilacero and 3.76% for certain other companies subject to the review, including Ternium Mexico. On March 12, 2018, U.S. authorities published the final results of the 2015-2016 administrative review, which did not impose any antidumping duties on Prolamsa and Aceros Cuatro Caminos S.A. de C.V., but imposed an antidumping duty of 3.76% on other exporters. On April 22, 2019, the U.S. authorities imposed a duty range of between 8.32% and 17.65% for certain Mexican producers or exporters as a result of the 2016-2017 administrative review. On August 4, 2020, as a result of the most recent sunset review, such duty was extended for five more years. As a result of the 2021-2022 review, Ternium Mexico's current margin is 2%. On August 10, 2015, U.S. authorities initiated an antidumping investigation on imports of heavy-walled rectangular pipe and tube, or HWRPT, from Korea, Turkey and Mexico. On September 13, 2016, the authorities issued an antidumping duty order on imports of HWRPT, imposing an antidumping duty range of between 2.34% and 3.82% for Korea, 17.83% and 35.66% for Turkey, and in the case of Mexico 3.83% for Maquilacero, 5.21% for Productos y Laminados de Monterrey and 4.91% for Ternium Mexico and others. On July 10, 2019, the U.S. authorities issued the final results of the 2016-2017 administrative review imposing duties of 1.43%, 8.09% and 6.13% on Maquilacero, Prolamsa and other exporters including Ternium, respectively. On July 13, 2020, U.S. authorities issued the final results of the 2017-2018 administrative review imposing duties of 4.89%, 7.47% and 4.91% on Maquilacero, Prolamsa and other exporters, respectively; Ternium Mexico's current margin per the 2018-2019 administrative review is 2.51%.
- *Welded pipes:* 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, U.S. authorities 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 24.17%. The measure has since been extended two more times, in 2012 and February 2018. The US Government initiated the sunset review of the measure on January 3, 2023, and extended it for five more years on January 11, 2024.
- *Reinforced bars:* On November 6, 2014, U.S. authorities made a final determination on reinforced bar imports from Mexico, imposing antidumping duties between 20.58% and 66.70%. As a result of the 2016-2017 administrative review, the U.S. Government imposed a duty of 3.65% on Mexican producers, including Ternium Mexico. As a result of the 2017-2018 administrative review, the U.S. Government imposed duties of 7.12% for Deacero, 1.46% for Grupo Simec and 5.54% for other Mexican producers, including Ternium Mexico. The measure was renewed on October 22, 2020 for five more years.

Trade agreements:

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 10-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 applied to steel products traded within NAFTA countries, with the exception of the application of the above-mentioned imposition of a 25% tariff on steel imports under Section 232 of the Trade Expansion Act of 1962 to Mexico and Canada during 2018 and 2019.

During 2019, Mexico and the United States agreed to waive such tariff, subject to an agreed premise of continuous monitoring for surges in steel imports and transshipment of non-NAFTA material into the United States. NAFTA was subsequently replaced by the United States-Mexico-Canada Agreement, or USMCA, which became effective in July 2020. The United States, Mexico and Canada agreed to modify the definition of "North American steel" (with such amendment becoming effective in July 2027), for purposes of vehicles being awarded preferential treatment under USMCA, restricting the defined term to steel melted and poured within the three countries.

The Mexican-European Free Trade Agreement, or MEFTA, became effective on July 1, 2000. MEFTA provided for the phase-out and eventual elimination of Mexican and European duties on all industrial goods, including finished steel products. The European Union 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. During April 2018, the European Union and Mexico concluded negotiations to bring the MEFTA up to date. The amended agreement, which has not yet come into force, does not provide for changes in steel trade conditions. Following BREXIT, Mexico and the UK reached a Trade Continuation Agreement, published on June 1, 2021, effective retroactively from January 1, 2021.

The Economic Partnership Agreement between Japan and Mexico came into force on April 1, 2015. The new agreement provides for a phase-out and eventual elimination of Mexican and Japanese duties on all industrial goods within a ten-year period. Beginning on April 1, 2015, all duties on steel products were eliminated. Until March 31, 2015, an import duty of 3% was applicable to Japanese steel imports.

Mexico and Argentina signed an Economic Complementation Agreement, known as ACE 6 for its initials in Spanish, in November 2003, whereby reciprocal tariff preferences are currently 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 vice versa 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.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, was signed by Mexico together with Australia, Brunei, Canada, Chile, Japan, Malaysia, New Zealand, Peru, Singapore and Vietnam, becoming effective in December 2018. The agreement is in force for all its members.

Mexico has entered into trade agreements with Colombia, Japan, Chile, Bolivia, Nicaragua, Costa Rica, Uruguay and the European Free Trade Association, an intergovernmental organization set up by Liechtenstein, Norway, Iceland and Switzerland, among others.

Brazil

Imports of steel products to Brazil:

In 2019, the Brazilian government renewed an anti-dumping measure, originally applied in 2013, on imports of heavy plates originating in China, South Korea and Ukraine, in the form of specific rates ranging from \$52.02 per ton to \$211.56 per ton, which will be in force until October 2024.

On March 4, 2024, Brazil initiated an antidumping probe on tinplate from China and, on March 7, 2024, another antidumping investigation on imports of pre-painted steel from China was initiated.

Trade agreements:

Brazil has signed free trade agreements with several countries or trade blocs aimed at liberalizing trade between them, including the following:

In early 1991, Brazil entered, together with Argentina, Uruguay and Paraguay, into the Treaty of Asunción, creating the Mercado Común del Sur (Southern Common Market, or "Mercosur"), a common market organization that aimed to bring about the free movement of goods, capital, services and people among its member states. In 2004, the Mercosur members entered into the Protocol of Ouro Preto, creating a customs union among them. On January 1, 2013, Venezuela became a full member of Mercosur but was suspended in December 2016. Over time, Mercosur has eliminated or significantly reduced import duties, tariffs and other trade barriers among member states. Since January 1, 2000, zero tariffs apply to steel products traded among them.

Applicable steel import tariffs to Mercosur member countries from non-member countries currently were between 2% and 14%. In 2021, Mercosur approved a general 10% reduction, applied by Brazilian (range between 1,8% and

12,6%). However, every six months, Mercosur members may exempt from tariffs a limited number of products imported from non-member countries. Uruguay has elected to exempt certain steel products, including cold-rolled sheets and galvanized flat steel products.

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. Mercosur entered into a trade agreement with Chile in 2005. As a result, all tariffs on steel products traded between Mercosur and Chile have been eliminated. In addition, Mercosur is negotiating a free trade agreement with the European Union. On June 28, 2019, the parties reached an agreement in principle that is not yet effective.

There are trade agreements initiatives with other countries in the early stage, such as South Korea, Vietnam and Indonesia, with little progress.

Argentina

Imports of steel products to Argentina:

In the past, the Argentine government imposed various antidumping measures on imports of certain flat steel products that compete directly with Ternium's sales in Argentina. After several subsequent revisions of such cases, there are currently no measures in place.

Trade agreements:

Argentina is a member of Mercosur. For further information on this agreement, see “—Regulations—Trade Regulations—Brazil.” In November 2003, Argentina and Mexico signed the ACE 6. For further information, see “—Regulations—Trade Regulations—Mexico.”

Colombia

Imports of steel products to Colombia:

The Colombian government has imposed certain antidumping and safeguard measures on imports of steel products. The following antidumping measures are currently in effect:

- *Steel profiles for drywall:* On September 1, 2020, the Colombian government initiated a dumping investigation on imports of steel profiles for drywall from China. On December 2, 2020, the preliminary determination was issued without imposition of provisional duties. On October 29, 2021, the Colombian government imposed final antidumping duties of 37.88%, for a three-year period, starting November 3, 2021.

Trade agreements:

Most steel imports to Colombia from countries with whom Colombia does not have a free trade agreement in place, are subject to import tariffs of between 5% and 10%.

Colombia has entered into 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 in 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. CAN and Mercosur have signed a free trade agreement. For further information, see “—Regulations—Trade Regulations—Argentina.”

During June 1994, Colombia and Mexico signed a free trade agreement. For further information on this agreement, see “—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 the United States became effective in October 2011. Under this agreement, steel import tariffs from Colombia to the United States were eliminated and steel import tariffs from the United States to Colombia decreased gradually from a range of between 5% and 10% in 2011 to 0% in 2021. In particular, wire rods import tariffs were reduced to 0% beginning in 2012, and rebar import tariffs decreased gradually and were eliminated in 2021. On March 8, 2018, the U.S. president imposed a 25% tariff on steel imports, in force since March 23, 2018. See Item 4. "Information on the Company—B. Business Overview—Regulations—Trade Regulations—United States."

In addition, Colombia has signed free trade agreements with Chile, Canada, the European Union, South Korea, Costa Rica, Israel and the U.K., in effect since May 2009, August 2011, August 2013, July 2016, August 2016, August 2020 and June 2022, respectively, and has signed a free trade agreement with Panama, which is not yet effective. Colombia is currently negotiating free trade agreements with Japan and Turkey.

United States

U.S. authorities have imposed a number of measures on steel import products. Below is a description of measures currently in effect and ongoing investigations:

Imports of steel products to the United States:

- *Hot-rolled products:* On July 1999, the U.S. authorities imposed antidumping duties on hot-rolled products from Russia, currently of up to 184.56%. The measure has been extended twice for five years each, in October 2016 and December 2021. During November 2001, the U.S. government imposed antidumping and countervailing duties on certain hot-rolled carbon steel flat products from China, India, Taiwan, Thailand, Russia, Indonesia and Ukraine. Current antidumping duties range between 12.34% and 90.83% for China, 36.53% and 44.40% for India, 47.86% for Indonesia, 20.28% and 29.14% for Taiwan, 4.41% and 20.30% for Thailand and 90.33% for Ukraine, with rates depending on the exporting company. Current countervailing duties range between 336.62% and 360.23% for India and are set at 10.21% for Indonesia and 2.38% for Thailand. These measures were last confirmed on August 27, 2019. In addition, on September 24, 2015, the U.S. government initiated antidumping and countervailing investigations on hot-rolled products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey and the United Kingdom. On October 3, 2016, the government issued antidumping and countervailing duty orders for a five-year period. Antidumping duties were imposed at the following rates: 29.58% for Australia; between 33.14% and 34.28% for Brazil; between 4.99% and 7.51% for Japan; between 4.61% and 9.49% for Korea; 3.73% for the Netherlands; between 4.15% and 6.77% for Turkey; and 33.06% for the United Kingdom. Countervailing duties were imposed on imports as follows: between 29.07% and 30.51% for Brazil; and between 0% and 9.49% for Korea. With the exception of Brazil, the measure has been extended for five years on November 25, 2022.
- *Cold-rolled products:* On July 14, 2016, the U.S. government imposed antidumping duties on cold-rolled steel products, of 265.79% for China and 71.35% for Japan, and countervailing duties of 256.44% for China. On September 20, 2016, the U.S. government imposed countervailing duties on cold-rolled steel products of between 11.09% and 11.31% from Brazil, 10% from India and between 3.89% and 59.72% from Korea. In addition, on September 20, 2016, the U.S. government imposed antidumping duties on cold-rolled products of between 19.58% and 35.43% from Brazil, 6.78% from India, 7.60% from Korea, and between 5.40% and 25.17% from the United Kingdom. Following affirmative circumvention determinations on imports from Vietnam, the U.S. government imposed the same measures imposed on Chinese imports, and in December 2019 the same measures imposed on Korean imports. With the exception of Brazil, these measures have been extended for five years on August 9, 2022.
- *Corrosion-resistant flat products:* On July 25, 2016, the U.S. government imposed countervailing duties on corrosion-resistant flat products of 39.05% to 241.07% on imports from China, of 8% to 29.49% on imports from India, of a *de minimis* to 38.51% on imports from Italy, and of a *de minimis* to 1.19% on imports from Korea. In addition, on July 25, 2016, the U.S. government imposed antidumping duties on corrosion-resistant flat products of 209.97% from China, between 3.05% and 4.43% from India, 12.63% and 92.12% from Italy, 8.75% and 47.80% from Korea, and 10.34% from Taiwan. These measures were subject to many circumvention inquiries. Currently, imports of corrosion-resistant flat products from Costa Rica, Malaysia, Vietnam and the United Arab Emirates from Chinese hot-rolled coils and/or cold-rolled coils are subject to antidumping and countervailing duties; and imports of corrosion-resistant flat products from Vietnam with Korean and Taiwanese hot-rolled coils and/or cold-rolled coils are subject to antidumping and countervailing duties. These measures have been extended for five years on August 3, 2022.

- *Wire rod*: On October 29, 2002, the United States imposed antidumping duties to wire rod imports from Brazil (from 74.35% to 94.73%), Indonesia (4.05%), Moldova (369.10%) and Trinidad and Tobago (11.40%), and countervailing duties to Brazilian wire rod imports of between 2.31% and 6.74%. These measures were renewed for five year on August 27, 2020. On January 8, 2015, the United States imposed antidumping duties (between 106.19% and 110.25%) and countervailing duties (between 178.46% and 193.31%) on wire rod from China, with rates depending on the exporting company. These measures were renewed on June 26, 2020. On January 24, 2018, the United States imposed antidumping duties on wire rod from Russia (between 436.80% and 756.93%), Belarus (280.02%) and the United Arab Emirates (84.10%). On March 14, 2018, the United States imposed antidumping duties on wire rod from South Africa (between 135.46% and 142.26%) and Ukraine (between 34.98% and 44.03%). On March 19, 2018, the U.S. Department of Commerce published its final antidumping and countervailing determinations on imports of wire rod from Italy (antidumping duties of between 12.41% and 18.89% and countervailing duties of between 4.16% and 44.18%), South Korea (antidumping duties of 41.10%), Spain (antidumping duties of between 11.08% and 32.64%), Turkey (antidumping duties of between 4.74% and 7.94% and countervailing duties of between 3.81% and 3.86%) and the United Kingdom (antidumping duties of 147.63%). Following a sunset review, in August 2023 these measures were extended for five more years.
- *Tin mill products*: On January 24, 2023, the United States initiated a countervailing investigation on imports of tin mill products from China, and an antidumping investigation on imports of tin mill products from Canada, China, Germany, Netherlands, South Korea, Taiwan, Turkey and the United Kingdom. The investigation was terminated and no measure has been applied.

U.S. authorities have imposed a number of measures on steel product imports from Mexico, including carbon and alloy steel wire rod, pipe and tube, and welded pipes. For further information, see “—Regulations—Trade Regulations—Mexico.”

In April 2017, the U.S. government initiated an investigation under Section 232 of the U.S. Trade Expansion Act. The investigation analyzed the effects of imports of steel products on national security. Based on the result of such investigation and on the resulting Commerce Secretary recommendations, on March 8, 2018, the U.S. president imposed a 25% tariff on steel imports, which entered into force on March 23, 2018. However, certain exemptions were granted. For further information on such exemptions see “—Regulations—Trade Regulations.” Under the exclusion procedure implemented by the United States authorities, Ternium has filed and obtained from the U.S. Department of Commerce multiple exclusions requests from various sources.

Insurance

Our subsidiaries carry insurance policies covering accidental loss or physical damage to its property and equipment (including machinery breakdown and business interruption arising from an insured event), general liability (including third party, employer, product, sudden and accidental pollution and port liability in the ports operated by Ternium) and other insurance, including marine cargo, construction all risk, life and workers’ compensation and automobile insurance. These insurance policies have coverage, limits and conditions, that we believe are customary in the steel products industry and in line with legal and domestic market requirements. Nevertheless, the limits, deductibles and/or self insured retentions of these insurance policies could not be sufficient to recover all losses suffered from such events. In addition, some particular events could not be covered under these insurance policies.

Disclosure Pursuant to Section 13(r) of the Exchange Act

The Iran Threat Reduction and Syria Human Rights Act of 2012, added a new paragraph (r) in Section 13 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), which requires a reporting issuer to provide disclosure if the issuer or any of its affiliates knowingly engaged in certain enumerated activities relating to Iran, including activities involving the Government of Iran. Ternium did not engage in any Iran related activity during the year ended December 31, 2023. However, the Company is providing the following disclosure pursuant to Section 13(r) of the Exchange Act with respect to Iran related activity reported by its affiliates.

Tenaris

Tenaris is also controlled by San Faustin and, accordingly, it is deemed an “affiliate” of the Company, as such term is defined in Exchange Act Rule 12b-2. In response to our inquiry, Tenaris provided the disclosure included below.

In July 2015, the Islamic Republic of Iran entered into the Joint Comprehensive Plan of Action (“JCPOA”) with China, France, Germany, Russia, the United Kingdom and the United States, which resulted in the partial lifting in January 2016 of certain sanctions and restrictions against Iran, including most U.S. secondary sanctions against such country. On May 8, 2018, the United States announced that it would cease participation in the JCPOA and would

begin re-imposing nuclear-related sanctions against Iran after a wind-down period. Following the U.S. withdrawal from the JCPOA, the European Union updated Council Regulation (EC) No. 2271/96 of 22 November 1996 (the “EU Blocking Statute”), to expand its scope to cover the re-imposed U.S. nuclear-related sanctions. The EU Blocking Statute aims to counteract the effects of the U.S. secondary sanctions.

Tenaris ceased all deliveries of products and services to Iran by the end of October 2018, that is, during the wind-down period and before the full reinstatement of U.S. secondary sanctions on November 5, 2018. Tenaris did not, directly or indirectly, deliver any goods or services to Iran or Iranian companies during 2023 and does not intend to explore any commercial opportunities in Iran, nor does it intend to participate in tender offers by, or issue offers to provide products or services to, Iranian companies or their subsidiaries.

As of December 31, 2022, Tenaris’s subsidiary, Tenaris Global Services S.A. maintains an open balance for an advance made by Toos Payvand Co. for approximately EUR 0.04 million (approximately \$0.04 million) for goods that remained undelivered following the reinstatement of U.S. secondary sanctions.

All revenue and profit derived from Tenaris’s sales to Iran was recorded in the fiscal year in which such sales were performed and, therefore, no revenue and profit has been reported in connection with commercial activities related to Iran for the year ended December 31, 2023.

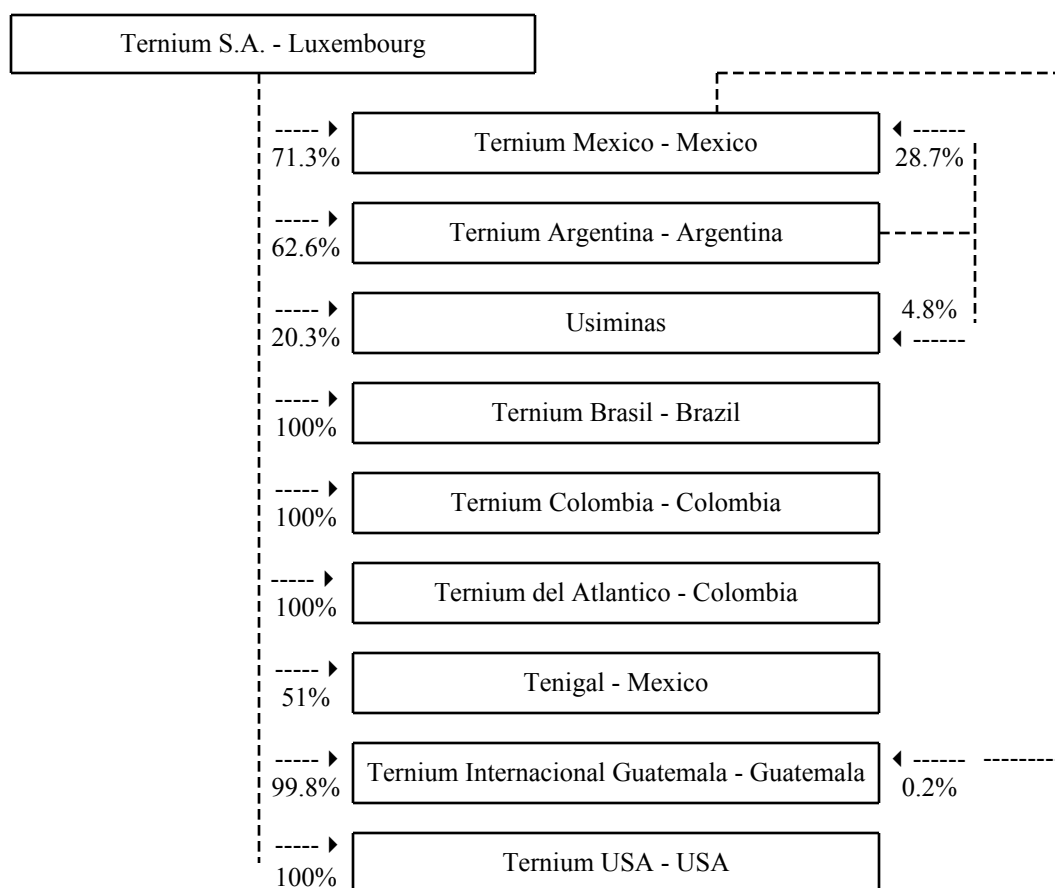
Tenaris has procedures in place designed to ensure that its activities comply with all applicable U.S. and other international export control and economic sanctions laws and regulations.

Other Affiliates

Except for Tenaris, no other affiliates of the Company reported any Iran related activity for the year ended December 31, 2023.

C. Organizational Structure

Below is a simplified diagram of Ternium's corporate structure as of February 29, 2024.



For details of the companies whose financial statements have been consolidated and accounted for interest, see note 2 to the consolidated financial statements included in this annual report.

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 the consolidated financial statements included in this annual report.

Ternium Mexico. Ternium Mexico is a leading flat and long steel manufacturer in Mexico, with total annual finished steel production capacity of approximately 11.0 million tons. Ternium Mexico's subsidiaries operate all of Ternium's mining and steel production facilities in Mexico, except for Tenigal's facilities. Ternium Mexico and its subsidiaries produce steel products mainly for the construction and industrial sectors.

Ternium Argentina. Ternium Argentina is the main integrated manufacturer of flat steel products in Argentina with total annual finished steel production capacity of approximately 3.0 million tons. The shareholders of Ternium Argentina as of February 29, 2024, are set out in the following table, together with the share percentage owned by each such shareholder as of that date:

Ternium Argentina's Shareholders	(million shares)	Percent
Ternium	2,826.5	62.6 %
ANSeS	1,175.8	26.0 %
Public	514.8	11.4 %
Total shares issued and outstanding	4,517.1	100.0 %

On December 21, 2021, the Company offered to acquire from Ternium Argentina the participation in Ternium Mexico that the Company does not own directly. On February 25, 2022, Ternium Argentina's board of directors requested the Company to consider improving the terms and conditions of Ternium's offer. On March 18, 2022, the Company's board of directors resolved to decline Ternium Argentina's request.

Ternium Brasil. Ternium Brasil is a high-end steel slab producer in Brazil, with annual production capacity of approximately 5.0 million tons. Ternium Brasil produces steel slabs mainly for Ternium's operations in Mexico and Argentina, and for Usiminas.

Ternium Colombia. Ternium Colombia is a leading long and flat steel products processor and distributor in Colombia and a scrap-based long steel manufacturer, with total annual finished steel production capacity of approximately 540,000 tons.

Ternium del Atlantico. Ternium del Atlantico is a manufacturer of steel bars and coils serving the Colombian construction sector with total annual finished steel production capacity of approximately 500,000 tons.

Tenigal. Tenigal is a manufacturer of hot-dip galvanized and galvanized steel sheets serving the Mexican automotive industry with total annual finished steel production capacity of approximately 480,000 tons. Ternium and NSC hold 51% and 49% participations in Tenigal, respectively.

Ternium Guatemala. Ternium Guatemala and its subsidiaries operate all of Ternium's steel processing facilities in Guatemala, El Salvador, Nicaragua and Costa Rica. Ternium Guatemala and its subsidiaries produce hot-dip galvanized steel sheets and other value-added finished steel products mainly for the construction and industrial sectors. Ternium Guatemala has total annual finished steel production capacity of 110,000 tons.

Ternium USA. Ternium USA operates Ternium's steel processing activities in the United States and produces galvanized and color coated sheets in its Shreveport unit in Louisiana, United States. Ternium USA has total annual finished steel production capacity of 260,000 tons.

Usiminas. Usiminas is one of the main producers of flat steel products in Brazil, with total annual finished steel production capacity of approximately 6.9 million tons. Usiminas' operates mining and steel production facilities in Brazil. The shareholders of Usiminas as of February 29, 2024, are set out in the following table, together with the share percentage owned by each such shareholder as of that date:

Usiminas' Shareholders	Ordinary shares		Preferred shares		Total shares	
	(million shares)	Percent	(million shares)	Percent	(million shares)	Percent
Ternium (T/T Group)	300.2	42.7 %	8.5	1.6 %	308.7	25.1 %
Confab (T/T Group)	47.5	6.8 %	1.3	0.2 %	48.8	4.0 %
NSC Group	159.9	22.8 %	3.1	0.6 %	163.0	13.2 %
Previdência Usiminas	34.1	4.9 %	—	—	34.1	2.8 %
Public	161.0	22.9 %	515.3	97.6 %	676.3	54.9 %
Total issued and outstanding	702.7	100.0 %	528.2	100.0 %	1,230.9	100.0 %

In July 2023, we increased our investment in Usiminas by acquiring a share of the participation held by Nippon Steel Corporation in the Usiminas' control group. As a result of this transaction, Ternium holds 51.5% of Usiminas' control group shares and 25.1% of its total shares. A new shareholders' agreement was entered into as a result of the transaction, pursuant to which the T/T Group (formed by Ternium Investments, Ternium Argentina and Tenaris' subsidiary Confab Industrial) has the right to nominate a majority of the members of Usiminas' board of directors, the CEO and four other members of Usiminas' board of officers. We began to fully consolidate Usiminas in July 2023.

Usiminas' Control Group	Ordinary shares	
	(million shares)	Percent
Ternium (T/T Group)	248.9	51.5 %
Confab (T/T Group)	47.5	9.8 %
NSC Group	153.1	31.7 %
Previdência Usiminas	34.1	7.1 %
Total Control Group shares	483.6	100.0 %

The appointment of Usiminas' new management team took place in a transformational year for Usiminas, as it successfully relined its main blast furnace. Usiminas took other strategic steps, including putting out of operation one of the smaller blast furnaces and one of its coking facilities. Additional management decisions led to higher efficiency of the metallic charge in the upstream processes and lower fuel rate at the blast furnaces. These actions were part of part of a significant management initiative that is focused on the development of Usiminas' industrial system, with the aim of increasing its productivity, and these will continue to be Usiminas' focus throughout 2024. For information on the acquisition of the additional participation in Usiminas, see note 3 "Acquisition of business - increase of the participation in Usiminas control group and new governance structure of Usiminas" to our consolidated financial statements included in this annual report.

Other Investments

Techgen. Techgen is a Mexican joint venture company owned by 48% by Ternium, 30% by Tecpetrol and 22% by Tenaris. Techgen operates a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico. Ternium and Tenaris currently contract 78% and 22%, respectively, of Techgen's power capacity of approximately 900 megawatts. As a result, Ternium is securing the supply of electricity to its existing and future facilities in Mexico and sells unused energy to the Mexican market. For further information on the Company's commitments under the Techgen project, see note 24(ii)(d), (g), (k) and (l) to the consolidated financial statements included in this annual report.

Unigal Usiminas Ltda. Unigal Usiminas is a joint venture company owned 70% by Usiminas and 30% by NSC. Located in Ipatinga, Minas Gerais, Brazil, it produces hot-dipped galvanized steel coils for the automotive and home appliance industries, and the construction sector. The control of Unigal is shared between the partners, as provided for in the shareholders' agreement.

MRS Logística S.A. MRS Logística is the concessionary of the Southeastern Federal Railroad Network in the states of Minas Gerais, Rio de Janeiro and São Paulo, Brazil. Shareholders of MRS Logística include Usiminas (11.41% participation) and other Brazilian iron ore and steel producers.

D. Property, Plants and Equipment

For further information, 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 consolidated financial statements and the related notes included in this annual report. This discussion and analysis presents our financial condition and results of operations on a consolidated basis.

As a result of the consolidation of Usiminas beginning in July 2023, the Company reported its results for the year ended December 31, 2023, in three operating segments: steel, mining and Usiminas. Upon completion, in the first quarter of 2024, of the CODM's analysis on how to report the integration of Usiminas' operations into Ternium, the Company determined that, based on the resulting business structure for allocation of resources and performance assessment, the operating segments of the Company as from the first quarter of 2024 will be Steel and Mining.

Certain information contained in this discussion and analysis and presented elsewhere in this annual report, including information with respect to our plans and strategies for our business, includes forward-looking statements that involve risks and uncertainties. For further information, see “Cautionary Statement Concerning Forward-Looking Statements.” In evaluating this discussion and analysis, you should specifically consider the various risk factors identified in Item 3.D. “Key Information – Risk Factors” in this annual report and others that could cause results to differ materially from those expressed in such forward-looking statements.

Overview

For a description of Ternium’s profile, business strategy and sustainability approach, see Item 4. “Information on the Company—Overview”, “Information on the Company—B. Business Overview—Our Business Strategy” and “Information on the Company—B. Business Overview—Environmental, Social and Governance.”

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, slabs, 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.

Ternium’s primary source of revenue is the sale of steel products. Management expects sales of 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, Brazil, Argentina, the United States and Colombia.

Ternium’s results are sensitive to economic activity and steel consumption. Ternium’s results of operations, which primarily depend on economic conditions in Mexico, Brazil and Argentina, are also influenced by economic conditions in international and regional markets such as the United States, 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. 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 supply conditions and to trends in cyclical industries, such as the construction, automotive, appliance and machinery industries, which are significant markets for Ternium’s finished steel products. For example, US prices of hot-rolled coils bottomed in 2020 to \$485 per ton, peaked at \$2,135 per ton in 2021, and then showed significant volatility during 2022 and 2023. As a result of these developments, Ternium’s operating income decreased 19% year-over-year in 2023, after decreasing 49% year-over-year in 2022 and increasing 388% year-over-year in 2021. Persistently low 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 and regional production capacity and fluctuations in steel imports/exports and tariffs. Historically, the steel industry has suffered, especially on downturn cycles, from substantial over-capacity. In the last decade, over-capacity was particularly severe in China. More recently, there are several new steel making and steel processing facilities under construction or ramping-up in North America, which could contribute to an excess of steel production capacity in the region. For further information on Ternium’s competition in the Mexican market see Item 4. “Information on the Company—B. Business Overview—Competition—Steel—Mexico”. Furthermore, there has been a trend toward steel industry consolidation among Ternium’s competitors, and current competitors in the steel market could become larger in the future. Intense competition could impact Ternium’s share in certain markets and adversely affect its sales and revenues.

Ternium’s production levels and costs are sensitive to the price and availability of raw materials, semi-finished steel 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 multiple factors, including market conditions, government regulations or intervention, including import controls and international sanctions, allocation by suppliers and interruptions in production. In addition to raw materials and slabs, natural gas is an important component 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 the above-mentioned factors) impact Ternium's production volume and production cost. Purchased slabs are a key component of Ternium's production process. Industry consolidation and integration of slab making facilities into finished steel products have been reducing the availability of slabs in the global market. For example, in 2023 ArcelorMittal acquired Companhia Siderúrgica do Pecém (CSP), a Brazilian slab maker that used to be a significant supplier of slabs in the international markets. In addition, ArcelorMittal gradually integrated its slab facility in Lázaro Cárdenas, Mexico, with the steel processing facilities located in Alabama, U.S., that it had acquired together with NSC in February 2014. Furthermore, in 2021 ArcelorMittal inaugurated a new hot-rolling mill in Lázaro Cárdenas that led to a further integration of its slab facility in that site. Additionally, the Russian invasion of Ukraine in February 2022 and the consequent wave of trade sanctions imposed by the United States, the United Kingdom, and the European Union, among other countries, against certain Russian institutions, companies and citizens, resulted in a disruption to the global supply of slabs and other inputs consumed in the steel production process. New international sanctions against Russian steel companies or citizens that have not been affected by current sanctions could result in slab scarcity and/or increases in slab prices in the market, which would have a material adverse effect on Ternium's business and results of operations.

Ternium's export revenues could be affected by trade restrictions and its domestic revenues could be affected by unfair competition from imports. Currently, there is a significant number of anti-dumping, countervailing, safeguard measures and other trade restrictive actions. Ternium's ability to profitably access the export markets may be adversely affected by trade restrictions, including anti-dumping duties and countervailing measures, in certain 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 measures against unfair trade were not in force. For example, in 2018 the United States imposed, under Section 232 of the Trade Expansion Act of 1962, a 25% tariff on steel imports; however, certain exemptions were granted. These trade measures could stimulate aggressive export offers elsewhere, exerting downward pressure on sales and margins of steel companies operating in other markets and regions, including those in which Ternium operates. For further information, see Item 4. "Information on the Company—B. Business Overview—Regulations—Trade Regulations."

Changes in prevailing exchange rates could impact results from subsidiaries with net short or long positions in currencies other than their functional currencies. The functional currency of Ternium Mexico, Ternium Argentina, Ternium Brazil, Ternium Colombia, Ternium Guatemala and Ternium Senegal is the U.S. dollar. These subsidiaries record foreign exchange results on their net non-U.S. dollar positions when the other currencies appreciate or depreciate with respect to the U.S. dollar. In addition, these subsidiaries record deferred tax results when the local currency appreciates or depreciates in relation to the U.S. dollar (their functional currency) as such fluctuations change, in U.S. dollar terms, the tax base used to calculate deferred tax at such subsidiaries. Fluctuations in the value of such currencies against the U.S. dollar have had, and may also have in the future, an impact on Ternium's results. In addition, Usiminas, which we began to consolidate in July 2023, uses the Brazilian real as its functional currency. Accordingly, any fluctuation of the BRL exchange rate will impact non-BRL balances' exposure in Usiminas' balance sheet and, therefore, impact Ternium's balance sheet and results of operations. Additionally, as Usiminas has the BRL as its functional currency, any fluctuation in the BRL/USD exchange rate will affect Ternium's balance sheet with impact in the statement of comprehensive income as currency translation adjustment.

Changes in prevailing exchange rates have had an impact on Ternium's comprehensive results in the past and could impact comprehensive results from investments with a functional currency other than the U.S. dollar in the future. In accordance with IFRS, Ternium records currency translation adjustments in its consolidated statements of comprehensive income. These adjustments do not affect net income but, instead, have an impact on net worth. Fluctuations in the Brazilian real (as our participation in Usiminas is denominated in Brazilian reais) against the U.S. dollar have had, and may also have in the future, an impact on Ternium's comprehensive results. Ternium's currency translation adjustments results included the effect of the devaluation of the Brazilian real on the value of Ternium's investment in Usiminas as measured in U.S. dollars, amounting to a loss of \$9 million in 2023, a gain of \$41 million in 2022 and a loss of \$40 million in 2021.

The fair value of Ternium's holdings of Argentine securities could be reduced, and Ternium may be required to record a significant loss in its consolidated income statements, as a result of a significant volatility in the Argentine financial market, foreign exchange restrictions in the country and valuation adjustments resulting therefrom. Existing foreign exchange controls in Argentina currently limit the purchase and transfer abroad of foreign currency for saving purposes, restricting Ternium Argentina's ability to hold excess cash reserves in foreign bank accounts. Accordingly, Ternium Argentina holds its cash and financial investments in the Argentine financial system. As of December 31, 2023, the fair value of Ternium Argentina's cash and cash equivalents and other investments was \$1.1 billion. The U.S. dollar value of such instruments recorded in Ternium's consolidated financial statements is based on their Argentine peso local market price, converted to the U.S. dollar at the ARS/\$ official exchange rate. For example, in 2023 the fair value of Argentine securities holdings decreased by \$555 million, mostly as a result of a significant

devaluation of the Argentine Peso in December 2023, with no effect on net income. The valuation of such investments is subject to the volatility of the Argentine financial market and to the effects of applicable foreign exchange restrictions. In addition, Ternium holds Argentine sovereign bonds that it received as an in-kind dividend paid by Ternium Argentina to all shareholders in 2023. Ternium received \$390 million worth of Argentine sovereign bonds. The fair value of such instruments recorded in Ternium's consolidated financial statements is based on their Argentine peso local market price, converted to the U.S. dollar at the ARS/\$ official exchange rate, however their U.S. dollar market price in the international financial markets may be lower and the divestment of such bonds would require Ternium to record a loss. For example, in the fourth quarter of 2023, Ternium divested a share of its Argentine government bond holdings and consequently recorded a loss of \$58 million due to the recycling of changes in the fair value of financial instruments from Other Comprehensive Income to Financial Results. As of December 31, 2023, the balance of Ternium's Other Comprehensive Income in connection with its Argentine sovereign bond holdings amounted to a negative \$527 million.

A. Results of Operations

The following discussion and analysis of our financial condition and results of operations are based on the consolidated financial statements included in this annual report. Accordingly, this discussion and analysis present our financial condition and results of operations on a consolidated basis. For further information, see "Presentation of Certain Financial and Other Information—Accounting Principles" and notes 2 and 3 to the consolidated financial statements included in this annual report. The following discussion should be read in conjunction with the consolidated financial statements and the related notes included in this annual report.

Selected consolidated income statement data
For the year ended December 31,
In million U.S. dollars (except per share data)

	2023 ⁽¹⁾	2022	2021
Net sales	17,610	16,414	16,091
Cost of sales	(14,051)	(12,487)	(9,895)
Gross profit	3,559	3,927	6,196
Selling, general and administrative expenses	(1,472)	(1,144)	(950)
Other operating results	110	(84)	26
Operating income	2,198	2,699	5,271
Finance expense	(125)	(47)	(27)
Finance income	255	75	63
Other financial income (expenses), net	(6)	(99)	57
Equity in earnings of non-consolidated companies	105	37	401
Effect related to the increase of the participation in Usiminas	(171)	—	—
Recycling of other comprehensive income related to Usiminas	(935)	—	—
Profit before income tax expense	1,321	2,666	5,764
Income tax expense	(334)	(574)	(1,397)
Profit for the year	986	2,093	4,367
Attributable to:			
Owners of the parent	676	1,768	3,825
Non-controlling interest	310	325	542
Profit for the year	986	2,093	4,367
Depreciation and amortization	658	616	592
Weighted average number of shares outstanding ⁽²⁾	1,963,076,776	1,963,076,776	1,963,076,776
Basic earnings per share (\$) ⁽³⁾⁽⁴⁾	0.34	0.90	1.95
Basic earnings per ADS (\$) ⁽³⁾⁽⁴⁾	3.44	9.00	19.49
Dividends per share (\$) ⁽⁵⁾	0.33 ⁽⁵⁾	0.27	0.26
Dividends per ADS (\$) ⁽⁵⁾	3.30 ⁽⁵⁾	2.70	2.60

- (1) In July 2023, Ternium increased its participation in the Usiminas' control group and began to consolidate Usiminas. For information on the acquisition of the additional participation in Usiminas, see note 3 "Acquisition of business - increase of the participation in Usiminas control group and new governance structure of Usiminas" to our consolidated financial statements included in this annual report.
- (2) Of the 2,004,743,442 shares issued as of December 31, 2023, the Company held in treasury 41,666,666 shares that were repurchased from Usiminas on February 15, 2011. Such shares were not considered for purposes of the calculation of the weighted average number of shares. Each ADS represents 10 shares.
- (3) 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 and basic earnings per ADS, however, continue to be calculated on the basis of income attributable solely to the owners of the parent.
- (4) Diluted earnings per share and per ADS (expressed in \$ per share or ADS), equals basic earnings per share or ADS, respectively.
- (5) In November 2023, the Company paid an interim dividend for fiscal year 2023 of \$0.11 per share (\$1.10 per ADS). On February 20, 2024, the Company's board of directors proposed that an annual dividend of \$0.33 per share (\$3.30 per ADS), be approved at the Company's annual general shareholders' meeting, which is scheduled to be held on April 30, 2024. The annual dividend would include the interim dividend of \$0.11 per share (\$1.10 per ADS), paid in November 2023. If the board of directors' proposal is approved at the shareholders' meeting, a net dividend of \$0.22 per share (\$2.20 per ADS), will be paid on May 8, 2024, with record-date on May 3, 2024.

Selected consolidated balance sheet data

	At December 31,		
<i>In million U.S. dollars (except per share data)</i>	2023 ⁽¹⁾	2022	2021
Non-current assets	12,149	8,648	8,491
Property, plant and equipment, net	7,638	6,262	6,432
Deferred tax assets	1,713	200	161
Other non-current assets ⁽²⁾	2,798	2,186	1,898
Current assets	12,031	8,844	8,607
Cash and cash equivalents	1,846	1,653	1,277
Other current assets	10,178	7,189	7,328
Non-current assets classified as held for sale	7	2	2
Total assets	24,179	17,492	17,098
Capital and reserves attributable to the owners of the parent	12,419	11,846	10,535
Non-controlling interest	4,393	1,922	1,700
Non-current liabilities	3,567	1,506	1,649
Borrowings	1,206	533	656
Provisions	840	81	83
Deferred tax liabilities	171	163	186
Other non-current liabilities	1,350	729	723
Current liabilities	3,801	2,217	3,214
Borrowings	940	499	823
Other current liabilities	2,861	1,718	2,391
Total liabilities	7,367	3,723	4,863
Total equity and liabilities	24,179	17,492	17,098
Number of shares	1,963,076,776	1,963,076,776	1,963,076,776

- (1) In July 2023, Ternium increased its participation in the Usiminas' control group and began to consolidate Usiminas. For information on the acquisition of the additional participation in Usiminas, see note 3 "Acquisition of business - increase of the participation in Usiminas control group and new governance structure of Usiminas" to our consolidated financial statements included in this annual report.
- (2) Includes goodwill mainly related to the acquisition of our Mexican subsidiaries for a total amount of \$662.3 million as of December 31 of each year.

Fiscal Year Ended December 31, 2023 compared to Fiscal Year Ended December 31, 2022

This annual report includes certain non-IFRS alternative performance measures such as "Net Cash" and "Free Cash Flow". The reconciliation of these figures to the most directly comparable IFRS measures is included in Exhibit 15.1 "Statement explaining alternative performance measures".

Overview

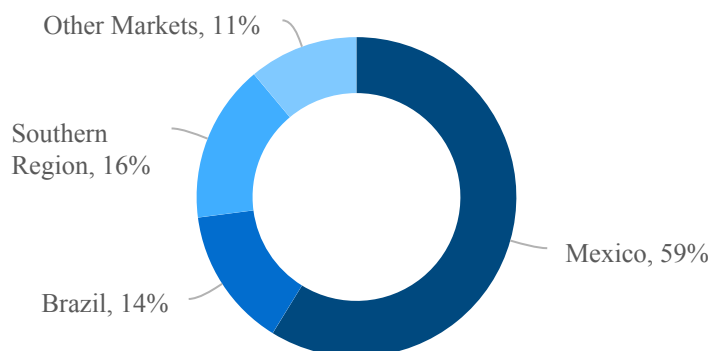
In 2023, Ternium advanced several initiatives aimed at further strengthening its competitive position in Latin America. Ternium announced the construction of a new steelmaking facility and a direct reduction unit in Pesquería, Mexico, as well as a new port facility for raw material handling. In addition, Usiminas completed the relining of its main blast furnace at the Ipatinga facility.

The new projects in Mexico are progressing as planned. The new downstream lines in Pesquería are expected to allow the offer of new higher value-added products to our customers in the region. This capacity will be integrated with the new steel slab mill, which is currently under construction. This new facility will have a low carbon dioxide emission rate and would be able to produce the most technologically advanced automotive steel products in the Americas. It is expected to supply the full range of auto products, from exposed grades to advanced high strength steels. This slab mill will be based on electric-arc-furnace technology and its direct reduction iron facility will have the capacity to capture carbon dioxide.

In July 2023, we acquired from NSC an additional participation in Usiminas control group. As a result of this transaction, Ternium holds 51.5% of Usiminas control group shares and 25.1% of its total shares. A new shareholders' agreement was entered into as a result of the transaction, pursuant to which the T/T Group (formed by Ternium Investments, Ternium Argentina and Tenaris' subsidiary Confab Industrial) has the right to nominate a majority of the members of Usiminas' board of directors, the CEO and four other members of Usiminas' board of officers. As a result of this, we began to fully consolidate Usiminas in July 2023.

In 2023, Ternium had positive financial performance. Operating results and cash from operations were solid. Due to these good results and a strong financial position, the Company's board of directors proposed an annual dividend of 3 dollars and 30 cents per ADS, a significant year-over-year increase. This is the highest annual dividend on record.

Steel Shipments in 2023



Growth in the Mexican steel market in 2023 was outstanding. According to Canacero, consumption of flat steel reached an all-time-high of more than 18 million tons, equivalent to a yearly increase of 18%. Ternium's shipments in the country grew by 22%, with a significant market share gain, supported by the ramp-up of its new hot rolling mill in Pesquería. The market environment in Mexico continues to be healthy. Industrial activity remains strong and the auto industry is working at high levels of capacity, rebuilding stocks in the value chain. In 2023, automotive production increased 14%, reaching 3.8 million units. Construction activity in the country also remains at good levels, driven by non-residential projects like industrial warehouses, natural gas pipelines and other infrastructure projects. On the other hand, residential construction is being negatively affected by an increase in the prices of construction inputs, and apparent steel demand in the commercial market is showing short-term weakness due to a destocking tied to the recent downturn in steel spot prices in North America.

The nearshoring of manufacturing capacity is clearly one of the factors contributing to economic activity in the region. Mexico offers a compelling combination of geographic proximity, skilled labor, and a supportive business environment, contributing to increased supply chain resilience.

The construction of both our slab mill and downstream lines in Pesquería is progressing as planned, with suppliers already selected for the main equipment and work advancing as expected. We have updated our budget for these projects, and are now estimating a total investment of \$3.5 billion, up 9% from the \$3.2 billion initial estimated disclosed one year ago. This increase is mainly attributed to inflation affecting the pricing of equipment and fluctuations in foreign exchange rates.

In the Southern Region, steel shipments were relatively weak in 2023, mainly attributable to government-imposed restrictions on import of inputs, which affected Ternium's steel production rates in Argentina. Ternium is advancing on the construction of a wind farm in Argentina, which is expected to begin operations by the end of 2024. As part of our decarbonization roadmap, we target to use 40% renewable energy for our steel operations by 2030.

Steel Products Sales

Ternium's steel shipments in 2023 increased by 2.3 million tons compared to shipment levels in 2022. The consolidation of Usiminas in the second half of 2023 added 2.1 million tons to total steel shipments. Revenue per ton decreased year-over-year in 2023 reflecting lower realized steel prices in most of Ternium's markets, particularly in the USMCA region.

Ternium's steel shipments in Mexico increased by an outstanding 1.5 million tons year-over-year in 2023. However, this increase was partially offset by lower shipments in the Southern Region and in Other Markets. Our consolidation of Usiminas' operations resulted in a significant increase in reported steel volumes in Brazil.

Mining Products Sales

Ternium's iron ore shipments in 2023 were 4.1 million tons, reflecting the consolidation of Usiminas' shipments to third parties since July 2023. Iron ore production from our Mexican mines was fully consumed by our Mexican steelmaking facilities and netted out in the consolidation process. Therefore, on a consolidated basis, no shipments of iron ore from our Mexican mines were reported in 2022 and 2023.

The following table outlines Ternium's consolidated net sales for 2023 and 2022:

Consolidated	Net Sales (\$ million)			Shipments (thousand tons)			Revenue/Ton (\$/ton)		
	2023	2022	Dif.	2023	2022	Dif.	2023	2022	Dif.
Mexico	9,311	8,828	5 %	8,355	6,843	22 %	1,114	1,290	-14 %
Brazil	2,279	582	292 %	2,014	723	178 %	1,132	804	41 %
Southern Region	3,569	3,834	-7 %	2,271	2,362	-4 %	1,572	1,623	-3 %
Other Markets	1,853	2,848	-35 %	1,573	1,968	-20 %	1,178	1,447	-19 %
Total steel products	17,013	16,092	6%	14,213	11,896	19%	1,197	1,353	-12%
Mining products	329	0		4,128	0		80		
Other products*	268	323	-17 %						
Net sales	17,610	16,414	7%						

* The item "Other products" primarily includes electricity sales in Brazil and Mexico.

Operating Income

Ternium's operating income decreased year-over-year in 2023, reflecting lower realized steel prices partially offset by a decrease in costs, due mainly to lower purchased slab, raw material and energy costs. The consolidation of Usiminas' financial statements in the second half of 2023 did not add significant results at the operating income level due to Usiminas' very low level of profitability as it ramped-up its main blast furnace at its Ipatinga facility.

In \$ million	2023	2022
Operating income	2,198	2,700
Net sales	17,610	16,414
Cost of sales	(14,051)	(12,487)
SG&A expenses	(1,472)	(1,144)
Other operating income (loss)	110	(84)

Net Financial Results

In 2023, Ternium recorded a \$130 million net interest gain, reflecting our strong net cash position during the year. In addition, Ternium recorded a \$98 million net foreign exchange gain mainly due to the impact of the devaluation of the Argentine Peso versus the U.S. dollar on Ternium Argentina's net short local currency position.

Ternium's divestment of Argentine sovereign bonds in 2023 resulted in a loss of \$58 million due to the recycling of changes in the fair value of financial instruments from Other Comprehensive Income to Financial Results. As of December 31, 2023, the balance of Ternium's Other Comprehensive Income in connection with its holdings of Argentine sovereign bonds amounted to a negative \$527 million. For information on exchange controls in Argentina and on Ternium Argentina's dividend payment in kind, see note 30 "Foreign exchange restrictions in Argentina" to Ternium's audited consolidated financial statements included in this annual report; and "—Risks Relating to the Countries in Which Ternium Operates – Argentina: Exchange controls in Argentina could negatively impact Ternium Argentina's operations, preventing Ternium from importing raw materials, paying dividends or transferring cash surpluses abroad, as a result of its inability to access the foreign exchange market".

In \$ million	2023	2022
Net interest results	130	28
Net foreign exchange result	98	(164)
Change in fair value of financial assets	(58)	76
Other financial expense, net	(47)	(10)
Net financial results	123	(70)

Equity in Results of Non-Consolidated Companies

Equity in results of non-consolidated companies was a gain of \$105 million in 2023, mainly related to Ternium's equity in the results of Usiminas and Techgen. Usiminas was accounted for as equity in results of non-consolidated companies in the first half of 2023, as Ternium only started to consolidate Usiminas in July 2023.

Effect of the Increase of the Participation in Usiminas

In July 2023, Ternium increased its participation in Usiminas' control group and began to consolidate Usiminas. For information on the acquisition of the additional participation in Usiminas, see note 3 "Acquisition of business - increase of the participation in Usiminas control group and new governance structure of Usiminas" to our consolidated financial statements included in this annual report.

As a result of this transaction, Ternium recorded a \$1.1 billion non-cash net loss due to the following items:

Recycling of Currency Translation Adjustment (CTA) from Other Comprehensive Income to Net Results

Ternium recorded a loss of \$935 million corresponding to items recognized as of the acquisition date, in Other Comprehensive Income related to Ternium's previous stake in Usiminas. This negative reserve was mainly related to CTA losses due to the impact on Usiminas' valuation of the depreciation, over the years, of the Brazilian Real versus the U.S. dollar, as Usiminas uses the Brazilian Real as its functional currency. As a result of the increase in the participation in Usiminas, items recognized in Other Comprehensive Income related to Ternium's previous stake in Usiminas were recycled to the results of the period. The resulting \$935 million loss is non-cash, has no income tax effects and did not change the value of Ternium's equity.

Remeasurement of Ternium's stake in Usiminas

Ternium recorded a net loss of \$171 million as a result of the purchase price allocation related to the business combination performed in the third quarter of 2023 and the remeasurement of Ternium's previous stake in Usiminas.

Income Tax Expense

Income tax expense was \$334 million in 2023. This result included a deferred tax gain of \$231 million. Deferred tax results reflect the impact of local currency fluctuations versus the U.S. dollar on subsidiaries that use the U.S. dollar as functional currency, mainly Ternium Mexico, Ternium Argentina and Ternium Brasil, net of the positive effect of local inflation.

In \$ million	2023	2022
Current income tax expense	(565)	(600)
Deferred tax gain	231	27
Income tax expense	(334)	(574)
Result before income tax	1,321	2,666
Effective tax rate	25%	22%

Net Income

Ternium's net income in 2023 reflected the decrease in operating results and the negative impact of the \$1.1 billion non-cash loss in connection with the process of fully consolidating Usiminas' balance sheet and results of operations. These were partially offset by better net financial results.

Non-controlling interest results in 2023 were mainly related to non-controlling interest in Ternium Argentina and Usiminas.

In \$ million	2023	2022
Owners of the parent	676	1,768
Non-controlling interest	310	325
Net income	986	2,093

Fiscal Year Ended December 31, 2022 compared to Fiscal Year Ended December 31, 2021

This annual report includes certain non-IFRS alternative performance measures such as “Net Cash” and “Free Cash Flow”. The reconciliation of these figures to the most directly comparable IFRS measures is included in Item 19. Exhibits, Exhibit Number 15.1 “Statement explaining alternative performance measures”.

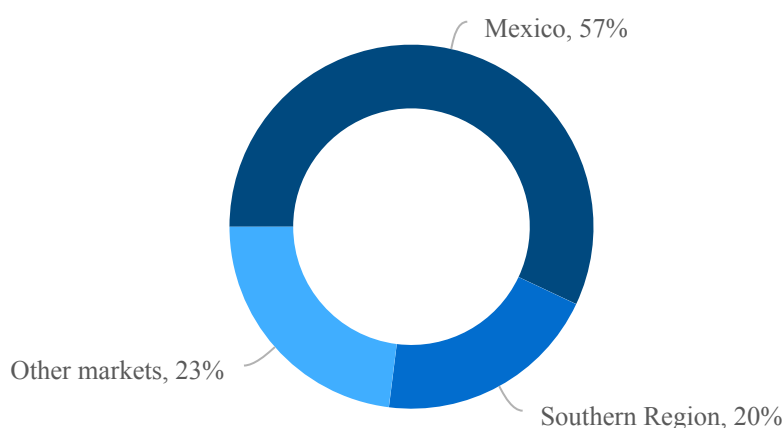
Overview

In 2022, Ternium’s finished steel shipments reached the highest level on record. During the year, Ternium continued ramping-up its new hot-rolling mill in Pesquería, Mexico. This, together with a strong product development and certification effort, which leaned on Ternium’s new state-of-the-art research center, enabled us to continue gaining share in the Mexican steel market. In February 2022, we announced the construction of new downstream facilities in Pesquería. Projects include a push-pull pickling line with annual capacity of 550,000 tons and new finishing lines, currently expected to be commissioned by mid-2024, and a cold-rolling mill and hot-dip galvanizing line with annual capacity of 1.6 and 0.6 million tons, respectively, expected to begin operations by the end of 2025. These projects are consistent with Ternium’s strategy to strengthen its competitive positioning in order to replace imports in the Mexican market, and better serve its customers with a broader and more technologically advanced product portfolio.

In 2022 we also announced the construction of a new direct reduced iron and steelmaking facilities in the USMCA region, with annual production capacity of 2.1 and 2.6 million tons, respectively. This project is expected to advance the integration of Ternium’s industrial system, reinforce its position as a leading steel supplier in the region and support its ongoing compliance with the USMCA’s ‘melted and poured’ requirement for the automotive industry. In addition, the new facilities will help advance Ternium’s decarbonization goals due to its low carbon dioxide emission intensity. Their readiness to switch from natural gas to hydrogen, when feasible, would enable further emission reductions. Furthermore, we announced the construction of a wind farm in Argentina, currently underway. This new facility will enable us to replace approximately 65% of the electricity currently purchased from third parties for our operations in Argentina.

In 2022, the global economy was affected by high inflation levels, increasing interest rates, the deceleration of the Chinese economy and the impact of the Russian invasion of Ukraine. This adverse economic and financial framework, together with the disruption caused to the steel industry’s supply chain by the war in Ukraine, led to highly volatile international prices of raw materials, slabs and other steel production inputs, and a deceleration of global steel consumption. Despite this difficult context, Ternium’s results in 2022 were solid. Net sales reached \$16.4 billion on total steel shipments of 11.9 million tons. Steel revenue per ton was \$1,353 in 2022, slightly above the level recorded in 2021.

Steel Shipments in 2022



During 2022, steel shipments in the Mexican market represented 57% of total shipments. Volumes sold in the Southern Region were 20% of total shipments, the majority of which were destined to the Argentine market. Shipments in Other Markets were 23% of total shipments, with major shipment destinations usually being the United States, Brazil, Colombia and Central America.

Operating income in 2022 was \$2.7 billion and net income was \$2.1 billion. Equity holders' net income in 2022 was \$1.8 billion, equivalent to earnings per ADS of \$9.00. Net cash provided by operating activities in 2022 was \$2.8 billion and free cash flow was \$2.2 billion (net cash provided by operating activities of \$2.8 billion less capital expenditures of \$580.6 million). During the year, Ternium advanced diverse capital expenditure projects throughout its main facilities, including those for further improving environmental and safety conditions and additional works in the new hot-rolling mill at Ternium's Pesquería industrial center in Mexico.

Dividends paid to shareholders in 2022 were \$530 million. In addition, Ternium Argentina paid dividends in kind, of which \$112.3 million correspond to non-controlling shareholders. Ternium reached a net cash position of \$2.6 billion at the end of December 2022 (cash and cash equivalents plus other investments of \$3.6 billion less borrowings of \$1.0 billion), compared to \$1.2 billion at the end of December 2021 (cash and cash equivalents plus other investments of \$2.7 billion less borrowings of \$1.5 billion). Net cash position and free cash flow are non-IFRS alternative performance measures. Please see Exhibit 15.1 for more information on these measures.

Net Sales

Net sales in 2022 were \$16.4 billion, 2% higher than net sales in 2021. The following table outlines Ternium's consolidated net sales for 2022 and 2021:

	Net Sales (\$ million)			Shipments (thousand tons)			Revenue/Ton (\$/ton)		
	2022	2021	Dif.	2022	2021	Dif.	2022	2021	Dif.
Mexico	8,828	8,872	-0 %	6,843	6,534	5 %	1,290	1,358	-5 %
Brazil	582	975	-40 %	723	1,160	-38 %	804	841	-4 %
Southern Region	3,834	3,374	14 %	2,362	2,503	-6 %	1,623	1,348	20 %
Other Markets	2,848	2,574	11 %	1,968	1,868	5 %	1,447	1,377	5 %
Total steel products	16,092	15,795	2 %	11,896	12,065	-1 %	1,353	1,309	3 %
Mining products	—	48	-100 %	—	262	—	—	182	—
Other products*	323	248	30 %						
Net sales	16,414	16,091	2 %						

* The item "Other products" primarily includes electricity sales in Brazil and Mexico.

Ternium's steel shipments in 2022 were 11.9 million tons, similar to shipment levels in the prior year. Sales volumes in Mexico increased 5% year-over-year in 2022. Ternium gained share in the local market aided by the ramp-up of

state-of-the-art new facilities in its industrial center in Pesquería, together with the development and certification of high-end steel products for industrial customers. The country's economy continued improving during 2022, undertaking elevated inflation rates and tightening monetary conditions. Industrial activity in Mexico remained healthy, although some sectors softened in recent months reflecting a weakening US housing market. Production rates in the automotive industry improved in 2022, supported by pent-up vehicle demand and a gradual ease of supply chain difficulties during the second half of the year. The Mexican construction sector also improved, although activity levels stayed below those prevailing before the COVID-19 pandemic.

In the Southern Region, shipments were down 6% year-over-year in 2022. Although activity in Argentina's construction sector and demand for industrial products remained healthy, steel sales in the country moderated during 2022 reflecting an ease of a pandemic-induced surge in steel consumption in the prior year. In addition, shipments decreased year-over-year in other countries in the region as Ternium reduced its exports from Argentina. In Other Markets, shipments were down 11% year-over-year in 2022, reflecting a further integration of Ternium's Brazilian slab facility. The volume of slabs shipped to third parties decreased 793,000 tons year-over-year in 2022, partially offset by a 457,000-ton increase in shipments to finished steel customers.

Revenue per ton was \$1,353 in 2022, up \$45 compared to revenue per ton in the prior year mainly reflecting a higher value sales mix in connection with the integration of Ternium's industrial system.

Cost of Sales

Cost of sales was \$12.5 billion in 2022, an increase of \$2.6 billion compared to 2021. This was primarily due to a \$2.3 billion, or 29%, increase in raw materials and consumables used, mainly reflecting higher purchased slab, raw material and energy costs, partially offset by a 1% decrease in steel shipments; and to a \$281.8 million increase in other costs, including a \$173.0 million increase in labor cost, mainly in connection with Ternium Mexico employees' profit sharing scheme, a \$31.8 million increase in services and fees, a \$30.3 million increase in maintenance expenses, a \$20.4 million increase in amortization of intangible assets and a \$17.4 million increase in depreciation of property, plant and equipment.

Ternium has various off-balance sheet commitments to purchase raw materials, energy (natural gas and electricity), supplies (air, oxygen, nitrogen and argon), production equipment and logistic services.

Selling, General and Administrative (SG&A) Expenses

Selling, General & Administrative (SG&A) expenses in 2022 were \$1.1 billion, or 7% of net sales, an increase of \$193.5 million compared to SG&A expenses in 2021, mainly due to a \$128.9 million increase in freight and transportation expenses, a \$48.4 million increase in labor cost and a \$13.2 million increase in services and fees.

Operating Income

Operating income in 2022 was \$2.7 billion, or 16% of net sales, compared to operating income of \$5.3 billion, or 33% of net sales, in 2021.

Net Financial Results

Net financial results were a loss of \$70.1 million in 2022, principally due to a \$163.7 million net foreign exchange loss partially offset by a \$78.3 million gain related to changes in the fair value of financial assets and a gain of \$28.4 million related to investment returns on Ternium's liquidity position net of borrowing costs. The net foreign exchange loss in 2022 mainly reflected the negative impact of the depreciation of the Argentine Peso against the US dollar (42% in the period) on Ternium Argentina's net long local currency positions. The gain related to changes in the fair value of financial assets included a \$95.0 million negative fair value adjustment of certain Argentine securities collected by Ternium as dividend in kind from Ternium Argentina. For more information related to this transaction, see "Risk Factors –Risks Relating to the Countries in Which Ternium Operates –Argentina – Argentine exchange controls could negatively impact Ternium Argentina's operations or prevent it from paying dividends or transferring cash surpluses abroad, as a result of its inability to access the foreign exchange market". Net financial results in 2021 were a gain of \$92.5 million.

Equity in Results of Non-Consolidated Companies

Equity in results of non-consolidated companies was a gain of \$37.1 million in 2022, mainly related to Ternium's equity in the results of Usiminas and Techgen. As of September 30, 2022, Ternium performed an impairment test of its investment in Usiminas and subsequently wrote down such investment by \$120.4 million. Equity in results of non-consolidated companies in 2021 was a gain of \$400.7 million.

Income Tax Expense

Income tax expense in 2022 was \$573.7 million, with a 22% effective tax rate, compared to \$1.4 billion in 2021, with a 24% effective tax rate. Effective tax rate in 2022 included a non-cash gain on deferred taxes at our Mexican and Argentine subsidiaries.

Net Income Attributable to Non-controlling Interest

Net gain attributable to non-controlling interest in 2022 was \$325.3 million, lower than a net gain of \$542.1 million in 2021 mainly reflecting Ternium Argentina's lower results.

B. Liquidity and Capital Resources

The following table shows the changes in our cash and cash equivalents for each of the periods indicated below:

In \$ million	For the year ended December 31,		
	2023	2022	2021
Net cash provided by operating activities	2,501	2,753	2,677
Net cash used in investing activities	(1,470)	(1,325)	(1,045)
Net cash used in financing activities	(766)	(1,016)	(854)
Increase in cash and cash equivalents	265	412	778
Effect of exchange rate changes	(72)	(35)	(39)
Cash and cash equivalents at the beginning of the year	1,653	1,277	538
Cash and cash equivalents at the end of the year ⁽¹⁾	1,846	1,653	1,277

(1) In addition to cash and cash equivalents, at December 31, 2023, 2022 and 2021, Ternium had \$2.2 billion, \$2.0 billion and \$1.4 billion of other investments with maturities of more than three months, respectively, and \$3.0 million, \$0.0 million and \$0.1 million of restricted cash at December 31, 2023, 2022 and 2021, respectively.

Changes in cash and cash equivalents between December 31, 2022 and December 31, 2023

Overview

During 2023, Ternium's primary source of funding was cash provided by operating activities. Ternium's cash from operations in 2023 reached a solid \$2.5 billion. Capital expenditures increased year-over-year to \$1.5 billion (including advanced payments to equipment suppliers), mainly as a result of Ternium's growth projects in Pesquería and the consolidation of Usiminas in the second half of 2023. In addition to its growth projects in Pesquería, during the year Ternium advanced the construction of a new wind farm in Argentina and several projects aimed at further improving environmental and safety conditions at its facilities. Usiminas' capital expenditures included those for the relining of its main blast furnace in Ipatinga.

During 2023, Ternium invested \$119 million in the acquisition of an additional participation in Usiminas, paid cash dividends to the Company's shareholders of \$569 million and paid dividends in kind to non-controlling interest in Ternium Argentina of \$234 million.

As of the end of 2023, Ternium's net cash position was \$1.9 billion, a decrease of \$711 million compared to year-end 2022. In the year, the fair value of Argentine securities holdings decreased by \$555 million, mostly as a result of a sharp devaluation of the Argentine Peso official exchange rate during December 2023. Ternium's net cash position as of December 31, 2023 included Ternium Argentina's total position of cash and cash equivalents and other investments of \$1.1 billion. For information on exchange controls in Argentina and on Ternium Argentina's dividend payment in kind, see note 30 "Foreign exchange restrictions in Argentina" to Ternium's audited consolidated financial statements included in this annual report; and "—Risks Relating to the Countries in Which Ternium Operates – Argentina: Exchange controls in Argentina could negatively impact Ternium Argentina's operations, preventing Ternium from importing raw materials, paying dividends or transferring cash surpluses abroad, as a result of its inability to access the foreign exchange market".

Operating activities

Net cash provided by operating activities in 2023 included a working capital reduction of \$321 million, due to a \$202

million decrease in inventories and an aggregate \$217 million net increase in accounts payable and other liabilities, partially offset by an aggregate \$98 million increase in trade and other receivables.

Investing activities

Net cash used in investing activities in 2023 was \$1.5 billion, primarily attributable to capital expenditures of \$1.5 billion, an increase of \$718 million in financial investments with maturities of more than three months and a \$119 million investment in additional shares of Usiminas, partially offset by the cash acquired in connection with the consolidation of Usiminas, which amounted to \$781 million.

Financing activities

Net cash used in financing activities was \$766 million in 2023, attributable to dividends paid in cash to the Company's shareholders of \$569 million, net repayment of borrowings of \$138 million and finance lease payments of \$59 million.

Changes in cash and cash equivalents between December 31, 2021 and December 31, 2022

Overview

During 2022, Ternium's primary source of funding was cash provided by operating activities. Cash and cash equivalents as of December 31, 2022 was \$1.7 billion, a \$0.4 billion increase from \$1.3 billion at the end of the prior year. In addition to cash and cash equivalents, as of December 31, 2022, we held other investments with maturity of more than three months for a total amount of \$2.0 billion, increasing \$618.0 million compared to December 31, 2021. Ternium Argentina's consolidated position of cash and cash equivalents and other investments amounted to \$1.4 billion as of December 31, 2022. For information related to our financial investments and exchange controls in Argentina, see "Risk Factors –Risks Relating to the Countries in Which Ternium Operates –Argentina – Argentine exchange controls could negatively impact Ternium Argentina's operations or prevent it from paying dividends or transferring cash surpluses abroad, as a result of its inability to access the foreign exchange market". We hold money market investments, time deposits and variable-rate or fixed-rate securities. Our financial indebtedness decreased in 2022, to \$1.0 billion at the end of 2022 from \$1.5 billion at the end of 2021.

Operating activities

Net cash provided by operating activities in 2022 was \$2.8 billion. Income tax payments reached \$1.8 billion in the year, mainly due to significant outstanding tax balances for fiscal year 2021, paid in 2022 in Mexico and Argentina, and higher advance payments for fiscal year 2022 in Mexico. Working capital decreased \$1.2 billion in 2022 as a result of an aggregate \$584.7 million decrease in trade and other receivables, a \$438.1 million decrease in inventories and an aggregate \$129.7 million increase in accounts payable and other liabilities. The inventory value decrease in 2022 was due to a \$407.0 million lower steel volume and a \$133.5 million decrease in raw materials, supplies and others, partially offset by a \$102.4 million higher cost of steel.

Investing activities

Net cash used in investing activities in 2022 was \$1.3 billion, primarily attributable to capital expenditures of \$580.6 million and an increase of \$770.6 million in financial investments with maturities of more than three months. During 2022, Ternium advanced diverse projects throughout its main facilities, including those for further improving environmental and safety conditions and additional works in the new hot-rolling mill at Ternium's Pesquería industrial center in Mexico.

Financing activities

Net cash used in financing activities was \$1.0 billion in 2022, attributable to dividends paid in cash to Company's shareholders of \$530.0 million, net repayment of borrowings of \$436.7 million and finance lease payments of \$49.4 million.

Principal Sources of Funding

Funding Policy

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. When feasible, management bases its financing decisions, including the election of currency, term and type of the facility, on the intended use of proceeds for the proposed financing and on costs. For information on our financial risk management, see note 29 "Financial risk management" to our consolidated financial statements included in this annual report.

Ternium has in place non-committed credit facilities and management believes it has adequate access to the credit markets. Considering our financial position and the funds provided by operating activities, management believes that we have sufficient resources to satisfy our current working capital needs, service our debt and pay dividends. 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.

Financial Liabilities

Total financial debt (inclusive of principal and interest accrued thereon) was \$2.1 billion as of December 31, 2023. Our financial liabilities consist mainly of loans with financial institutions, bonds and debentures. As of December 31, 2023, these facilities were mainly denominated in U.S. dollars and Brazilian reais (76% and 21% of total financial liabilities, respectively). With cash and cash equivalents of \$1.8 billion, other investments of \$2.2 billion and total borrowings of \$2.1 billion, Ternium achieved a net cash position of \$1.9 billion as of December 31, 2023 (cash and cash equivalents plus other investments less borrowings). This compares to a net cash position of \$2.6 billion as of December 31, 2022 (cash and cash equivalents plus other investments of \$3.6 billion less borrowings of \$1.0 billion).

Net cash position is a non-IFRS alternative performance measure. Please see Exhibit 15.1 for more information on these measures.

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

In \$ million	2023	2022	2021
Bank borrowings ⁽¹⁾	925	1,032	1,479
Bonds	765	—	—
Debentures	457	—	—
Total borrowings	2,146	1,032	1,479

(1) Net of debt issuance costs.

Ternium's cost of debt in 2023, as measured by the weighted average interest rate, was 7.28% for bank borrowings, 5.88% for bonds and 12.52% for debentures, which were 43%, 36% and 21% of our total borrowings, respectively. These rates 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 each instrument as of December 31, 2023. Such rates do not include the effect of derivative financial instruments, nor fluctuations in the exchange rate between the instrument's currencies and the U.S. dollar. For more information on the key terms of our debt instruments, see "- Most Significant Borrowings and Financial Commitments".

The following table shows the weighted-average interest rates as of December 31 of each of the last three years:

	2023	2022	2021
Bank borrowings	7.28%	6.21%	1.45%
Bonds	5.88%	—	—
Debentures	12.52%	—	—

As of December 31, 2023, current borrowings were 44% of total borrowings, none of which corresponded to borrowings with related parties. As of December 31, 2023, the maturities of our financial liabilities were as follows:

In \$ million At December 31, 2023	1 year or less	1 – 2 Years	3 years or more	Total
Bank borrowings	915	9	—	924
Bonds	21	—	744	765
Debentures	4	—	453	457
Total borrowings ⁽¹⁾⁽²⁾	940	9	1,197	2,146

(1) Borrowings with third parties.

(2) Net of debt issuance costs.

For information on our derivative financial instruments, see Item 11. “Quantitative and Qualitative Disclosures about Market Risk” and note 22 to the consolidated financial statements included in this annual report.

Most Significant Borrowings and Financial Commitments

Our most significant borrowings as of December 31, 2023, were those outstanding under Ternium Brasil’s 2019 syndicated loan facility and Usiminas’ bonds and debentures issued to refinance existing financial debt.

\$ million			Principal amount		
Date	Borrower	Type	Original	Outstanding as of December 31, 2023	Maturity
August 2019	Ternium Brasil	Syndicated loan	500	500	August, 2024
July 2019	Usiminas	Bonds	750	750	July, 2026
May 2022	Usiminas	Debentures	145	134	May, 2029
December 2022	Usiminas	Debentures	310	287	December, 2032

The key covenants in our syndicated loan agreements, bonds and debentures are limitations on liens and encumbrances, restrictions on the sale of certain assets and compliance with financial ratios (e.g., leverage ratio). As of December 31, 2023, Ternium was in compliance with all covenants under its financial instruments.

Ternium has various off-balance commitments, including financial commitments, and commitments to purchase raw materials, energy (natural gas and electricity), supplies (air, oxygen, hydrogen, nitrogen and argon), production equipment and logistic services. Off-balance sheet commitments are discussed in note 25(ii) to our consolidated financial statements included in this annual report.

For further information on our derivative financial instruments, lease liabilities, borrowings, contingencies, commitments and restrictions in the distribution of profits, and financial risk management, see notes 22, 23, 24, 25 and 29 to our consolidated financial statements included in this annual report.

Capital Expenditures

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

Dividend Payments

For information related to this matter, see Item 8. “Financial Information—Dividend Policy”.

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

For information related to this matter, see Item 4. “Information on the Company—B. Business Overview—Research and Development; Product Development.”

D. Trend Information

For information related to this matter, see “—Overview.”

E. Critical Accounting Estimates

This discussion and analysis of our operating and financial review and prospects is based on the audited consolidated financial statements included in this annual report, which have been prepared in accordance with IFRS. IFRS differs in certain significant aspects from U.S. GAAP.

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements 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. 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 these estimates and assumptions are reasonable, they are based upon information available at the time they are made. Actual results may differ significantly from these estimates under different assumptions or conditions.

An overview of Ternium's critical accounting policies under which significant judgments, estimates and assumptions are made may be found in note 3(bb) to the consolidated financial statements included in this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Board of Directors

Management of the Company is vested in a board of directors with the broadest power to act on behalf of the Company and to accomplish or authorize all acts and transactions of management and disposal that are within its corporate purpose and not specifically reserved in the articles of association or by applicable law to the general shareholders' meeting. The Company's articles of association provide for a board of directors consisting of a minimum of three and a maximum of fifteen directors; however, for as long as the Company's shares are listed on at least one regulated market, the minimum number of directors must be five. The Company's current board of directors is composed of eight directors.

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. In 2023, the Company's board of directors met eight times. A majority of the members of the board of directors in office present or represented at the board of directors' meeting constitutes a quorum, and resolutions of the board of directors 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 number of directors that will constitute the board and their compensation. The general shareholders' meeting may dismiss all or any 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 the 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 to be removed only pursuant to written instructions by Tenaris. Tenaris and the San Faustin 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 of the Company pursuant to such shareholders' agreement.

The Company's articles of association provide that the board of directors of the Company may, within the limits of applicable law, (a) 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, however, that the delegation of the Company's day-to-day management and representation authority to a member of the board of directors shall be subject to the prior authorization of the general shareholders' meeting, (b) delegate to one or more persons, whether or not

members of the board of directors, the powers necessary to carry out the Company's decisions (except for approval of material transactions with related parties), (c) confer to one or more persons, whether or not members of the board of directors, the powers deemed to be appropriate for the general technical, administrative and commercial management of the Company, and (d) constitute and determine the responsibilities, powers and authority (including without limitation an audit committee), the members of which may be selected either from among the directors or outside thereof. On May 2, 2023, the board of directors appointed the Company's chief executive as *administrateur délégué* and delegated to him the power to manage the Company's affairs within the ordinary course of business, to direct and supervise the business activities of the Company's subsidiaries and to represent the Company in relation to such matters.

On May 2, 2023, the Company's annual general shareholders' meeting resolved to reduce the number of directors to eight and approved the re-election of Mr. Roberto Bonatti, Mr. Carlos Alberto Condorelli, Mr. Vincent Robert Gilles Decalf, Ms. Gioia Ghezzi, Mr. Daniel Agustín Novegil, Mr. Gianfelice Mario Rocca, Mr. Paolo Rocca and Ms. Lorenza Martinez Trigueros as board members, to hold office until the shareholders' meeting that will be convened to decide on the 2023 accounts. The board of directors subsequently re-appointed Mr. Paolo Rocca as its chairman, Mr. Daniel Agustín Novegil as vice chairman and Mr. Máximo Vedoya as the Company's chief executive officer.

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, 2023
Paolo Rocca ⁽¹⁾	Chairman	Chairman and CEO of Tenaris; Chairman of the Company	18	71
Daniel Agustín Novegil	Vice Chairman	Vice chairman of the Company	18	71
Roberto Bonatti ⁽¹⁾	Director	Director of San Faustin	18	74
Carlos Alberto Condorelli	Director	Director of Tenaris; Director of the Company	17	72
Gioia Ghezzi	Director	Independent Director	3	62
Vincent Robert Gilles Decalf	Director	Independent Director	8	61
Lorenza Martinez Trigueros	Director	Chief Operating Officer of Group Intercam	2	56
Gianfelice Mario Rocca ⁽¹⁾	Director	Chairman of San Faustin	17	75

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

Paolo Rocca. Mr. Rocca is the Chairman of the Company's board of directors. He is a grandson of Agostino Rocca, founder of the Techint Group, a group of companies controlled by San Faustin. He is also the chairman of the board of directors and chief executive officer of Tenaris, and director and president of San Faustin. He is a member of the executive committee of the World Steel Association. Mr. Rocca is an Italian citizen.

Daniel Agustín Novegil. Mr. Novegil is a member of the Company's board of directors and holds the position of its vice-chairman. He served as chief executive officer of the Company from 2005 to 2018. With more than 40 years of experience in the steelmaking industry, in 1993 he was appointed managing director (CEO) of Ternium Argentina S.A. and was on the board of directors of Usiminas from 2013 until 2015. From 1993 he has also been a member of the board of directors of the World Steel Association and is currently a fellow of the Nominating Committee and former president of Alacero (Latin American Steel Association). Since 1999 to 2014 he was a member of the Advisory Board of the Sloan Masters Program at Stanford University, where he graduated as Master of Science in Management. Mr. Novegil is an Argentine citizen.

Roberto Bonatti. Mr. Bonatti is a member of the Company's board of directors. He is a grandson of Agostino Rocca. 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 from 2001 to 2020 he served as its president. He is also a member of the board of directors of Tenaris. Mr. Bonatti is an Italian citizen.

Carlos Alberto Condorelli. Mr. Condorelli is a member of the Company's board of directors. He is also a member of the board of directors of Tenaris. He served as Tenaris' Chief Financial Officer from October 2002 until September 2007. He has held several positions within Tenaris, including also the Chief Financial Officer position in some of the

principal Tenaris Group companies and member of the Company's audit committee between November 1, 2017 and May 2, 2018. He also served as president of the board of directors of Empresa Distribuidora La Plata S.A. ("Edelap"), an Argentine utilities company. Mr. Condorelli is an Argentine citizen.

Gioia Ghezzi. Mrs. Ghezzi serves as member of the Company's board of directors since 2020. She currently serves as Chairwoman of ATM S.p.A. (an Italian transport company). Mrs. Ghezzi was a member of the Board of Ferrovie dello Stato (Italy) from May 2014 and its Chairwoman from December 2015 until July 2018. She served as a Board Member of the Humanitas Group from 2017 to 2022, and in different companies of the Insurance, Infrastructure and Innovation and Technology areas, in and out of Italy. Mrs. Ghezzi has held executive roles in the Zurich Insurance Group, Willis Group Holdings, McKinsey & Co. and IBM Research, among others. She is a theoretical physicist, with a London Business School Executive MBA. Mrs. Ghezzi is a British and Italian citizen.

Vincent Robert Gilles Decalf. Mr. Decalf has served as a director of the Company since September 2015 and the Audit Committee's Chairman since 2020. Since 2012, he acts as an independent non-executive director of various financial, insurance or commercial companies such as Bankinter Luxembourg, Covea Luxembourg or Kredietrust S.A. He is also a member of the board of directors of the Luxembourg Institute for Directors and Managers (*Institut Luxembourgeois des Administrateurs*). Mr. Decalf is a certified independent director since 2014. From 1989 to 2008, Mr. Decalf held executive positions in different countries within Société Générale and has extensive experience in the financial industry. From 2008 to 2012, he was member of the executive committee of the Foyer Group, a Luxembourg-based insurer. For more than twenty five years, he has been an authorized director for Insurance, Bank or Financial companies under Luxembourg regulation. Mr. Decalf is French and Luxemburgish citizen.

Lorenza Martinez Trigueros. Mrs. Martinez Trigueros currently serves as Chief Operating Officer of the Mexican Financial group bank Interam. From 2021 to 2023 she was CEO of the Mexican bank Actinver. Mrs. Martinez Trigueros was the managing director of the payments, finance & risk of Accenture Mexico from 2019 to 2021, former Director of Banco de Mexico's payments and corporate services arm until 2018 and was undersecretary of Industry and Commerce of Mexico from 2008 and 2012. Mrs. Martinez Trigueros has a degree in Economics from the Instituto Tecnológico Autónomo de México and doctorate degree in Economics from the Massachusetts Institute of Technology. Mrs. Martinez Trigueros is a Mexican citizen.

Gianfelice Mario Rocca. Mr. Rocca is a member of the Company's board of directors. He is a grandson of Agostino Rocca. He is chairman of the board of directors of San Faustin, member of the board of directors of Tenaris, president of the Humanitas Group and president of the board of directors of Tenova S.p.A. Moreover, in Italy, he is member of the Board of Bocconi University and member of the advisory board of Politécnico di Milano. At international level, he is member of the Harvard Business School Advisory Board and member of ERT (European Round Table of Industrialists). Mr. Rocca is an Italian citizen.

At the next annual general shareholders' meeting, the Company intends to propose that the number of directors be maintained and that Messrs. Roberto Bonatti, Carlos Alberto Condorelli, Vincent Robert Gilles Decalf, Gianfelice Mario Rocca, Paolo Rocca, Gioia María Ghezzi, Daniel Agustin Novegil and Lorenza Martínez Trigueros be re-elected as members of the Board of Directors, each to hold office until the next annual general meeting of shareholders that will be convened to decide on the Company's 2024 annual accounts.

Board members Decalf, Ghezzi and Martinez Trigueros qualify as independent directors under Exchange Act Rule 10A-3(b)(1) and the Company's articles of association.

Directors' Liability

Each director must act in the interest of the Company, and in accordance with applicable laws, regulations, and the Company's articles of association. Directors are also bound by a general duty of care owed to the Company.

Under the Luxembourg law of August 10, 1915 on commercial companies, as amended (the "Luxembourg Company Law"), directors may be liable to the Company in accordance with general law for the execution of their mandate and for any misconduct in the management of the Company's affairs. Directors are jointly and severally liable towards either the Company or any third parties from damages resulting from the violation of the Luxembourg Company Law or the Company's articles of association. Directors shall be discharged from such liability in the case of a violation to which they were not a party, provided no misconduct is attributable to them and such violation has been reported to the first general meeting of shareholders after they have acquired knowledge thereof.

Causes of action against directors for damages may be initiated by the Company upon a resolution of the general shareholders' meeting passed by a simple majority vote, irrespective of the number of shares represented at the meeting. Causes of action against directors who misappropriate corporate assets or commit a breach of trust may be brought by any shareholder for personal losses different from those of the Company.

An action may also be brought against the directors on behalf of the Company by shareholders who, at the general meeting which decided upon discharge of such directors or members, owned voting securities representing at least ten per cent of the votes attaching to all such securities.

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 Company's annual accounts at the annual general shareholders' meeting. However, such discharge will not release the directors from liability for any damage caused by unrevealed acts of mismanagement or unrevealed breaches of Luxembourg Company Law or the Company's articles of association, nor will it release directors from liability for any personal loss of the shareholders independent and separate from the losses suffered by the Company due to a breach either revealed or unrevealed of either the Luxembourg Company Law or the Company's articles of association.

Under Luxembourg law, unless the decision of the board of directors relates to ordinary business entered into under normal conditions, any director having a direct or indirect financial interest conflicting with that of the Company in a transaction which has to be considered by the board of directors, must advise the board thereof and cause a record of her/his statement to be included in the minutes of the meeting and may not take part in the deliberations. At the next following general meeting, before any other resolution is put to vote, a special report must be made on any transactions in which any of the directors may have had an interest conflicting with that of the Company.

Auditors

The Company's articles of association require the appointment of an independent audit firm in accordance with applicable law. The primary responsibility of the auditor is to audit the Company's annual accounts and consolidated financial statements and to submit a report on the accounts to shareholders at the annual general shareholders' meeting. In accordance with applicable law, statutory auditors (*réviseur d'entreprises*) are chosen among the members of the Luxembourg Institute of Independent Auditors (*Institut des réviseurs d'entreprises*).

Auditors are appointed by the general shareholders' meeting upon recommendation from the Company's audit committee through a resolution passed by a simple majority vote, irrespective of the number of shares represented at the meeting, to serve one-year renewable terms. Auditors may be dismissed for reasonable cause by the general shareholders' meeting at any time, at the board of director's recommendation or, if the shares of the Company are listed on a regulated market, at the audit committee's recommendation. Luxembourg law does not allow directors to serve concurrently as external auditors. As part of their duties, the auditors report directly to the audit committee.

Pursuant to its charter, the Company's audit committee is responsible for, among other things, the oversight of the independence and performance of the Company's external auditors. The audit committee is also responsible to consider and make recommendations to the board of directors, to be put to shareholders for approval at the annual general meeting of shareholders, regarding the appointment, re-appointment or removal of the Company's external auditors. In addition, the audit committee is responsible to review the appropriateness and provision of permitted non-audit fees and to review and approve any fees (whether for audit, audit-related and non-audit services) payable to the Company's external auditors. On a yearly basis, in the performance of its functions, the audit committee considers the appointment of the Company's external auditors and reviews, together with management and the external auditor, the audit plan, audit related services and other non-audit services. The audit committee requests the board of directors to submit the audit committee's recommendation for the appointment of the Company's external auditor for each fiscal year and the payment of applicable fees, for final approval by the general shareholders' meeting. The general shareholders' meeting regularly approves such audit fees and authorizes the audit committee to approve any increase or reallocation of such audit fees as may be necessary, appropriate or desirable under the circumstances. No services outside the scope of the audit committee's approval can be undertaken by the external auditor.

The shareholders' meeting held on May 2, 2023, re-appointed PwC Luxembourg as the Company's statutory auditor for the fiscal year ended December 31, 2023. At the next annual general shareholders' meeting scheduled to be held on April 30, 2024, it will be proposed that PwC Luxembourg be reappointed as the Company's statutory auditors for the fiscal year ending December 31, 2024.

Senior Management

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

Name	Age at December 31, 2023	Position
Máximo Vedoya	53	Chief Executive Officer
Pablo Brizzio	53	Chief Financial Officer
Pablo Hernán Bassi	61	Chief Industrial and Engineering Officer
Oscar Montero Martínez	63	Chief Planning Officer
Rodrigo Piña	51	Chief Human Resources Officer
Marina Valeria Chiesa	45	Chief Environmental, Health and Safety Officer
Carlos Polidori	50	Chief Technology Officer
Fernando Duelo	57	General Counsel
César A. Jiménez Flores	58	Ternium Mexico President
Titus Schaar	47	Ternium Brasil President
Martín Berardi	66	Ternium Argentina President
Héctor Obeso Zunzunegui	59	International Business Unit President

Máximo Vedoya. Mr. Vedoya currently serves as our Chief Executive Officer. Prior to that, he served as President of Ternium Mexico. He has held several other executive positions since joining the Techint Group in 1992, such as chief executive officer of Ferrasa, director of Ternium Mexico's international and steel purchase operations, commercial director and export manager of Sidor and commercial planning manager of Ternium Argentina. He was also director of Fedemetal (the Colombian Federation of Metallurgical Industries) and AIMM (Venezuelan Association of Metallurgical and Mining Industry). He was also chairman of the Economics Committee of World Steel Association. He is currently a member of the Executive Committee of the Latin American Steel Association (Alacero), of which he served as President from 2019 to 2021. He is also president of Caintra (Nuevo Leon Industrial Chamber), vice-president of Canacero (Mexican steel association) and Concamin (Confederation of Industrial Chambers of Mexico), member of the Executive Commission of CCE (Mexican Business Coordinating Council) and General and Executive Board Member of UDEM (University of Monterrey, Mexico). Mr. Vedoya graduated with a degree in Industrial Engineering from the Instituto Tecnológico de Buenos Aires and he holds a Master of Science in Management from Stanford University (USA). Mr. Vedoya is an Argentine citizen.

Pablo Brizzio. Mr. Brizzio currently serves as our Chief Financial Officer, a position he assumed in 2010. He began his career in 1993 in Ternium Argentina. Since then, he has held several positions within the Company, such as finance director of Ternium from 2005 to 2007 and in 2009, and chief financial officer of Sidor in 2008. Mr. Brizzio holds a degree in industrial engineering from ITBA (Buenos Aires Institute of Technology) and a Master on Business Administration from Duke University. Mr. Brizzio is an Argentine citizen.

Pablo Hernán Bassi. Mr. Bassi currently serves as our Chief Industrial & Engineering Officer. He began his career in the Techint Group in 1987 holding several positions in the engineering departments of Siderca, Techint-Compagnia Tecnica Internazionale S.p.A. and Ternium Argentina. He served as engineering and environment director of Ternium Mexico (2005-2017) and assumed his current position in November 2017. Mr. Bassi holds a degree in engineering from Universidad de Buenos Aires. Mr. Bassi is an Argentine citizen.

Oscar Montero Martínez. Mr. Montero currently serves as our Chief Planning Officer. He began his career within the Company in 1984 as a commercial analyst in Ternium Argentina. Since then, he has held several positions within Ternium Argentina in the planning, commercial and procurement areas. In 1998 he assumed the position of strategic planning director in Sidor and in 2005 he assumed the position of planning and operations general director of the Company. He assumed his current position in 2017. Mr. Montero is an Argentine citizen.

Rodrigo Piña. Mr. Piña currently serves as our Chief Human Resources Officer. He assumed his current position in January 2013. Prior to that, he served as human resources director of Ternium Argentina. He has held several other executive positions since joining the Company in 2004, such as commercial planning, CEO assistant and human resources director assistant. Mr. Piña is an Argentine citizen.

Marina Valeria Chiesa. Ms. Chiesa currently serves as our Chief Environmental, Health & Safety Officer. She began her career at the Company in 2004, and since then she has held several leadership positions and roles in the industrial engineering area, in the analysis of capital expenditure projects and in the planning of Ternium's expansion. She has also served as Chief of Staff of the Company's CEO. She assumed her current position in 2023. Ms. Chiesa holds a degree in industrial engineering from the University of Buenos Aires. Ms. Chiesa is an Argentine citizen.

Carlos Polidori. Mr. Polidori currently serves as our Chief Technology Officer, a position he assumed in January 2023. He began his career in 1997 in Ternium Argentina. Since then, he has held several executive positions within the Company. He served in different quality departments and was director of operations and maintenance of the coating and service centers operations area in Argentina from 2013 to 2018. Subsequently, he served as quality director of Ternium Argentina until June 2021, and then he became quality director of Ternium Mexico. Mr. Polidori holds a degree in chemistry engineering from Universidad de Río Cuarto. Mr. Polidori is an Argentine citizen.

Fernando Duelo. Mr. Duelo currently serves as our General Counsel, a position he assumed in 2005. He joined the Techint Group in 1991 and has served as a lawyer in its legal department. Mr. Duelo holds a degree in law from the University of Buenos Aires. Mr. Duelo is an Argentine citizen.

César A. Jiménez Flores. Mr. Jiménez currently serves as President of Ternium Mexico. He assumed the position in 2018. Prior to that, he served as commercial vice president of Ternium Mexico since 2014. He has held other executive positions since joining the Company in 2007, such as CEO of Tenigal (2010-2014) and industrial sales director of Ternium Mexico (2008-2009). In addition, he is member of the board of directors of Tenigal. He holds a BS in computer science from UANL (Autonomous University of Nuevo León), a master degree in information systems management from ITESM (Monterrey Institute of Technology and Higher Education) and general management program studies at Harvard Business School. Mr. Jiménez is a Mexican citizen.

Titus Schaar. Mr. Schaar currently serves as Ternium Brasil President. He joined the Company in 2014 as chief operating officer of Ternium Brasil, a position that he held until he assumed his current position in 2023. Mr. Schaar holds a degree in mechanical engineering and a master's degree in economics from RWTH Aachen University. He is a board member of IABr (Brazil Steel Institute) and ABM (Brazil Material Institute). Mr. Schaar is a German citizen.

Martín Berardi. Mr. Berardi currently serves as President of Ternium Argentina. In addition, he is the Chairman of the board of directors of Ternium Argentina. He began his career in the Techint Group in 1980 as a trainee in Propulsora Siderúrgica. He has held several positions within the Techint Group including Propulsora Siderúrgica, Siat S.A., or Siat (an Argentine welded steel pipe manufacturer which is a Tenaris's subsidiary), and Siderca S.A.I.C., or Siderca (Argentine producer of seamless steel pipe products, which is a Tenaris's subsidiary). He served as managing director of Siat (1992-1995), managing director of Mexican steel company Tubos de Acero de México S.A., or Tamsa (1995-2000), president and chief executive officer of Venezuelan steel company Sidor (2000-2004) and became managing director (October 2004), executive vice president and President of Ternium Argentina. He was president of the IVES (Venezuelan Steel Institute) between 2002 and 2004, president of Alacero between 2013 and 2015, and alternated the presidency and vice presidency of CAA (Argentine Steel Chamber) between 2012 and 2024. He is currently president of CAA, a member of the board of directors of Alacero and a member of the board of directors of ITBA. Mr. Berardi holds an industrial engineering degree from ITBA and a M.S. in Management from Stanford University. Mr. Berardi is an Argentine citizen.

Héctor Obeso Zunzunegui. Mr. Obeso currently serves as our International Business Unit President. He assumed his current position in 2012, then named international area manager. He has held several other executive positions since joining the Company in the year 2007, such as quality & product director of Ternium Argentina, industrial sales director of Ternium Mexico and commercial director of Ternium Mexico. He is member of the board of directors of Alacero. Mr. Obeso is a Mexican citizen.

On October 31, 2023, the Company's board of directors approved a Clawback Policy, in response to the requirements of Section 303A.14 of the New York Stock Exchange Listed Company Manual, setting forth the principles for the prompt recovery or "clawback" of erroneously awarded incentive-based compensation granted to certain officers of the Company in the event of a restatement of the Company's financial statements, as further described therein. The members of senior management listed in "—A. Directors and Senior Management", as well as Mr. Pablo Urréjola, the Company's Global Reporting Senior Director, are subject to the Clawback Policy.

B. Compensation

The compensation payable to the members of the Company's board of directors for the performance of their services to the Company is determined at the annual ordinary general shareholders' meeting. The general meeting of shareholders held on May 2, 2023 decided the compensation paid to directors for the performance of their duties

resolving that each director receive a fixed compensation for their services during the fiscal year 2023 for an amount of \$115,000; the chairman of the board of directors receive an additional fee of \$295,000; each director who is also a member of the Company's audit committee receive an additional fee of \$55,000; and the chairman of the audit committee receive, further, an additional fee of \$10,000. No variable compensation has been paid or shall be payable to members of the board of directors for services rendered during the year 2023 and no long-term incentive or pension plan is available to any of them.

The aggregate cash compensation paid to all directors and senior managers of the Company for the year 2023 amounted to \$26.6 million. In addition, senior managers received, for the year 2023, 1,064,000 units for a total amount of \$6.6 million, in connection with the employee incentive retention program described in note 3(o)(3) "Employee liabilities—Other compensation obligations" to the consolidated financial statements included in this annual report.

There are no service contracts between any director and the Company that provide for material benefits upon termination of employment. The Company does not provide pension, retirement or similar benefits to directors.

C. Board Practices

For information related to this matter, see "—A. Directors and Senior Management."

Audit Committee

Pursuant to the Company's articles of association, as supplemented by the audit committee's charter, for as long as the Company's shares are listed on at least one regulated market, the Company must have an audit committee composed of at least three members, the majority of whom must qualify as independent directors, provided, however, that the composition and membership of the audit committee shall satisfy such requirements as are applicable to, and mandatory for, audit committees of issuers such as the Company under any law, rule or regulation applicable to the Company (including, without limitation, the applicable laws, rules and regulations of such regulated market or markets).

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 directly or indirectly, 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 listed above.

The audit committee of the Company's board of directors currently consists of three members, Ms. Gioia Ghezzi, Mr. Vincent Robert Gilles Decalf and Mrs. Lorenza Martinez Trigueros, who were appointed to the audit committee by the Company's board of directors on May 2, 2023. As of the date of this annual report, all members of the audit committee qualify as independent directors both for purposes of Exchange Act Rule 10A-3(b)(1) and under the Company's articles of association.

The Company's audit committee operates under a charter that was amended and restated by the board of directors on November 2, 2021. The audit committee assists the board of directors in fulfilling its oversight responsibilities with respect 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 systems of internal control over financial reporting. The audit committee is also responsible for making recommendations regarding the appointment, compensation, retention and oversight of, and for assessing the independence of, the Company's external 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).

In addition, the audit committee is required by the Company's articles of association and audit committee's charter to review and, where applicable, approve material transactions between the Company or its subsidiaries and related parties, as provided in the Company's articles of association and audit committee's charter, or as may be required by any law, rule or regulation applicable to the Company, in order to determine whether their terms are consistent with the interests of the Company and all its shareholders and are consistent with market conditions or are otherwise fair to the Company and its subsidiaries. The Company has adopted a Related Party Transactions Policy and Procedure setting forth consolidated guidelines and procedures for the identification, review, approval and management of related party transactions, seeking to assure transparency and substantial and procedural fairness of such transactions, as well as compliance with the provisions in the Company's articles of association and the audit committee's charter relating to transactions with related parties, as well as Luxembourg rules relating to the approval and disclosure of material related party transactions and Section 314.00 of the NYSE Listed Company Manual.

Under the Company's articles of association, as supplemented by the Related Party Transactions Policy and Procedure, a "related party" is any of the following persons: (i) any affiliate of the Company; (ii) any entity in which a controlling person owns a substantial interest or over which a controlling person can exercise significant influence; (iii) any unconsolidated entity in which the Company has significant influence; (iv) any entity or individual having significant influence over the Company, or a close family member of any such individual; (v) any individual or entity that is the beneficial owner of five percent (5%) or more of the shares of the Company, including through the ownership of any securities representing shares of the Company; (vi) any director or executive officer of any of the controlling persons, the Company or any of the subsidiaries, or a close family member of any such director or executive officer; (vii) any entity in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (iv), (v) or (vi) above or over which such a person is able to exercise significant influence; or (viii) any entity that has a member of key management in common with the Company or any of its subsidiaries (provided that key management personnel includes persons having authority and responsibility for planning, directing and controlling the activities of an entity, including directors and executive officers and close family members of any such individuals).

With respect to the materiality threshold for review and approval of related party transactions, the Company's articles of association, as supplemented by the audit committee's charter and the Related Party Transactions Policy and Procedure, provide that the following related party transactions, which are qualified as "Level 1" related party transactions, are subject to review by the audit committee, which shall make a recommendation to the board of directors as to either reject or approve the proposed related party transaction:

- (i) any transaction between the Company or its subsidiaries with related parties (i) with an individual value equal to or greater than \$10 million, or its equivalent in other currencies, or (ii) with an individual value lower than \$10 million, or its equivalent in other currencies, when the aggregate sum reflected in the financial statements of the four fiscal quarters preceding the date of determination- of any series of transactions for such lower value that can be deemed to be parts of a unique or single transaction (but excluding any transactions that were reviewed and approved by Company's audit committee or board of directors, as applicable, or the independent members of the board of directors of any of its subsidiaries) exceeds 1.5% of the Company's consolidated net sales made in the fiscal year preceding the year on which the determination is made; and
- (ii) any corporate reorganization transaction (including a merger, spin-off or bulk transfer of a business) affecting the Company or any of its subsidiaries for the benefit of, or involving, a related party.

In addition, any related party transaction that does not qualify as a "Level 1" related party transaction, but which has an individual value equal to or higher than such value threshold as management may from time to time determine as material to the Company for disclosure purposes under Item 7.B of this annual report, qualifies as a "Level 2" related party transaction and must be reviewed by the audit committee for purposes of making a determination as to whether any conflicts of interest exist and whether the proposed related party transaction is consistent with the interests of the Company and all shareholders, in order to either reject or approve the proposed transaction. Any related party transaction that is less than such value qualifies as a "Level 3" related party transaction and is reviewed by the Company's related-party transaction unit, the area within the Company responsible for centralizing and compiling the

information relating to all related party transactions and performing the review, assessment and other procedures contemplated in the Related Party Transactions Policy and Procedure. In addition, the current Related Party Transactions Policy and Procedure provides that, at least on a quarterly basis, the Company's related-party transaction unit must submit to the audit committee a summary cumulative report of all related-party transactions approved pursuant to the Related Party Transactions Policy and Procedure and must provide any additional information as the audit committee may request.

The audit committee has the power (to the maximum extent permitted by applicable laws) to request that the Company or relevant subsidiary promptly provide all information necessary for the audit committee to assess the material transactions with related parties that it is required to review. In no event may any proposed related party transaction be entered into or otherwise be given effect unless it has been reviewed and approved in accordance with the Related Party Transactions Policy and Procedure. Any executed transaction that has not been duly reviewed and approved must be promptly submitted for review in accordance with applicable procedures and, if determined appropriate, must be ratified; if the transaction is not ratified, it must be modified to make it acceptable for ratification or it must otherwise be immediately discontinued or rescinded.

The Company's audit committee is also in charge of the interpretation, implementation, control and enforcement of the Company's Clawback Policy, which sets forth the principles for the prompt recovery of erroneously awarded incentive-based compensation granted to certain officers of the Company in the event of a restatement of the Company's financial statements.

The audit committee also performs other duties imposed by applicable laws, and by regulations of the markets on which the Company's securities are listed, as well as any other duty entrusted to it by the Company's board of directors.

The audit committee has the authority to conduct any investigation appropriate to the fulfilment of its responsibilities and has direct access to the Company's external auditors as well as anyone in the Company and, subject to applicable laws and regulations, its subsidiaries. In addition, the audit committee may engage, at the Company's expense, independent counsel and other internal or external advisors to review, investigate or otherwise advise on, any matter as the committee may determine to be necessary to carry out its purposes and responsibilities.

D. Employees

The following table shows the number of persons employed by Ternium and its fully consolidated subsidiaries (and excludes proportionally consolidated subsidiaries Consorcio Peña Colorada and Exiros):

	At December 31,		
	2023	2022	2021
Mexico	10,103	9,402	9,066
Argentina	5,310	5,517	5,425
Brazil	17,138	3,714	3,758
Colombia	1,235	1,219	1,270
Other countries	672	658	623
Total employees	34,458	20,510	20,142

Note: in 2023, the reported figure for Brazil includes Usiminas' 13,445 employees. Ternium started to fully consolidate Usiminas in July 2023.

A substantial majority of Ternium's employees at its manufacturing subsidiaries are represented by labor unions. We believe that we enjoy good or satisfactory relations with our employees and their unions in each of the countries in which we have manufacturing facilities, and we have not experienced any major strikes or other labor conflicts with a material impact on our operations over the last five years.

In Argentina, significant fluctuations in exchange rates, together with inflationary pressures, affect our costs, increase labor demands and could eventually generate higher levels of labor conflicts.

At Ternium, we promote a culture of industrial and technological excellence. To achieve this goal, we focus our efforts on fostering innovation, enhancing employees' skills in a challenging atmosphere, implementing succession plans for key positions and shaping an appealing working environment. In addition, Ternium aims to be an equal opportunity and equal treatment organization. We seek to increase diversity at Ternium's management positions and engage the communities and the supply chain under a concerted strategy to empower women. For more information on Ternium's

initiatives, see Item 4. “Information on the Company—B. Business Overview— Environmental, Social and Governance.”

E. Share Ownership

To our knowledge, as of the date of this annual report our directors and senior management owned less than 1% of Company securities (in the form of shares or ADSs).

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) (i) by the Company’s major shareholders (persons or entities that have notified the Company of holdings in excess of 5% of the Company’s issued share capital, or that are controlled by persons or entities which hold more than 5% of the Company’s issued share capital); (ii) held by the Company in treasury; and (iii) owned by the Company’s directors and senior management as a group.

The information below is based on the most recent information available to the Company.

Identity of Person or Group	Number of issued shares	Percent of issued share capital
Techint Holdings S.à.r.l. ⁽¹⁾	1,243,433,012	62.02 %
Tenaris Global Services and Investments S.à.r.l. ⁽¹⁾	229,713,194	11.46 %
Inverban Investments SL Sucursal Uruguay	60,324,320	3.01 %
Ternium S.A. (treasury shares)	41,666,666	2.08 %
Directors and senior management as a group	124,070	0.01 %
Public	429,482,180	21.42 %
Total	2,004,743,442	100.00 %

⁽¹⁾ Each of Techint Holdings S.à.r.l., Tenaris Global Services and Investments S.à.r.l. and Inverban Investments SL is controlled by San Faustin. RP STAK holds voting rights in San Faustin sufficient in number to control San Faustin. No person or group of persons controls RP STAK.

As of February 29, 2024, 42,960,625 ADSs (representing 429,606,250 shares, or 21% of all issued shares of the Company) were registered in the name of BNY (Nominees) Limited, related to the Company’s ADR program.

The voting rights of the Company’s major shareholders do not differ from the voting rights of other shareholders. None of its outstanding shares have any special control rights. There are no restrictions on voting rights, nor are there, to the Company’s knowledge, any agreements among shareholders of the Company that might result in restrictions on the transfer of securities or the exercise of voting rights, other than the agreement between San Faustin and Tenaris. For information on this agreement see Item 6. "Directors, Senior Management and Employees - A. Directors and Senior Management - Board of Directors."

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. The Company is not aware of any arrangements, the operation of 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 in note 26 to the consolidated financial statements included in this annual report. 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.”

Below is a description of relevant related party transactions, including Usiminas up to June 30, 2023. Since July 2023, Ternium started to fully consolidate Usiminas and transactions with Usiminas are no longer considered related party transactions.

Purchases of Raw Materials

In the ordinary course of business, Ternium buys raw materials and other production inputs from subsidiaries of Tenaris. These transactions include purchases of ferrous scrap and other raw materials, which amounted to \$38.2 million in 2023, \$38.4 million in 2022 and \$36.0 million in 2021.

Purchases of Steel Products

In the ordinary course of business, Ternium buys steel products from Usiminas and its subsidiaries. Purchases amounted to \$112.3 million in the first half of 2023, \$30.8 million in 2022 and \$68.9 million in 2021.

Sales of Steel Products and Raw Materials

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

- sales of round steel bars under a long-term agreement to Tenaris' facilities in Mexico, which amounted to \$12.4 million in 2023, \$110.6 million in 2022 and \$157.3 million in 2021;
- sales of flat steel products to be used in the production of welded pipes and accessories, which amounted to \$154.1 million in 2023, \$104.4 million in 2022 and \$32.1 million in 2021; and
- sales of scrap and other raw materials to be used in the production of seamless pipes, which amounted to \$5.9 million in 2023, \$8.1 million in 2022 and \$9.2 million in 2021.

Furthermore, Ternium sold steel slabs to Usiminas, which amounted to \$76.9 million in the first half of 2023, \$547.0 million in 2022 and \$829.2 million in 2021.

Supply of Electric Energy

Techgen, which is owned 48% by Ternium, 30% by Tecpetrol and 22% by Tenaris, operates an electric power plant in Pesquería, Mexico. Ternium's subsidiaries in Mexico and Tenaris currently contract 78% and 22%, respectively, of Techgen's power capacity.

Techgen sales of electricity to Ternium Mexico and Tenigal amounted to \$322.3 million in 2023, \$445.7 million in 2022 and \$322.3 million in 2021. In addition, Techgen sells to third parties on behalf of Ternium Mexico and Tenigal the unused electricity that Ternium Mexico and Tenigal purchased from Techgen. Ternium Mexico and Tenigal received from Techgen on account of such unused electricity sales an amount of \$86.6 million in 2023, \$116.7 million in 2022 and \$86.8 million in 2021.

Supply of Natural Gas

Ternium Mexico has natural gas supply agreements with GIMSA, a natural gas distributor and a company in which Ternium Mexico holds 23.84% equity participation. GIMSA sales to Ternium Mexico amounted to \$76.6 million in 2023, \$167.0 million in 2022 and \$117.7 million in 2021.

Ternium Argentina has natural gas supply agreements with Tecpetrol and Energy Consulting Services. 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. 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 Energy Consulting Services.

Tecpetrol supplies natural gas at prices and on terms and conditions that are equivalent to those charged to Ternium Argentina by other suppliers of natural gas. Tecpetrol's sales to Ternium Argentina amounted to \$20.6 million in 2023, \$23.5 million in 2022 and \$24.2 million in 2021.

Energy consulting Services (ECS) supplies natural gas at prices and on terms and conditions that are equivalent to those charged to Ternium Argentina by other suppliers of natural gas. ECS's sales to Ternium Argentina amounted to \$5.4 million in 2023, \$5.1 million in 2022 and \$3.2 million.

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 \$100.1 million in 2023, \$78.5 million in 2022 and \$97.7 million in 2021.

Purchase Agency Services and Sales of Materials

Exiros, in which we have 50% share ownership and Tenaris has remaining 50% share ownership, provides to Tecpetrol and other companies controlled by San Faustin with purchase agency services and sales of raw materials and other products. Under the Exiros shareholder arrangements, Ternium recognizes Exiros' assets, liabilities, revenue and expenses in relation to its interest in the joint operation. Exiros' sales to companies controlled by San Faustin totalled \$22.6 million in 2023, \$27.2 million in 2022 and \$7.0 million in 2021, of which the Company recognized \$11.3 million, \$13.6 million and \$3.5 million in 2023, 2022 and 2021, respectively.

In addition, Exiros' raw material sales to Usiminas totalled \$113.0 million in 2022 and \$69.4 million in 2021, with no raw material sales in the first half of 2023, of which the Company recognized \$56.5 million in 2022 and \$34.7 million in 2021.

Sales and Purchases of Other Products and Services

Ternium enters into other transactions with companies controlled by San Faustin from time to time. Relevant transactions were those for the purchase of plant equipment and spare parts, and technical assistance from Tenova and from other related companies, which amounted to \$4.9 million in 2023, \$2.2 million in 2022 and \$5.1 million in 2021.

Administrative Services, Legal and Other Support Services

Finma S.A.I.F., a company controlled by San Faustin in which the Company has a 33% share ownership and other affiliates of San Faustin have the remaining share ownership, provided administrative and legal support services to San Faustin's affiliates in Argentina, including Argentine affiliates of Ternium. Fees accrued for these services amounted to \$11.2 million in 2023, \$11.6 million in 2022 and \$8.0 million in 2021.

Loans to Related Parties

Ternium financed the construction and operation of Techgen's Pesquería project primarily in the form of subordinated loans to Techgen. Outstanding loans to Techgen amounted to \$136.3 million, \$126.8 million and \$127.4 million as of December 31, 2023, 2022 and 2021, respectively. These loans generated interest gains in favor of Ternium in an amount of \$12.3 million in 2023, \$8.3 million in 2022 and \$6.3 million in 2021. For further information on the Techgen investment, see Item 4. "Information on the Company—C. Organizational Structure—Other investments—Techgen."

Other Transactions

In addition, in the ordinary course of business, from time to time, we carry out other transactions and enter into other arrangements with other related parties, none of which are considered 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-96 for Ternium's consolidated financial statements.

Legal Proceedings

Ternium is from time to time subject to various claims, lawsuits and other legal proceedings, including customer, employee, tax and environmental-related claims, in which third parties are seeking payment for alleged damages, reimbursement for losses, or indemnity. Management with the assistance of legal counsel periodically reviews the status of each significant matter and assesses potential financial exposure.

Some of these claims, lawsuits and other legal proceedings involve highly complex issues, and often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Accordingly, with respect to a large portion of such claims, lawsuits and other legal proceedings, Ternium is unable to make a reliable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, Ternium has not accrued a provision for the potential outcome of these cases.

If a potential loss from a claim, lawsuit or other proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded. Accruals for loss contingencies reflect a reasonable estimate of the losses to be incurred based on information available to management as of the date of preparation of the financial statements and take into consideration litigation and settlement strategies. In a limited number of ongoing cases, Ternium was able to make a reliable estimate of the expected loss or range of probable loss and has accrued a provision for such loss but believes that publication of this information on a case-by-case basis would seriously prejudice Ternium's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed information with respect to the nature of the contingency but has not disclosed its estimate of the range of potential loss.

The Company believes that the aggregate provisions recorded for potential losses in its consolidated financial statements are adequate based upon currently available information. However, if management's estimates prove incorrect, current reserves could be inadequate and Ternium could incur a charge to earnings which could have a material adverse effect on Ternium's results of operations, financial condition, net worth and cash flows.

Outstanding Legal Proceedings

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

Companhia Siderúrgica Nacional (CSN) – Tender offer litigation

In 2013, the Company was notified of a lawsuit filed in Brazil by Companhia Siderúrgica Nacional, or CSN, and various entities affiliated with CSN against Ternium Investments, its subsidiary Ternium Argentina, and Tenaris's subsidiary Confab, all of which comprise the T/T Group under the Usiminas shareholders agreement. The entities named in the CSN lawsuit had acquired a participation in Usiminas in January 2012. The CSN lawsuit alleges that, under applicable Brazilian laws and rules, the acquirers were required to launch a tag-along tender offer to all non-controlling holders of Usiminas ordinary shares for a price per share equal to 80% of the price per share paid in such acquisition, or BRL 28.8, and seeks an order to compel the acquirers to launch an offer at that price plus interest. If so ordered, the offer would need to be made to 182,609,851 ordinary shares of Usiminas not belonging to Usiminas' control group; Ternium Investments and Ternium Argentina's respective shares in the offer would be 60.6% and 21.5%.

On September 23, 2013, the first instance court dismissed the CSN lawsuit, and on February 8, 2017, the court of appeals maintained the understanding of the first instance court. On August 18, 2017, CSN filed an appeal to the Superior Court of Justice (SCJ) seeking the review and reversal of the decision issued by the Court of Appeals. On September 10, 2019, the SCJ declared CSN's appeal admissible. On March 7, 2023, the SCJ, by majority vote, rejected CSN's appeal. CSN made several submissions in connection with the SCJ decision, including a motion for clarification that challenged the merits of the SCJ decision. Decisions at the SCJ are adopted by majority vote and, as of the date of this annual report, voting at the SCJ with respect to the motion for clarification is ongoing. At an October 17, 2023 session, two justices voted in favor of remanding the case to the first instance for it to be retried following production and assessment of the new evidence, and two justices voted, without requiring any further evidence, in favor of granting CSN's motion for clarification and reversing the March 7, 2023 decision that rejected CSN's appeal; because the fifth member of SCJ excused himself from voting, a justice from another panel at the SCJ will be summoned to produce the tie-breaking vote. There are no specified deadlines for voting to be resumed or the SCJ decision to be issued. In any event, either party may appeal an SCJ decision.

According to the views of the two justices that voted in favor of CSN's motion, Ternium Investments and the other members of the T/T Group should be ordered to pay to CSN an indemnification amount equal to the difference between the price paid by the T/T Group in its acquisition and the market value of the Usiminas shares at signing, plus monetary adjustment and interest (at a rate of 1% per month) through the date of payment, plus legal costs equal to 10% of the compensation payable to CSN, with CSN retaining ownership of the Usiminas ordinary shares it currently owns. If that unprecedented view were to prevail, and depending on how the indemnification is calculated by other courts, as of December 31, 2023, the potential aggregate indemnification payable by Ternium Investments and

Ternium Argentina could reach up to BRL 3.1 billion (approximately \$0.6 billion at the BRL/\$ rate as of such date) and BRL 1.1 billion (approximately \$0.2 billion), respectively.

The Company continues to believe that all of CSN's claims and allegations are groundless and without merit, as confirmed by several opinions of Brazilian legal counsel, two decisions issued by the Brazilian securities regulator in February 2012 and December 2016, the first and second instance court decisions and the March 7, 2023 SCJ decision referred to above. Notwithstanding the foregoing, in light of the votes already issued by two members of the SCJ on CSN's motion for clarification, the Company cannot predict the ultimate resolution on the matter.

Potential Mexican income tax adjustment

In March 2015, as part of a tax audit with respect to fiscal year 2008, the Mexican tax authority ("SAT") challenged the deduction by Ternium Mexico of a tax loss arising from an intercompany sale of shares in December 2008. In addition, in September 2018, as part of a tax audit for fiscal year 2011, the SAT objected to the deduction by Ternium Mexico of the remainder of the 2008 tax loss. Ternium Mexico requested an injunction from the Mexican courts against the SAT claims and filed its defense and supporting documents with the SAT. After Ternium Mexico obtained an injunction in August 2020, in November 2020 the SAT issued a new preliminary audit report in which it reiterated its objections to the deduction of the 2008 tax loss. In June 2021, the SAT determined income tax adjustments with respect to 2008 and 2011 for amounts currently estimated at approximately \$ 72.8 million and \$ 35.6 million, respectively. Ternium Mexico appealed the SAT determinations.

More recently, however, Ternium Mexico withdrew its appeals and agreed to provide further information and documentation to the SAT. With all of the above-mentioned information and documentation, the SAT reduced the 2008 and 2011 tax adjustments downwards to approximately \$ 17.5 million and \$ 35.8 million, respectively. The Company had a tax provision of \$ 53.3 million already included in its consolidated financial statements as of September 30, 2023. The payment to the SAT was made on October 9, 2023, and the Company received formal documentation issued by the SAT with the closure of both audits.

Fishermen associations' claims

Civil contingencies include lawsuits brought by a number of fishermen associations on behalf of their associates, alleging that the dredge of Ternium Brasil's deep-water port has had a negative impact on fish farming and exploitation activities in the Sepetiba Bay area in Rio de Janeiro and that, as a result, fishermen in that area had suffered damages. A provision in the amount of \$ 24.5 million was recorded at the acquisition date in connection with this matter (nil and \$4.5 million as of December 31, 2023 and 2022, respectively; the decrease in the provision was mainly due to the favorable outcome for a part of the lawsuits).

Tax assessments relating to the use of certain ICMS tax credits

The Imposto Sobre Operações Relativas à Circulação de Mercadorias e Serviços, or ICMS, is a Brazilian value-added tax on the services (inter-states) and the transfer of goods in Brazil. Payment of ICMS generates tax credits that, subject to applicable law, rules and regulations, may be either used to offset ICMS payment obligations generated in connection with domestic sales of products and services, or sold and transferred to third parties.

The Rio de Janeiro State Treasury Office is challenging the use by Ternium Brasil of ICMS tax credits generated in connection with purchases of refractory materials in the period from December 2010 through December 2016, and intends to assess taxes and impose fines on Ternium Brasil on the argument that such materials may not be qualified as "raw materials" or "intermediary products" but as "goods for consumption" and, accordingly, ICMS tax credits generated in connection with their purchase are not available and may not be used to offset ICMS payment obligations generated in connection with Ternium Brasil's domestic sales of carbon steel slabs. Ternium Brasil has appealed against the Rio de Janeiro State Treasury Office tax assessments and fines. A provision in the amount of \$ 57.7 million was recorded as of the acquisition date in connection with this matter (\$37.5 million and \$34.8 million as of December 31, 2023 and 2022, respectively).

Several contingencies associated with the acquired business

The main contingencies recognized in the consolidated financial statements pursuant to IFRS 3 Business Combinations in connection with the acquisition of the additional participation in Usiminas and the full consolidation of Usiminas include the following:

Provisions for contingencies recognized by Usiminas before business combination:	Status	As of the acquisition date (in \$ thousands)	As of December 31, 2023 (in \$ thousands)
Labor lawsuits filed by employees, former employees and outsourced personnel of the Cubatão Plant, claiming severance pay and social security rights.	Pending judgment by the Labor Court and administrative bodies, at different levels.	57,343	55,643
Tax proceeding in which the tax authorities seek the reversal of ICMS/SP credits on materials considered as consumables (refractory items and others).	Awaiting final outcome of the Appeal to the Superior Court of Justice (STJ).	29,772	30,440
Labor lawsuits filed by employees, former employees and outsourced personnel of the Ipatinga Plant, claiming severance pay and social security rights.	Pending judgment by the Labor Court and administrative bodies, at different levels.	15,112	13,722
Provisions for tax contingencies recognized as part of the business combination:	Status	As of the acquisition date (in \$ thousands)	As of December 31, 2023 (in \$ thousands)
Objection filed against the decision that recognized only partially the credit rights established in a final and unappealable court decision that determined the exclusion of ICMS amounts from the calculation basis of PIS/COFINS-Imports.	Pending judgment at administrative level.	94,792	94,359
Tax collection proceedings related to the collection of ICMS/SP on goods shipped to other countries without effective proof of export.	Pending judgment by the trial court.	51,546	51,311
Tax proceedings seeking the reversal of ICMS/SP credits on materials considered as consumables (refractory items and others).	Several case records, declaratory actions and tax collection proceedings, suspended or pending decision by higher courts.	38,640	38,464
ICMS – Action for annulment of the tax debt claimed by the State of Rio Grande do Sul due to failure to make the advance payment of the tax at the entry of goods coming from other States (rate differential).	Pending judgment by the trial court.	28,789	28,658
Tax assessment notice issued by the State of Minas Gerais concerning alleged reversal of ICMS credits on sale of electrical energy.	Pending judgment at administrative level.	12,386	12,330
Provisions for civil and other contingencies recognized as part of the business combination:			
Public Civil Action seeking compensation for alleged damages caused to the State of Santa Catarina's Treasury related to improper expenditures incurred in the construction of a bridge.	Pending conclusion of the expert evidence	21,113	21,016
Provisions for labour contingencies recognized as part of the business combination:			
Labor lawsuits filed by employees, former employees and outsourced personnel of the Cubatão Plant, claiming severance pay and social security rights.	Pending judgment by the Labor Court and administrative bodies, at different levels.	27,123	24,814

Dividend Policy

The Company does not have, and has no current plans to establish, a formal dividend policy governing the amount and payment of dividends or other distributions. For a description of the shareholders' and holders of ADS' rights to receive dividends and the conditions to declare and pay dividends, please refer to Item 10. "Additional Information—B. Memorandum and Articles of Association—Dividends".

The following table shows the dividends approved by the Company's shareholders in the last five years:

Shareholders' meeting date	Approved dividend			Dividend payment date
	Amount (\$ million)	Per share (\$)	Per ADS (\$)	
May 6, 2019	236	0.12	1.20	May 14, 2019
May 3, 2021	412	0.21	2.10	May 11, 2021
May 3, 2022	510	0.26	2.60	November 16, 2021* May 11, 2022
May 2, 2023	530	0.27	2.70	November 17, 2022* May 10, 2023

* On November 16, 2021 and November 17, 2022, the Company paid an interim dividend of \$0.80 and \$0.90 per ADS, respectively.

On February 20, 2024, the Company's board of directors proposed that an annual dividend of \$0.33 per share (\$3.30 per ADS), or \$648 million in the aggregate, be approved at the Company's annual general shareholders' meeting, which is scheduled to be held on April 30, 2024. The annual dividend would include an interim dividend of \$0.11 per share (\$1.10 per ADS), or \$216 million, paid in November 2023. If the board of directors' proposal is approved at the shareholders' meeting, a net dividend of \$0.22 per share (\$2.20 per ADS), or \$432 million in the aggregate, will be paid on May 8, 2024, with a record-date of May 3, 2024. Treasury shares are not entitled to dividend distributions.

B. Significant Changes

Change in operating segments.

As a result of the consolidation of Usiminas beginning in July 2023, the Company reported its results for the year ended December 31, 2023, in three operating segments: steel, mining and Usiminas. Upon completion, in the first quarter of 2024, of the CODM's analysis on how to report the integration of Usiminas' operations into Ternium, the Company determined that, based on the resulting business structure for allocation of resources and performance assessment, the operating segments of the Company as from the first quarter of 2024 will be Steel and Mining.

Item 9. The Offer and Listing

A. Offer and Listing Details

The Company's ADSs are listed on the NYSE under the symbol "TX." Trading on the NYSE began on February 1, 2006. As of February 29, 2024, a total of 2,004,743,442 shares were registered in the Company's shareholder register.

As of February 29, 2024, a total of 429,606,250 shares were registered in the name of BNY Nominees Limited, related to the Company's ADR program. On February 29, 2024, the closing price for the Company's ADSs reported by the NYSE was \$40.54.

New York Stock Exchange

As of February 29, 2024, a total of 42,960,625 ADSs were registered of record. Each ADS represents ten shares of the Company's share capital. For the year ended December 31, 2023, BNY Mellon acted as the Company's depository for issuing ADRs evidencing the ADSs.

B. Plan of Distribution

Not applicable.

C. Markets

For information related to this matter, 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. 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 *société anonyme* organized under the laws of Luxembourg, registered under the number B98 668 in the Luxembourg *Registre de Commerce et des Sociétés*. 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'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 3,500,000,000 shares having a nominal value of \$1.00 per share. There were 2,004,743,442 shares issued as of the date of this annual report (including treasury shares). All issued shares are fully paid.

The Company's articles of association authorize 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, including the issue price, as the board of directors, or its delegate(s) may in its or their discretion resolve.

The Company's extraordinary shareholders meeting held on June 5, 2020 approved the renewal for an additional five-year period of the authorization granted to the board of directors to waive, suppress or limit any preemptive 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; and have waived any preemptive subscription rights provided for by law and related procedures. The validity period of such authorization will expire on June 19, 2025. However, under the Company's articles of association, for as long as 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 preemptive subscription rights of the then existing shareholders, except in the following cases (in which cases no preemptive 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 of the Company; provided, however, that the preemptive 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, 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 or in relation thereto (which the board of directors shall be authorized to issue upon such terms and conditions as it deems fit).

Amendment of the Company's articles of association requires the approval of shareholders at an extraordinary shareholders' meeting with a two-thirds majority vote of the shares represented at the meeting.

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 annual general shareholders' meeting, out of funds legally available for such purposes. Treasury shares are not entitled to dividend distributions.

Dividends may be lawfully declared and paid if the Company's net profits and distributable reserves are sufficient under Luxembourg law. The amount and payment of dividends must be approved by a majority vote at a general shareholders' meeting, generally, but not necessarily, based on the recommendation of the Company's board of directors. Under Article 21 of the Company's articles of association, the board of directors has the power to distribute interim dividends out of profits, share premium or any other available reserves, in accordance with applicable law, in particular in accordance with the conditions set forth in article 461-3 of the Luxembourg Company Law. Such dividend payments must be finally approved by the general shareholders' meeting. On March 15, 2024, the board of directors announced the proposals to be submitted to the consideration of the annual general shareholders' meeting to be held on April 30, 2024, including its proposal on dividends.

As provided by Article 21 of the Company's articles of association, dividends or other distributions declared by the general meeting as well as interim dividends or other distributions declared by the board of directors will be distributed at the times and places determined by the board of directors. The Company will make any and all dividend payments and any other distributions in respect of shares registered in the name of any securities settlement system or operator of such a system or in the name of any financial institution or other professional depositary of securities or any other depositary, whether in cash, shares or other assets, only to such registered holder, or otherwise in accordance with such registered holder's instructions, and, as provided by Article 21 of the Company's articles of association, that payment shall release the Company from any and all obligations for such payment.

The Company conducts and will continue to conduct its operations through subsidiaries and, accordingly, its main source of cash to pay dividends among other possible sources, will be the dividends received from its subsidiaries. For further information, see Item 3. "Key Information—D. Risk Factors—Risks Relating to the Structure of the Company—The Company's dividend payments depend on the results of operations and financial condition of its subsidiaries and could be affected by legal, contractual or other limitations or tax changes". Dividend payments will depend on the Company's 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. For further information, see Item 3. "Key Information—D. Risk Factors—Risks Relating to the Countries in Which Ternium Operates—Argentina".

Under Luxembourg law, claims for dividends will lapse in favor of the Company five years after the date such dividends are declared. However, the Company may elect to pay a declared dividend after such period. Declared and unpaid dividends held by the Company for the account of its shareholders do not bear interest.

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. As of December 31, 2023, the Company's legal reserve represented 10% of its share capital. The legal reserve is not available for distribution.

Voting Rights; Shareholders' Meetings; Election of Directors

Each share entitles the holder thereof 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. Pursuant to applicable Luxembourg law, the Company must give notice of the calling of any general shareholders meeting at least 15 days prior to the date for which the meeting is being called, by publishing the relevant convening notice in the *Recueil électronique des sociétés et associations* (Luxembourg's electronic official gazette) and in a leading newspaper having general circulation in Luxembourg and by issuing a press release informing of the calling of such meeting. The Company's articles of association provide that notices for any general shareholders' meeting shall include such information and shall be given in such form through such means and at such time or times as may be required under applicable Luxembourg law; and, in case the shares of the Company are listed on a regulated market, such notices shall, in addition, satisfy such requirements as are applicable to, and mandatory for, notices of general shareholders' meetings of issuers such as the Company under the applicable laws, rules and regulations of such regulated market.

No attendance quorum is required at ordinary general shareholders' meetings and resolutions may be adopted by a simple majority vote of the shares present or represented and voted at the meeting. An extraordinary general shareholders' meeting may only validly deliberate when at least half of the share capital is present or represented. If the required quorum is not met at an extraordinary general shareholders meeting, a second meeting may be convened in accordance with the Company's articles of association and applicable law and such second extraordinary general shareholders meeting shall validly deliberate regardless of the quorum present or represented. Resolutions on the following matters may only be adopted at extraordinary general shareholders' meetings: (a) amendment to the articles of association; (b) dissolution and liquidation of the Company; (c) setting of the authorized share capital and granting of authorization to the board of directors to increase the Company's share capital within the limits of the authorization; (d) decrease of the Company's share capital; and (e) sale of all or substantially all of the Company's assets. Such resolutions, in order to be adopted, must be approved by a majority of at least two-thirds of the votes of the shares present or represented. The following matters shall require a unanimous resolution of all the shareholders of the Company: (a) change of the nationality of the Company; and (b) increase of shareholders' commitments.

Cumulative voting is not permitted. The Company's articles of association do not provide for staggered terms, and directors are elected for a maximum of one year but may be reappointed or removed at any time, with or without cause, by the general shareholders' meeting, by resolution passed by a simple majority vote of the shares present or represented at the meeting and voted. In the case of a vacancy occurring on the board of directors, the remaining directors shall have the right to temporarily fill such vacancy with a temporary director appointed by resolution adopted with the affirmative vote of a majority of the remaining directors; provided that the next general shareholder's meeting shall be called upon to ratify such appointment. 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.

The next annual general meeting of shareholders that will consider, among other matters, the Company's 2023 consolidated financial statements and annual accounts, is scheduled to be held on April 30, 2024 at 12:00 p.m. (Central European Time) at the Company's registered office in Luxembourg.

The articles of association provide that annual general shareholders' meetings shall meet in Luxembourg within six months from the end of the previous financial year at the date, place and hour indicated in the convening notice.

Any shareholder who holds one or more shares of the Company on the fifth calendar day preceding a general shareholders' meeting (the "Record Date") shall be admitted to such 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 to, 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 January 31, 2006 among the Company, The BNY Mellon, as depositary, and the owners and beneficial owners from time to time of ADSs of the Company. See Item 3.D. "Key Information – Risk Factors – Risks Relating to the Company's ADSs – Holders of ADSs may not be able to exercise, or may encounter difficulties in the exercise of, certain rights afforded to shareholders". ADS holders may not attend or directly exercise voting rights in shareholders' meetings, but holders of record of our ADSs as of the relevant ADS holders' record date set for any given general shareholders' meeting are entitled to instruct the Depositary as to the exercise of the voting rights in respect of the shares underlying such holder's ADSs at such meeting.

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 website <https://investors.ternium.com> or at its registered office starting from the call to the annual general shareholder's 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 rights, applicable Luxembourg law provisions shall apply. Holders of ADSs may not be able to exercise, or may encounter difficulties in the exercise of, certain rights afforded to shareholders, including appraisal rights. See Item 3.D. "Key Information – Risk Factors – Risks Relating to the Company's ADSs – Holders of ADSs may not be able to exercise, or may encounter difficulties in the exercise of, certain rights afforded to shareholders".

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 contain any redemption or sinking fund provisions, nor do they impose any restrictions on the transfer of shares. The shares are issuable in registered form only.

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 share register. In addition, the Company's shares may be held through fungible securities accounts with financial institutions or other professional depositaries. 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 share 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.

Repurchase of Company Shares

The Company may repurchase its own shares in the cases and subject to the conditions set by the Luxembourg Company Law 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 to the Company or its subsidiaries to repurchase the Company's shares, including shares represented by ADSs.

Limitation on Securities Ownership

There are no limitations currently imposed by Luxembourg law or the articles of association on the rights of the Company's non-resident or foreign 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 or any of its subsidiaries. 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 agreements between the Company and members of its board of directors or employees providing for compensation if they resign or are made redundant without reason, or if their employment ceases following a change in 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, Slabs, Energy and Other Inputs."

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, Brazil and Argentina. For additional information regarding Ternium's ability to hedge against exchange rate fluctuations, see Item 3. "Key Information—D. Risk Factors—Risks Relating to Ternium's Business—Changes in exchange rates or any limitation in the ability of the Ternium companies to hedge against exchange rate fluctuations could adversely affect Ternium's business and results."

Mexico

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 USMCA—to which Mexico is a signatory—generally prohibit exchange controls, the Mexican government could institute a restrictive exchange control policy in the future.

Brazil

While currently there are no significant exchange controls in Brazil, in the past, the Brazilian central bank has intervened occasionally to control unstable movements in foreign exchange rates including through the introduction of different exchange markets. We cannot predict whether the central bank or the Brazilian government will continue to let the real float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. Furthermore, the real may depreciate or appreciate against the U.S. dollar and this may have an impact on our operations (see Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Exposure Risk.)

Argentina

During 2023, the Argentine peso was subject to a depreciation of approximately 78% against the US dollar. From time to time, the Argentine authorities have taken measures to reduce the volatility of the ARS/\$ exchange rate and have implemented formal and informal restrictions on capital inflows and outflows.

Between September 2019 and December 2023, the Argentine government imposed significant restrictions on foreign exchange transactions; however, the new administration in Argentina eased certain restrictions and other changes to such regulations are expected. At the date of this annual report, the scope and timing of upcoming changes remain unknown. Currently, Argentine companies are required to repatriate export proceeds from sales of goods and services (including U.S. dollars obtained through advance payment and pre-financing facilities) and convert such proceeds into ARS at the official exchange rate. As from December 13, 2023, up to 20% of export proceeds can be sold for Argentine pesos through securities transactions resulting in a higher implicit exchange rate as explained below. This

percentage has changed and is expected to change over time. Sovereign bonds were issued to pay imports of goods cleared and services rendered on or prior to December 12, 2023, but such bonds cover only a portion of total import debts. Import payments for services rendered and goods cleared after December 12, 2023, do not require government approval but cannot be paid in advance or at sight and are subject to deferred payment schedules. In addition, import payments are subject to import taxes that significantly increase prices of imported goods and services. Argentine companies must still obtain prior Central Bank authorization, which is rarely (if ever) granted, to access the foreign exchange market to make dividend payments.

Furthermore, foreign exchange controls in Argentina limiting the purchase and transfer abroad of foreign currency for saving purposes, restrict Ternium Argentina's ability to hold excess cash reserves in foreign bank accounts. The existing measures substantially limit the ability of Argentine companies to obtain foreign currency and make certain payments and distributions out of Argentina at the official exchange rate.

For more information on our foreign exchange restrictions in Argentina, see note 30 "Foreign exchange restrictions in Argentina" to our consolidated financial statements included in this annual report.

As the context of volatility and uncertainty remains in place as of the date of this annual report, regulations or restrictions imposed by the former government administration as well as new regulations enacted by the new administration, may restrict Ternium Argentina's ability to access the official foreign exchange market, expose Ternium to the risk of losses arising from fluctuations in the ARS/\$ exchange rate, or impair Ternium Argentina's ability to make payments abroad (including dividends or royalties), or fund investments or other activities offshore.

For additional information regarding factors affecting the Argentine economy, see Item 3. "Key Information—D. Risk Factors—Risks Relating to the Countries in Which Ternium Operates—Argentina."; for additional information on current foreign exchange restrictions in Argentina, see note 30 "Foreign exchange restrictions in Argentina" to our consolidated financial statements included in this annual report.

Colombia

Under Colombian foreign exchange regulations, payments in foreign currency related to certain foreign exchange transactions must be conducted through the commercial exchange market, by means of an authorized financial intermediary, and the payment must be declared to the Colombian central bank. This mechanism applies to payments in connection with, among others, imports and exports of goods, foreign loans and related financing costs, investment of foreign capital and the remittances of profits thereon, investment in foreign securities and assets and endorsements and guarantees in foreign currency. Transactions through the commercial exchange market are made at market rates freely negotiated with the authorized intermediaries.

E. Taxation

The following discussion of the material Luxembourg and U.S. federal income tax consequences of an investment in our shares and 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 our shares or ADSs, including the tax consequences under U.S. state and local tax laws.

Grand Duchy of Luxembourg

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

It is not intended to be, nor should it be construed to be, legal or tax advice. You should, therefore, consult your own tax advisor regarding local or foreign tax consequences, including Luxembourg tax consequences of owning and disposing of shares or 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 Luxembourg corporate income tax (impôt sur le revenu des collectivités) and Luxembourg municipal business tax (impôt commercial communal, 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 shares or 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, Luxembourg municipal business tax, Luxembourg net wealth 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, Luxembourg corporate income tax on its worldwide income).

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 most 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 first phase of the corporate 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. The second phase of the reorganization was completed in 2011.

Following the completion of the first phase of the corporate reorganization, and upon its conversion into an ordinary Luxembourg holding company, the Company recorded a special reserve in its tax balance sheet for an amount of \$7.9 billion (\$2.3 billion –net of accumulated fiscal losses- remaining at 2023 year-end). Dividend distributions will be charged to the special reserve and therefore should not be subject to Luxembourg withholding tax (up-to- the remaining amount of such special reserve).

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 shares or ADSs as part of a trade or business (i.e. capital gains on private assets) and who hold (together, directly or indirectly, with their spouse or civil partner and underage children) no more than 10% of the share capital of the Company at any time during the five-year period preceding the disposition will only be taxable (at a progressive rate) if they are realized on a sale of shares or ADSs that takes place before their acquisition or within the first six months following their acquisition (i.e. speculative gain). After the six-months period, capital gains are not taxed unless the resident individual holds (together, directly or indirectly, with his or her spouse or civil partner and underage children) more than 10% of the share capital of the Company at any time during the five-year period preceding the disposition.

If such shares or 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 (alone or together with the resident’s spouse or civil partner and underage children) directly or indirectly more than 10% of the capital of the Company at any time during the five years prior to the sale, (or if the Luxembourg resident individuals have received the shares for no consideration within the last five years and the former holder held at least 10% in the capital of the company at any moment during said five years) will be taxable at half of the individual’s applicable global tax rate (as determined progressively), if a holding period of six months following their acquisition elapsed (21% for 2023). Within the six month period, progressive income tax rates apply (ranging from 0 to 42%* in 2023).

*A 7% surcharge for the Employment Fund applies on the income tax due. The surcharge for the Employment Fund amounts to 9% for taxpayer in tax class 1 or 1a with taxable income exceeding EUR 150,000 (EUR 300,000 for taxpayer in tax class 2).

Luxembourg resident corporate holders

Capital gains, including currency exchange gains realized upon the disposal of shares or ADSs by a fully taxable resident corporate holder, will in principle be subject to Luxembourg corporate income tax and Luxembourg municipal business tax. The combined applicable rate (including an unemployment fund contribution) for a corporate holder established in Luxembourg City is 24.94% for the fiscal year ending 2023. An exemption from such taxes may be available to the Luxembourg resident corporate holder pursuant to Article 1 of the Grand Ducal Decree dated December 21, 2001 as amended, in combination with article 166 of the Luxembourg Income Tax Law subject to the fulfillment of the conditions set forth therein.

Non-Luxembourg Holders

Non-Luxembourg individual holders

An individual who is a non-Luxembourg Holder of shares or 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 shares or ADSs if such holder has (alone or together with his or her spouse, civil partner and underage children) directly or indirectly held more than 10% of the capital of the Company at any time during the past five years preceding the disposal, and either (i) such non-Luxembourg 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 shares or ADSs occurs within six months from their acquisition (or prior to their actual acquisition), subject, however, to any applicable tax treaty.

Non-Luxembourg corporate holders

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 shares or ADSs are attributable, will bear Luxembourg corporate income tax and Luxembourg municipal business tax on a gain realized on a disposal of such shares or ADSs as set forth above for a Luxembourg corporate holder. However, capital gains, including currency exchange gains, realized on the sale of the shares or ADSs may benefit from the full exemption provided for by Article 1 of the Grand Ducal Decree dated December 21, 2001 as amended, 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, permanent representative or fixed place of business in Luxembourg to which the shares or ADSs are attributable, will bear non-resident capital gains tax on a gain realized on a disposal of such shares or ADSs under the same conditions applicable to an individual non-Luxembourg Holder, as set out above.

Tax regime applicable to distributions

Withholding tax

Distributions to holders are in principle subject to a 15% Luxembourg withholding tax 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. However, distributions imputed for tax purposes to the special reserve (please see above paragraph “Corporate Reorganization”) should be exempt from Luxembourg withholding tax under the current tax law.

Nevertheless, a withholding tax exemption may apply if the distribution is made to (as far as relevant in the case at hand):

- a Luxembourg resident corporate holder (that is, a fully taxable *collectivité* within the meaning of article 159 of the Luxembourg Income Tax Law);
- the Luxembourg State, a municipality, or a public body;
- 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 EU Council Directive of November 30, 2011 concerning the common fiscal regime applicable to

parent and subsidiary companies of different member states (2011/96/UE) as amended, (subject to the general anti-abuse rule provided for by Council Directive 2015/121/EU as implemented into Luxembourg law);

- a capital company 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;
- a Luxembourg permanent establishment of one of the above-mentioned categories;
- a capital company resident in Switzerland which is subject to corporate income tax in Switzerland without benefiting from an exemption; and
- 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.

provided each time that at the date of payment, the holder holds or commits to hold directly (or through a company regarded as tax transparent from a Luxembourg tax perspective), during an uninterrupted period of at least twelve months, shares or 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 benefiting from the application of Luxembourg participation exemption as per Article 166 of Luxembourg Income Tax Law (provided that the relevant requirements are met), Luxembourg individual holders, and Luxembourg corporate holders fully subject to Luxembourg corporate tax, must include the distributions received on the shares or 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.

Non Luxembourg Holders

Non-Luxembourg Holders of shares or ADSs and who do not have a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the shares or ADSs would be attributable are not liable for any Luxembourg tax on dividends received on the shares or ADSs, other than a potential withholding tax as described above.

Net wealth tax

Luxembourg Holders

Luxembourg net wealth tax will not be levied on a Luxembourg Holder with respect to the shares or ADSs held unless (i) the Luxembourg Holder is a legal entity subject to net wealth tax in Luxembourg; or (ii) the shares or 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% for taxable net wealth not exceeding EUR 500,000,000 and at a rate of 0.05% for the net wealth exceeding EUR 500,000,000, of enterprises resident in Luxembourg, as determined for net wealth tax purposes. The shares or ADSs may be exempt from net wealth tax subject to the conditions set forth by Paragraph 60 of the Luxembourg Law of October 16, 1934 on the valuation of assets (*Bewertungsgesetz*), as amended.

A minimum net wealth tax charge applies as of January 1, 2016 for all corporate entities having their statutory seat or central administration in Luxembourg. Subject to certain conditions, the amount of minimum net wealth tax may vary.

Non-Luxembourg Holders

Luxembourg net wealth tax will not be levied on a non-Luxembourg Holder with respect to the shares or ADSs held unless the shares or ADSs are attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg. The shares or ADSs may be exempt from net wealth tax subject to the conditions set forth by Paragraph 60 of the Luxembourg Law of October 16, 1934 on the valuation of assets (*Bewertungsgesetz*), as amended.

Stamp and registration taxes

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

Estate and gift taxes

No estate or inheritance tax is levied on the transfer of shares or ADSs upon the death of a holder of shares or 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 shares or ADSs if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

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

U.S. federal income taxation

This section describes the material U.S. federal income tax consequences to a U.S. holder (as defined below) of owning shares or ADSs. It applies to you only if you hold your shares or ADSs as capital assets for U.S. federal income tax purposes. This discussion addresses only U.S. federal income taxation and does not discuss all of the tax consequences that may be relevant to you in light of your individual circumstances, including foreign, state or local tax consequences, estate and gift tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. 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 that actually or constructively owns 10% or more of the combined voting power of our voting stock or of the total value of our stock (including ADSs),
- a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction for U.S. federal income tax purposes,
- a person that purchases or sells shares or ADSs as part of a wash sale for U.S. federal income tax purposes, or
- a person 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, as well as on the Convention between the Government of the Grand Duchy of Luxembourg and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital (the "Treaty"). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the assumption that each obligation in the ADS deposit agreement and any related agreement will be performed in accordance with its terms.

If an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds the shares or 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 of a partnership that holds the shares or 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 shares or ADSs and you are, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States,
- a domestic corporation (or an entity treated as 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.

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

The tax treatment of your shares or ADSs will depend in part on whether or not we are classified as a passive foreign investment company, ("PFIC"), for U.S. federal income tax purposes. Except as discussed below under "PFIC Rules", this discussion assumes that we are not classified as a PFIC for United States federal income tax purposes.

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

Taxation of distributions

Under the U.S. federal income tax laws, 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), other than certain pro-rata distributions of our shares will be treated as a dividend that is subject to U.S. federal income taxation. If you are a non-corporate U.S. holder, dividends paid to you that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold shares or 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 shares or ADSs generally will be qualified dividend income, provided that, in the year that you receive the dividend, we are eligible for the benefits of the Treaty. We believe that we are currently eligible for the benefits of the Treaty and therefore expect that dividends on the shares or ADSs will be qualified dividend income, but there can be no assurance that we will continue to be eligible for the benefits of the Treaty.

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 you receive it, or, in the case of ADSs, when the depositary 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 shares or ADSs and thereafter as capital gain. However, we do not expect to calculate 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).

Dividends will generally be income from sources outside the United States and generally will be "passive" income for purposes of computing the foreign tax credit allowable to you.

Subject to certain limitations, the Luxembourg tax withheld in accordance with the Treaty and paid over to Luxembourg will be creditable or deductible against your U.S. federal income tax liability. However, under recently finalized Treasury regulations, it is possible that taxes may not be creditable unless you are eligible for and elect to apply the benefits of the Treaty. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a refund of the tax withheld is available to you under Luxembourg law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your U.S. federal income tax liability.

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.

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

If you are a U.S. holder and you sell or otherwise dispose of your shares or 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 shares or ADSs. Capital gain of a non-corporate 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. The deductibility of capital losses is subject to limitations.

Additional U.S. Federal Income Tax Considerations

PFIC Rules: Based on the Company's current and expected income and assets, we believe that the shares or ADSs should not currently be treated as stock of a PFIC for U.S. federal income tax purposes and we do not expect to become a PFIC in the foreseeable future. However this conclusion is a factual determination that is made annually and thus may be subject to change. It is therefore possible that we could become a PFIC in a future taxable year. If we were to be treated as a PFIC, gains realized on the sale or other disposition of your shares or ADSs would in general not be treated as capital gains. Furthermore, if you are a U.S. holder, unless you are permitted to elect and you do elect to be taxed annually on a mark-to-market basis with respect to the shares or ADSs, upon sale or disposition of shares or ADSs you would generally be treated as if you had realized such gain and certain "excess distributions" ratably over your holding period for the shares or 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 shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your shares or ADSs. Dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are a PFIC (or 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 and subject to the excess distribution regime described above.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on display

The Company is subject to the reporting requirements of the Exchange Act, as applied to foreign private issuers. Accordingly, the Company is required to file annual and special reports and other information with the SEC; however, foreign private issuers are not required to deliver proxy statements or to file quarterly reports. We prepare quarterly and annual consolidated financial statements in accordance with IFRS. The Company's annual consolidated financial statements are audited by an independent accounting firm. The Company submits quarterly financial information with the SEC on Form 6-K, and the Company files annual reports on Form 20-F within the time period required by the SEC, which is currently four months from the close of the fiscal year on December 31. Reports and other information filed electronically with the SEC are available at the SEC's internet website at <http://www.sec.gov>. In addition, such reports and other communications are made available to all shareholders and holders of ADSs on the Company's website at: <https://investors.ternium.com>.

For the year ended December 31, 2023, BNY Mellon acted as Depositary under the ADS deposit agreement. As long as the deposit agreement remains in effect, the Company will furnish the Depositary with:

- annual reports, and
- copies of all notices of shareholders meetings and other reports and communications that are made generally available to the Company's shareholders.

The Depositary will, as provided in the deposit agreement and if requested in writing by the Company, arrange for the mailing of such reports, notices and communications to all record holders of ADSs, on a basis similar to that for holders of shares, or on such other basis as the Company may advise the Depositary may be required by any applicable law or regulation or any requirement of any stock exchange to which the Company may be subject. Any reports and

communications, including any proxy solicitation material, shall be furnished in English to the extent such materials are required to be translated into English pursuant to any regulations of the SEC.

Reports, notices, or summaries thereof, and communications are made available to all shareholders and holders of ADSs on the Company's website at: <https://investors.ternium.com>.

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.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

The multinational nature of our transactions, operations and customer base expose us to a variety of risks, including the effects 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 and interest rate costs. In addition, we may use derivative instruments embedded in investment instruments, in compliance with Ternium's policy for financial investments. We do not use derivative financial instruments for other purposes. In addition, in the ordinary course of business we also face 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 29 to the consolidated financial statements included in this annual report.

The following tables provide a breakdown of Ternium's debt instruments as of December 31, 2023, by type of interest rate fixing mechanism and year of maturity. The following information should be read together with note 29 "Financial Risk Management" to the consolidated financial statements included in this annual report.

At December 31, 2023	Expected maturity in the year ending December 31,			
<i>In \$ million</i>	2024	2025	2026 and thereafter	Total
Non-current Debt				
Floating Rate	—	9	—	9
Bonds	—	—	744	744
Debentures	—	—	453	453
Current Debt				
Fixed Rate	316	—	—	316
Floating Rate	600	—	—	600
Bonds	21	—	—	21
Debentures	4	—	—	4
Total ^{(1) (2)}	940	9	1,197	2,146

(1) Fixed and floating rate borrowings are primarily bank borrowings. For further information, see Item 5. "Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Principal Sources of Funding—Financial Liabilities."

(2) As most borrowings and the debentures incorporate floating rates that approximate market rates and the contractual repricing occurs mostly every 1 month, the fair value of the borrowings and the debentures approximates their carrying

amount and it is not disclosed separately. Fixed rate borrowings are uncommitted short-term revolving loans, and their fair value approximates to their carrying amount. Regarding the bonds, its fair value approximates the market value.

The weighted average interest rate was 7.28% for bank borrowings, 5.88% for bonds and 12.52% for debentures, which were 43%, 36% and 21% of our total borrowings, respectively. These figures incorporate instruments denominated mainly in U.S. dollars and Brazilian Reais, and do not include the effect of derivative financial instruments nor the devaluation of local currencies as of December 31, 2023.

Total Debt by Currency as of December 31, 2023

<i>\$ million</i>	
U.S. dollar (\$)	1,631
Brazilian Real (BRL)	457
Colombian Peso (COP)	53
Other	5
Total	2,146

Foreign Exchange Exposure Risk

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. 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 and statement of comprehensive income in the form of both translation 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.

Ternium's foreign exchange policy seeks to minimize the impact of fluctuations in the value of positions in currencies other than the U.S. dollar with respect to the U.S. dollar, with the exception of the currencies of countries where it has operations in Latin America, in which Ternium may, from time to time, choose not to hedge operational short exposures to such currencies. Ternium's subsidiaries with the exception of Usiminas and its subsidiaries monitor their net operating cash flows in currencies other than the U.S. dollar, and analyse potential hedging strategies according to market conditions. Usiminas and its subsidiaries monitor their net operating cash flows in currencies other than the Brazilian real, and analyse potential hedging strategies according to market conditions. This hedging can be carried out either by netting operational positions or by using financial derivatives. However, regulatory or legal restrictions in the countries in which Ternium's subsidiaries operate could limit the extent to which the Company can implement its hedging policy.

The following table shows a breakdown of Ternium's assessed financial position exposure to currency risk as of December 31, 2023.

Exposure to:	Ternium ex Usiminas	Usiminas
	\$ million	BRL million
U.S. dollar (\$)	—	(469)
E.U. euro (EUR)	97	(0)
Argentine peso (ARS)	(135)	—
Mexican peso (MXN)	(313)	—
Brazilian real (BRL)	59	—
Colombian peso (COP)	(20)	—
Japanese yen (JPY)	115	—
Other currencies	(2)	(0)

The main relevant exposures correspond to:

(a) Argentine peso vs. U.S. dollar. If the Argentine peso had weakened by 1% against the U.S. dollar, it would have generated a pre-tax gain of \$1.3 million and a pre-tax gain of \$0.2 million as of December 31, 2023 and 2022, respectively.

(b) Mexican peso vs. U.S. dollar. If the Mexican peso had weakened by 1% against the U.S. dollar, it would have generated a pre-tax gain of \$3.1 million and \$2.6 million as of December 31, 2023 and 2022, respectively.

(c) Colombian peso vs. U.S. dollar. If the Colombian peso had weakened by 1% against the U.S. dollar, it would have generated a pre-tax gain of \$0.2 million and \$ 0.9 million as of December 31, 2023 and 2022, respectively.

(d) Brazilian real vs. U.S. dollar. If the Brazilian real had weakened by 1% against the U.S. dollar, it would have generated a pre-tax loss of \$5.3 million and \$0.4 million as of December 31, 2023 and 2022, respectively.

We estimate that if the Argentine peso, Mexican peso, Colombian peso and Brazilian real had weakened simultaneously by 1% against the U.S. dollar with all other variables held constant, total pre-tax loss for the year would have been \$0.6 million higher (a pre-tax income of \$3.3 million higher as of December 31, 2022), as a result of foreign exchange gains/losses on translation of U.S. dollar-denominated financial position, mainly local currency cash, trade receivables, trade payables, tax credits and liabilities, lease liabilities, borrowings and other liabilities.

Considering the same variation of the currencies against the U.S. dollar of all net investments in foreign operations amounting to \$2.7 billion, the currency translation adjustment included in total equity would have been \$6.1 million lower, arising mainly from the adjustment on translation of the equity related to the Brazilian real during 2023. We estimate that for each 1% depreciation of the Mexican peso against the U.S. dollar, we would have incurred a pre-tax gain of \$2.6 million and \$12.5 million for the years 2022 and 2021, respectively; we estimate that for each 1% depreciation of the Argentine peso against the U.S. dollar, we would have incurred a pre-tax gain of \$0.2 million and a pre-tax loss of \$3.2 million for the years 2022 and 2021, respectively; for each 1% depreciation of the Brazilian real against the U.S. dollar, we would have incurred a pre-tax loss of \$0.4 million and \$0.5 million for the years 2022 and 2021, respectively; and for each 1% depreciation of the Colombian peso against the U.S. dollar, we would have incurred a pre-tax gain of \$0.9 and \$0.5 million for the years 2022 and 2021, respectively.

Foreign Exchange Derivative Contracts

During 2023, 2022 and 2021, Ternium Colombia S.A.S. has entered into non-deliverable forward agreements to manage the aggregate exposure arising from its balance sheet position in conjunction with expected future trade receivables denominated in its local currency. As of December 31, 2023, the notional amount on these agreements amounted to \$81.2 million, out of which \$37.6 million were due on January 2, 2024.

During 2023, 2022 and 2021, Ternium Mexico entered into several forward agreements mainly to manage the exchange rate exposure generated by future payables in EUR related to the investment plan in Pesquería among other standard liabilities in EUR. The notional amount hedged as of December 31, 2023, was EUR556.9 million. These agreements will be due up to September 2025 and have been accounted for as cash flow hedges. As of December 31, 2023, the aggregate notional amount on these agreements amounted to \$605.3 million. In addition, during 2023 and

2022, Ternium Mexico entered into non-deliverable forward agreements to manage the exposure of certain tax credits denominated in its local currency. As of December 31, 2023, there was no notional amount outstanding on these agreements.

During 2023, Ternium Guatemala entered into several non-deliverable forward agreements in order to manage the exchange rate exposure generated by trade receivables denominated in Guatemalan quetzals. As of December 31, 2023, the notional amount on these agreements amounted to \$2.0 million.

During 2023, Ternium del Atlántico entered into several non-deliverable forward agreements to manage the aggregate exposure arising from its balance sheet position in conjunction with expected future trade receivables denominated in Colombian pesos. As of December 31, 2023, the notional amount on these agreements amounted to \$94.7 million, out of which \$40.0 million were due on January 2, 2024.

During 2023, Ternium Procurement entered into specific forward agreements in order to manage the exchange rate exposure generated by purchases of semi-finished steel products. As of December 31, 2023, the notional amount on these agreements amounted to \$1.0 million.

The consolidated net fair value of these exchange rate derivative contracts as of December 31, 2023, was \$13.1 million. For further information on our foreign exchange contracts see note 22(b) to the consolidated financial statements included in this annual report.

Interest Rate Exposure 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 could be partially fixed through different derivative transactions, such as interest rate swaps.

Ternium's nominal weighted average interest rate for its debt instruments, which do not include neither the effect of derivative financial instruments, nor the devaluation of the local currencies, was 8.46% and 6.21% as of December 31, 2023 and 2022, 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.

Ternium's total variable interest rate debt amounted to \$1.1 billion (49.7% of total borrowings) as of December 31, 2023, and \$737 million (71.4% of total borrowings) as of December 31, 2022. If interest rates on the aggregate average notional of U.S. dollar denominated borrowings held during 2023, excluding borrowings with derivatives contracts mentioned in Note 22 (a), had been 100 basis points higher with all other variables held constant, total pre-tax income for the year ended December 31, 2023 would have been \$18.3 million lower (\$12.1 million lower as of December 31, 2022).

Effect of IBOR reform

Reform and replacement of various inter-bank offered rates ('IBORs') became a priority for regulators. Most IBOR rates stopped being published by December 31, 2022, while certain and most used U.S. dollar LIBOR rates stopped being published by June 30, 2023. During 2023, Ternium finished the transition to the alternative interest rates benchmark (mostly SOFR based) for the remaining outstanding loans that continued to be based in U.S. dollar LIBOR rates as of December 31, 2022. All newly transacted U.S. dollar floating rate financial liabilities will be linked to an alternative benchmark rate (e.g. SOFR + spread adjustments). The Company prepared a sensitivity analysis considering this situation and concluded that no material impacts derived from this change. The Company also enhanced its systems and internal processes to ensure a smooth transition from IBOR to alternative benchmark interest rates.

Commodity Exposure Risk

During 2023 and 2022, Ternium Mexico entered into swap agreements to mitigate the impact of the fluctuation of the zinc price affecting the manufacturing cost of galvanized products to be sold with a fixed zinc price. As of December 31, 2023, Ternium Mexico has several agreements outstanding with an aggregate notional amount of \$ 8.4 million.

During 2023 and 2022, Mineração Usiminas entered into forward agreements to manage the impact of the fluctuation of iron ore prices affecting its sales in the foreign market. As of December 31, 2023, Mineração Usiminas had several agreements outstanding with an aggregate notional amount of \$57.8 million.

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 the Company's 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 \$5.00 (or less) per 100 ADSs (or portion of 100 ADSs) for any 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 \$0.02 (or less) per ADS for any cash distribution to ADS registered holders, excluding cash dividend.
- Any charges for taxes and other governmental charges that the Depositary or the custodian may be required 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 (when expressly provided in the deposit agreement); 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.

Under the deposit agreement with the Depositary, the Depositary is not liable to holders of ADSs, except that the Depositary agrees to perform its obligations specifically set forth therein without gross negligence and willful misconduct.

Fees payable by the Depositary to the Company

Fees paid in 2023. In 2023, the Company received no fees from BNY Mellon in connection with the Company's ADS Program.

Fees to be paid in the future. In the event the Company's shares are listed in a non-U.S. stock exchange (in addition to the NYSE) allowing for cross-border trading, the Depositary has agreed to reimburse the Company for expenses

incurred in connection with the administration and maintenance of the ADS program, including investor relations expenses, annual NYSE listing fees and other program-related expenses, subject to certain limits. The Depositary has also agreed to pay certain standard out-of-pocket maintenance costs for the ADS program. The Company does not currently expect to receive any reimbursement or fees 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

Evaluation of Disclosure 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-15(e) under the Exchange Act as of December 31, 2023). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2023, 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 Exchange Act). Our 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.

In addition, under the Company's articles of association, as supplemented by the audit committee's charter, the audit committee assists the board of directors in fulfilling its oversight responsibilities relating to the effectiveness of the Company's systems of internal control, risk management and internal audit over financial reporting. In particular, the audit committee is required to review the scope and results of the activities of the Company's external auditors and the internal audit function relating to the Company's internal control over financial reporting, and obtain reports on significant findings and recommendations; and is also required to assess, at least annually at the time the annual accounts are approved, the effectiveness of the Company's systems of internal control and risk management over financial reporting.

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.

On an yearly basis, management conducts its assessment of the effectiveness of Ternium's internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management has excluded Usinas Siderúrgicas de Minas Gerais S.A. from its assessment of internal control over financial reporting as of December 31, 2023, because it was acquired by the Company in a purchase business combination during 2023. Usinas Siderúrgicas de Minas Gerais S.A. is a subsidiary whose total assets and total revenues excluded from management's assessment of internal control over financial reporting represent \$7.0 billion

and \$2.7 billion, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2023.

On February 20, 2024, management reported to the audit committee that management had conducted its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, and that, based on management's evaluation and considering the inherent limitations to the effectiveness of any internal control system, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of Ternium's internal control over financial reporting as of December 31, 2023, has been audited by PwC Luxembourg, as stated in their report included herein. See "Attestation Report of Registered Public Accounting Firm."

Attestation Report of Registered Public Accounting Firm

See page F-1 of the audited consolidated financial statements included in this annual report.

Change in Internal Control over Financial Reporting

There were no significant 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) during the year ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

The Company's board of directors has determined that none of the audit committee members meets the attributes defined in Item 16A of Form 20-F for "audit committee financial experts". However, the audit committee as a whole has sufficient relevant knowledge of the business and financial experience to properly discharge its functions. In addition, the audit committee has the authority to engage, at the Company's expense, independent counsel and other internal or external advisors to review, investigate or otherwise advise on, any matter, as the audit committee may determine to be necessary to carry out its purposes and responsibilities.

Item 16B. Code of Ethics

The Company has adopted a general code of conduct incorporating guidelines and standards of integrity and transparency applicable to all directors, officers and employees. As far as the nature of each relation permits, all principles detailed in the code of conduct also apply to relations with our contractors, subcontractors, suppliers and associated persons. In addition, the Company has adopted a code of ethics, which is intended to supplement the Company's code of conduct, and applies specifically to the principal executive officer, the principal financial officer, the principal accounting officer or controller, as well as persons performing similar functions.

Our code of conduct and our code of ethics for senior financial officers are posted on our website at: "<https://www.ternium.com/media/hjqbvp0a/tx-code-of-conduct.pdf>" and "https://www.ternium.com/media/4a3gmogx/c-ethics_ternium.pdf", respectively.

Item 16C. Principal Accountant Fees and Services

Fees Paid to the Company's Principal Accountant

In 2023 and 2022, PwC Luxembourg served as the principal external auditor for the Company. Fees paid to PwC Luxembourg and other PwC member firms for the years ended December 31, 2023 and December, 2022 are detailed below:

<i>In thousands of U.S. dollars</i>	For the year ended December 31,	
	2023	2022
Audit fees	4,783	3,681
Audit-related fees	268	272
All other fees	289	38
Total	5,340	3,991

Audit Fees

Audit fees were paid for professional services rendered by the external auditors for the audit of the consolidated financial statements and internal control over financial reporting of the Company, the statutory financial statements of the Company and its subsidiaries, and any other audit services required in connection with the Company's filings with the SEC or other regulatory filings.

Audit-Related Fees

Audit-related fees are typically referred to services that are reasonably related to the performance of the audit or review of the consolidated financial statements of the Company, or the statutory financial statements of the Company and its subsidiaries, 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 annual reports filed with the applicable regulators.

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 external auditors. The audit committee has adopted in its charter a policy of pre-approval of audit and permissible non-audit services provided by its external auditors.

Under the policy, the audit committee makes its recommendations to the shareholders' meeting concerning the continuing appointment or termination of the Company's external auditors. On a yearly basis, the audit committee reviews together with management and the external auditor, the audit plan, audit related services and other non-audit services and approves, *ad-referendum* of the general shareholders' meeting, the related fees. Any changes to the approved fees must be reviewed and approved by the audit committee. The general shareholders' meeting normally approves such audit fees and authorizes the audit committee to approve any increase or reallocation of such audit fees as may be necessary, appropriate or desirable under the circumstances. No services outside the scope of the audit committee's approval can be undertaken by the external auditor.

During 2023, 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

There were no purchases of any class of registered equity securities of the Company by the Company or, to our knowledge, by any other affiliated purchaser, during 2023.

The annual general meeting of shareholders held on May 3, 2021, authorized the Company and the Company's subsidiaries, for a period of five years, to purchase, acquire or receive, from time to time, shares of the Company, including shares represented by ADSs (collectively, "Securities"), on the terms and conditions set forth below.

- Purchases, acquisitions or receipts of Securities 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 maximum number of Securities 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 Securities are traded, such lower amount as may not be exceeded pursuant to any applicable laws or regulations of such market. The number of Securities acquired as a block may amount to the maximum permitted amount of purchases.
- The purchase price per share 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 Company's Securities in the stock exchange through which the Securities are acquired, during the five trading days in which transactions in the Securities were recorded in such stock exchange preceding (but excluding) the day on which the Company's Securities are acquired. For over-the-counter or off-market transactions, the purchase price per ADS to be paid in cash may not exceed 125% (excluding transactions 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 ADSs in the New York Stock Exchange during the five trading days in which transactions in ADSs were recorded in the New York Stock Exchange preceding (but excluding) the day on which the ADSs are acquired, and, in the case of acquisition of Securities, other than in the form of ADSs, such maximum and minimum per Security purchase prices shall be equal to the prices that would have applied in case of an ADS purchase pursuant to the formula above divided by the number of underlying shares represented by an ADS at the time of the relevant purchase. 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 on 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 Securities may not have the effect of reducing the Company's net assets below the sum of the Company's capital stock plus its undistributable reserves.
- Only fully paid-up Securities may be acquired pursuant to this authorization.
- The acquisitions of Securities 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 Securities 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 Securities 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 Company's Securities are traded, through public offers to all shareholders of the Company to buy Securities, 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 Securities 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 Securities 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 Securities 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 entity, provided that any such purchase shall comply with Article 430-15 *et seq.* of the Luxembourg Company Law and, in the case of acquisitions of Securities made through a stock exchange in which such Company's Securities are traded, with any applicable laws and regulations of such market.

In the future, the Company 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 Securities. 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 Securities. 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

Not applicable.

Item 16G. Corporate Governance

The Company's corporate governance practices are governed by the Luxembourg Company Law, the Company's articles of association and applicable securities laws and regulations. As a Luxembourg company listed on the NYSE, the Company is required to comply with some, but not all, of the corporate governance standards of the NYSE. The Company, however, believes that its corporate governance practices meet, in all material respects, the corporate governance standards that are generally required for controlled companies by the NYSE.

The following is a summary of the significant ways that the Company's corporate governance practices differ from the corporate governance standards required for foreign controlled companies by the NYSE. The Company's corporate governance practices may differ in non-material ways from certain other 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 the Company's articles of association require the holding of such meetings and the Company does not have a set policy for these meetings. For additional information on board meetings, please see Item 6. "A. Directors, Senior Management and Employees—Board of Directors".

In addition, NYSE-listed companies are required to provide a method for interested parties to communicate directly with non-management directors as a group. While the Company does not have such a method, it has set up a compliance line for investors and other interested parties to communicate their concerns directly to the members of our audit committee, all of whom are non-management independent directors.

Audit committee composition

Under NYSE standards, listed U.S. companies are required to have an audit committee composed of independent directors that satisfy the requirements of Rule 10A-3 promulgated under the Exchange Act. Pursuant to the Company's articles of association, as supplemented by the audit committee's charter, for as long as the Company's shares are listed on at least one regulated market, the Company must have an audit committee composed of at least three members, the majority of whom must qualify as independent directors (as defined in the Company's articles of association), provided, however, that the composition and membership of the audit committee shall satisfy such requirements as are

applicable to, and mandatory for, audit committees of issuers such as the Company under any law, rule or regulation applicable to the Company (including, without limitation, the applicable laws, rules and regulations of such regulated market or markets). The Company's audit committee, which currently consists of three members, complies with such requirements. In accordance with NYSE standards, the Company has an audit committee entirely composed of independent directors for purposes of the Exchange Act Rule 10A-3(b)(1). For more information on the Company's audit committee see Item 6. "Directors, Senior Management and Employees—C. Board Practices-Audit Committee".

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 applicable Luxembourg law or the Company's 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 the Company's articles of association requires that the board of directors express such an opinion. In addition, the definition of "independent" under the NYSE rules differs in some non-material respects from the definition contained in the Company's articles of association. For more information on the Company's independent directors and the definition of "independent" under the Company's articles of association, see Item 6. "Directors, Senior Management and Employees—C. Board Practices-Audit Committee".

Audit committee responsibilities

Pursuant to the Company's articles of association, the audit committee shall assist the board of directors in fulfilling its oversight responsibilities relating to the integrity of its consolidated financial statements, the effectiveness of its systems of internal control, risk management and internal audit over financial reporting and the independence and performance of the external auditors. The audit committee is required to review and, where applicable, approve material transactions between the Company or its subsidiaries and 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.

The Company's audit committee charter provides for many of the responsibilities that are expected from such bodies under the NYSE standard; however, due to the Company's equity structure and holding company nature, the charter does not contain all such responsibilities, including provisions related to procedures for the receipt and treatment of complaints (although the Company has established such procedures), funding for payment of administrative expenses and compensation to advisors (although the audit committee has the authority to engage outside advisors), setting hiring policies for employees or former employees of external auditors and an annual performance evaluation of the audit committee. For more information on the Company's audit committee see Item 6. "Directors, Senior Management and Employees—C. Board Practices-Audit Committee".

Standards for approval of related-party transactions

The Company is subject to Luxembourg laws governing approval of material related party transactions; and the Company's articles of association and the audit committee charter require the audit committee to review material transactions with related parties to determine whether their terms are consistent with the interests of the Company and its shareholders and with market conditions or are otherwise fair to the Company and its subsidiaries. In addition, NYSE standard on related-party transactions requires all NYSE-listed companies' audit committees (or another independent body of the board of directors) to conduct a reasonable prior review and oversight of all related party transactions for potential conflicts of interest and to prohibit such a transaction if it determines it to be inconsistent with the interests of the Company and its shareholders. The rule defines the term "related party transaction" by reference to the disclosure requirements for annual reports under the Exchange Act. The materiality threshold applicable to foreign private issuers differs to the one applicable to U.S. companies. For further details on the approval process for related party transactions, see Item 6.C. "Directors, Senior Management and Employees – Board Practices – 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. The Company does not currently offer equity-based compensation to its directors, senior management or employees, and therefore does not have a policy on this matter. For further information on directors' compensation, see Item 6. "Directors, Senior Management and Employees—B. Compensation".

Disclosure of corporate governance guidelines

NYSE-listed companies must adopt and disclose corporate governance guidelines. Neither Luxembourg law nor the Company's articles of association require the adoption or disclosure of corporate governance guidelines. The Company's board of directors follows corporate governance guidelines consistent with its equity structure and holding company nature, but the Company has not codified them and therefore does not disclose them on its 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 the Company's articles of association require the adoption or disclosure of such a code of conduct. The Company, however, has adopted a code of conduct that applies to all directors, officers and employees, that is posted on its website and which 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, it has adopted a supplementary code of ethics for senior financial officers which is also posted on our website. For further information, see Item 16B. "Code of Ethics".

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, the Company's 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, the Company's chief executive officer must promptly notify the NYSE in writing after any of the Company's executive officers becomes aware of any noncompliance with any applicable provision of the NYSE's corporate governance standards. In addition, the Company must submit an executed written affirmation annually and an interim written affirmation upon the occurrence of any of the events listed in the foreign private issuer interim written affirmation form by the NYSE.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not applicable.

Item 16J. Insider Trading

Not applicable.

Item 16K. Cybersecurity

Under the Company's articles of association, as supplemented by the audit committee's charter, the audit committee assists the board of directors in fulfilling its oversight responsibilities relating to the effectiveness of the Company's systems of internal control, risk management and internal audit over financial reporting. In addition, the Company has established a management-level Critical Risk Committee ("CRC") in connection with the monitoring, assessment and review of risks to which Ternium is exposed and in the oversight of the risk management framework and processes, with a focus on critical risks (including among them, cybersecurity risks), the development of mitigating actions, and the monitoring of action plans. The CRC is composed of certain senior managers, including the Company's Chief Information Officer, the Global Cybersecurity Director, the Chief Financial Officer and the Chief Executive Officer. The Chief Financial Officer oversees the Company's risk management strategy. In particular with respect to cybersecurity risks, the Company has appointed an Information Security Officer who is responsible for assessing cybersecurity risks and managing cybersecurity incidents, and reports to the Chief Information Officer, who, in turn, reports to the Chief Financial Officer. The Company's board of directors receives quarterly reports from the Chief Executive Officer and the Chief Financial Officer on risk management, including cybersecurity risk management and relevant cybersecurity incidents. In addition, at least once a year, the Chief Information Officer reports to the board of directors on the Company's cybersecurity management

Identified risks, including cybersecurity risks, are categorized as critical, very significant, significant or less significant, based on their potential impact, likelihood of occurrence and severity. Currently cybersecurity risks are categorized as critical, very significant, significant and less significant. Critical, very significant and significant risks are assessed or reassessed at least three times per year.

In today's digital age, where cybersecurity is a critical priority for organizations, collaboration with third-party service providers has become increasingly common and necessary. Third-party service providers play a critical role in strengthening information security processes, providing specialized expertise and additional resources to address the complexities of the ever-evolving cyber threat landscape.

Our Global Cybersecurity Director leads our cybersecurity team, acting as the internal focal point for risk management and implementation of security controls. However, we recognize that cybersecurity encompasses a wide range of expertise, and it is in these cases that we turn to specialized consultants. Specialized cybersecurity consultants are engaged when specific expertise is required to address particular challenges or to conduct comprehensive risk assessments. These professionals bring a valuable external perspective, offering expertise and skills that complement our team's internal capabilities. Tasks and responsibilities outsourced to third-party service providers may include:

1. Risk and Vulnerability Assessment: Consultants can conduct comprehensive risk assessments and vulnerability scans to identify potential gaps in our security infrastructure.
2. Security audits: They perform independent audits to ensure compliance with information security standards and regulations, or industry-specific regulations.
3. Penetration Testing: Consultants perform ethical penetration tests to identify weaknesses in our network and systems, simulating real attacks to evaluate the resistance of our defenses.
4. Development of security policies and controls: They collaborate in the creation and review of information security policies, as well as in the design and implementation of appropriate controls to mitigate risks.
5. Training and awareness: They provide cybersecurity training and awareness programs for our staff, helping to promote a culture of security throughout the organization.
6. Security Operation Centers (SOC): The SOC plays a critical role in detecting, analyzing and responding to security incidents in real time.

Tasks are distributed between external vendors and the Global Cybersecurity Director based on the nature and scope of each project. The Global Cybersecurity Director and his team closely monitor all cybersecurity-related activities, ensuring that they align with the organization's security objectives and standards. In addition, he or she coordinates communication and collaboration between third-party vendors and other relevant internal teams, ensuring effective integration of cybersecurity efforts across the enterprise. Third-party vendors are carefully selected based on their experience, credentials and demonstrated capabilities in the cybersecurity field. We look for partners who hold

recognized certifications, and who have a proven track record of success in similar projects. Transparency and trust are core values in our relationship with third-party vendors, and we work closely with them to ensure comprehensive protection of our information assets.

Our Global Cybersecurity Director has been working on Ternium's cybersecurity area since 2006. He holds a degree in Information Systems Engineering and a CISM-Certified Information Security Manager certification from ISACA.

As Ternium relies heavily on information systems to conduct its operations, the Company has adopted information security policies and controls aligned with the industry's best practices and standards, in compliance with international frameworks including the U.S. National Institute of Standards and Technology, or NIST, the Open Worldwide Application Security Project, or OWASP, and ISO, among others.

Our information security teams regularly evaluate the effectiveness of the Company's policies and controls, learning from past incidents and implementing continuous improvements. We closely evaluate and supervise the information security practices of our suppliers and third parties with access to our assets and critical data.

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-96 of this annual report.

Item 19. Exhibits

Exhibit Number	Description
<u>1.1</u>	Consolidated Articles of Association of Ternium S.A., dated as of June 5, 2020*
<u>2.1</u>	Deposit Agreement entered into between Ternium S.A. and The Bank of New York**
<u>2.2</u>	Description of securities***
<u>4.1</u>	Shareholders' Agreement, dated January 9, 2006, between Tenaris S.A. and Inversora Siderurgica Limited****
<u>4.3</u>	Second Amended and Restated Shareholders Agreement, dated July 3, 2023, between Previdência Usiminas, Confab Industrial S.A., Mitsubishi Corporation, Nippon Steel Corporation, Prosid Investments S.A., Ternium Argentina S.A., Ternium Investments S.à r.l., and Usinas Siderúrgicas de Minas Gerais S.A.
<u>8.1</u>	List of subsidiaries of Ternium S.A.
<u>12.1</u>	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>12.2</u>	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>13.1</u>	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<u>13.2</u>	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<u>15.1</u>	Statement explaining alternative performance measures
<u>97.1</u>	Clawback Policy
*	Incorporated by reference to the Annual Report on Form 20-F, filed by Ternium S.A. on March 30, 2022 (File No. 001-32734 22787307).
**	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 Annual Report on Form 20-F, filed by Ternium S.A. on March 30, 2023 (File No. 001-32734 23781454).
****	Incorporated by reference to the Registration Statement on Form F-1, filed by Ternium S.A. on January 27, 2006 (File No. 333-130950).



TERNIUM S.A.
Consolidated Financial Statements
as of December 31, 2023 and 2022 and
for the years ended on December 31, 2023, 2022 and 2021

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L – 2449 Luxembourg
R.C.S. Luxembourg: B 98 668

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Page
<u>Report of Independent Registered Public Accounting Firm</u> (PCAOB ID 1328)	F-1
<u>Consolidated Income Statements for the years ended December 31, 2023, 2022 and 2021</u>	F-5
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2023, 2022 and 2021</u>	F-6
<u>Consolidated Statements of Financial Position as of December 31, 2023 and 2022</u>	F-7
<u>Consolidated Statements of Changes in Equity for the years ended December 31, 2023, 2022 and 2021</u>	F-8
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021</u>	F-11
<u>Index to the Notes to the Consolidated Financial Statements</u>	F-12



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Ternium S.A.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Ternium S.A. and its subsidiaries (the "Company") as of 31 December 2023 and 2022, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended 31 December 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of 31 December 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2023 in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and IFRS Accounting 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 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated 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 the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)

R.C.S. Luxembourg B 65 477 - TVA LU25482518



Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Usinas Siderúrgicas de Minas Gerais S.A. from its assessment of internal control over financial reporting as of 31 December 2023 because it was acquired by the Company in a purchase business combination during 2023. We have also excluded Usinas Siderúrgicas de Minas Gerais S.A. from our audit of internal control over financial reporting. Usinas Siderúrgicas de Minas Gerais S.A. is a subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 7.0 billion USD and 2.7 billion USD, respectively, of the related consolidated financial statement amounts as of and for the year ended 31 December 2023.

Definition and Limitations of Internal Control over Financial Reporting

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.

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.



Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Acquisition of the additional participation in Usiminas Control Group - Valuation of the property, plant and equipment acquired and contingencies assumed

As described in Notes 3 and 4(bb)(6) to the consolidated financial statements, on 3 July 2023, the Company completed the acquisition of the additional participation in Usinas Siderúrgicas de Minas Gerais S.A. ("Usiminas" or "Usiminas Control Group") for net consideration of 118.7 million USD, leading to the gain of control and which resulted in the recognition of net assets acquired of 3,593.3 million USD, which include property, plant and equipment of 904.8 million USD and contingencies assumed of 856.2 million USD. The fair value of the property, plant and equipment acquired is derived from a discounted cash flow model estimated by management. Management's estimate included significant judgments and assumptions related to revenue forecast, EBITDA margins, capital expenditures and discount rate used in the cash flow projections for the valuation of the property, plant and equipment acquired, and the loss probability for the contingencies assumed.

The principal considerations for our determination that performing procedures relating to the valuation of the property, plant and equipment acquired and contingencies assumed with the acquisition of the additional participation in Usiminas is a critical audit matter are (i) the significant judgement by management when determining the fair value estimate of the property, plant and equipment acquired and contingencies assumed; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to revenue forecast, EBITDA margins, capital expenditures and discount rate for the valuation of the property, plant and equipment acquired, and the loss probability for the contingencies assumed; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the property, plant and equipment acquired and contingencies assumed. These procedures also included, among others (i) reading the purchase agreement; (ii) testing management's processes for determining the fair value estimate of the property, plant and equipment acquired and contingencies assumed; (iii) evaluating the appropriateness of the valuation methods used by management; (iv) testing the completeness and accuracy of the underlying data used in the valuations; and (v) evaluating the reasonableness of the significant assumptions used by management related to revenue forecast, EBITDA margins, capital expenditures and discount rate for the valuation of the property, plant and equipment acquired, and the loss probability for the contingencies assumed. Evaluating management's assumptions related to revenue forecast, EBITDA margins, capital expenditures and the discount rate involved considering (i) the current and past performance of the Usiminas business; and (ii) the consistency with external market and industry data. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the valuation methods; (ii) the reasonableness of Usiminas's cash flow projections; and (iii) the reasonableness of the discount rate assumption.



Income taxes - Recoverability of deferred tax assets related to Ternium Brasil Ltda (Ternium Brasil)

As described in Notes 4(n), 11 and 20 to the consolidated financial statements, at 31 December 2023, the Company's deferred tax assets amounted to 1,713.4 million USD, of which 128.6 million USD related to tax losses and temporary differences incurred by Ternium Brasil. In addition, there are 889.4 million USD of unrecognized tax losses carry forward from Ternium Brasil. Management records deferred tax assets on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognized to the extent it is probable that future taxable income will be available to offset temporary differences. Management applied significant judgement in assessing the recoverability of deferred tax assets. In determining the amount of deferred tax assets to be recognized, management considered historical profitability, projected future taxable profit, including assumptions related to revenue forecast and EBITDA margins.

The principal considerations for our determination that performing procedures relating to the recoverability of deferred tax assets related to Ternium Brasil is a critical audit matter are (i) the significant judgment by management when determining the recoverability of deferred tax assets; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to revenue forecast and EBITDA margins; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the recoverability of deferred tax assets. These procedures also included, among others; (i) testing management's process for developing the estimate, considering the applicable tax regulations; (ii) testing the completeness and accuracy of underlying data used in measuring and recognizing deferred tax assets; (iii) testing the mathematical accuracy of the models used in management's assessment; (iv) evaluating the sufficiency of the disclosures in the consolidated financial statements; and (v) evaluating the reasonableness of the significant assumptions used by management related to revenue forecast and EBITDA margins. Evaluating management's assumptions related to revenue forecast and EBITDA margins involved evaluating whether the assumptions used by management were reasonable considering the current and past performance of Ternium Brasil. Professionals with specialized skill and knowledge were used to assist in evaluating management's application of income tax law.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 27 March 2024

Magalie Cormier

We have served as the Company's auditor since 2011.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021
(All amounts in \$ thousands)

Consolidated Income Statements

	Notes	Year ended December 31,		
		2023	2022	2021
Net sales	5	17,610,092	16,414,466	16,090,744
Cost of sales	6	(14,050,737)	(12,487,282)	(9,895,070)
Gross profit		3,559,355	3,927,184	6,195,674
Selling, general and administrative expenses	7	(1,471,678)	(1,143,646)	(950,124)
Other operating (expense) income, net	9	110,337	(84,019)	25,586
Operating income		2,198,014	2,699,519	5,271,136
Finance expense	10	(125,376)	(46,737)	(26,997)
Finance income	10	255,009	75,145	62,912
Other financial (expenses) income, net	10	(6,179)	(98,541)	56,547
Equity in earnings of non-consolidated companies	14	105,305	37,114	400,732
Effect related to the increase of the participation in Usiminas	3	(171,045)	—	—
Recycling of other comprehensive income related to Usiminas	3	(934,946)	—	—
Profit before income tax expense		1,320,782	2,666,500	5,764,330
Income tax expense	11	(334,408)	(573,728)	(1,397,139)
Profit for the year		986,374	2,092,772	4,367,191
Attributable to:				
Owners of the parent		676,043	1,767,516	3,825,068
Non-controlling interest		310,331	325,256	542,123
Profit for the year		986,374	2,092,772	4,367,191
Weighted average number of shares outstanding		1,963,076,776	1,963,076,776	1,963,076,776
Basic and diluted earnings per share for profit attributable to the owners of the parent (expressed in \$ per share)		0.34	0.90	1.95

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2023	2022	2021
Profit for the year	986,374	2,092,772	4,367,191
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment	(9,108)	1,253	(484)
Currency translation adjustment from participation in non-consolidated companies (1)	980,884	41,455	(39,997)
Changes in the fair value of financial instruments at fair value through other comprehensive income (2)	(554,737)	29,121	960
Income tax related to financial instruments at fair value	(46,859)	(11,045)	(299)
Changes in the fair value of derivatives classified as cash flow hedges	22,721	60	278
Income tax relating to cash flow hedges	(6,824)	(20)	(83)
Other	(300)	1,705	—
Other comprehensive income items from participation in non-consolidated companies	—	159	(106)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post employment benefit obligations	(52,127)	24,567	46,777
Income tax relating to remeasurement of post employment benefit obligations	4,829	(6,994)	(13,965)
Remeasurement of post employment benefit obligations from participation in non-consolidated companies	6,013	6,862	1,662
Other comprehensive income (loss) for the year, net of tax	344,492	87,123	(5,257)
Total comprehensive income for the year	1,330,866	2,179,895	4,361,934
Attributable to:			
Owners of the parent	1,141,928	1,841,194	3,818,185
Non-controlling interest	188,938	338,701	543,749
Total comprehensive income for the year	1,330,866	2,179,895	4,361,934

(1) See note 3 (c).

(2) See note 18.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Financial Position

	Notes	Balances as of			
		December 31, 2023		December 31, 2022	
ASSETS					
Non-current assets					
Property, plant and equipment, net	12	7,637,687		6,261,887	
Intangible assets, net	13	996,048		944,409	
Investments in non-consolidated companies	14	517,265		821,571	
Other investments	18	210,930		100,716	
Deferred tax assets	20	1,713,385		200,237	
Receivables, net	15	1,073,245	12,148,560	318,690	8,647,510
Current assets					
Receivables, net	15	686,394		261,813	
Current income tax assets	15	486,470		400,949	
Derivative financial instruments	22	15,406		227	
Inventories, net	17	4,948,376		3,470,215	
Trade receivables, net	16	2,065,499		1,180,689	
Other investments	18	1,975,646		1,875,026	
Cash and cash equivalents	18	1,846,013	12,023,804	1,653,355	8,842,274
Assets classified as held for sale			6,740		1,764
			12,030,544		8,844,038
			24,179,104		17,491,548
Total Assets					
EQUITY					
Capital and reserves attributable to the owners of the parent			12,418,595		11,845,959
Non-controlling interest			4,393,264		1,922,434
Total Equity			16,811,859		13,768,393
LIABILITIES					
Non-current liabilities					
Provisions	19	839,921		81,422	
Deferred tax liabilities	20	170,820		162,742	
Other liabilities	21	1,148,998		538,214	
Trade payables		12,030		1,112	
Lease liabilities	23	188,913		190,134	
Borrowings	24	1,205,961	3,566,643	532,701	1,506,325
Current liabilities					
Current income tax liabilities		137,388		135,703	
Other liabilities	21	429,713		344,843	
Trade payables		2,232,654		1,187,600	
Derivative financial instruments	22	8,220		505	
Lease liabilities	23	52,174		49,015	
Borrowings	24	940,453	3,800,602	499,164	2,216,830
Total Liabilities			7,367,245		3,723,155
Total Equity and Liabilities			24,179,104		17,491,548

The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021
(All amounts in \$ thousands)

Consolidated Statements of Changes in Equity

	Attributable to the owners of the parent									
	Capital stock (1)	Treasury shares (1)	Initial public offering expenses	Reserves (2)	Capital stock issue discount (3)	Currency translation adjustment	Retained earnings	Total	Non-controlling interest	Total Equity
Balance as of January 1, 2023	2,004,743	(150,000)	(23,295)	1,394,567	(2,324,866)	(2,859,068)	13,803,878	11,845,959	1,922,434	13,768,393
Profit for the year							676,043	676,043	310,331	986,374
Other comprehensive income (loss) for the period										
Currency translation adjustment (4)						895,241		895,241	76,535	971,776
Remeasurement of post employment benefit obligations				(24,904)				(24,904)	(16,381)	(41,285)
Cash flow hedges and others, net of tax				14,188				14,188	1,709	15,897
Others (5)				(418,640)				(418,640)	(183,256)	(601,896)
Total comprehensive income (loss) for the year	—	—	—	(429,356)	—	895,241	676,043	1,141,928	188,938	1,330,866
Dividends paid in cash (6)							(569,292)	(569,292)	—	(569,292)
Dividends paid in kind and in cash to non-controlling interest								—	(294,003)	(294,003)
Effects related to the increase of the participation in Usiminas (7)				—				—	2,575,895	2,575,895
Balance as of December 31, 2023	2,004,743	(150,000)	(23,295)	965,211	(2,324,866)	(1,963,827)	13,910,629	12,418,595	4,393,264	16,811,859

(1) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of \$1.00 per share. As of December 31, 2023, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of December 31, 2023, the Company held 41,666,666 shares as treasury shares.

(2) Include mainly legal reserve under Luxembourg law for \$200.5 million, undistributable reserves under Luxembourg law for \$1.4 billion, and reserves related to the acquisition of non-controlling interest in subsidiaries for \$(72.4) million..

(3) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.

(4) See note 3 (c).

(5) Includes mainly the changes of the fair value of financial instruments at fair value through other comprehensive income, net of tax. See note 18.

(6) Represents \$0.29 per share (\$2.90 per ADS). Related to the dividends distributed on May 2 and on October 31, 2023, and as 41,666,666 shares are held as treasury shares by Ternium, the dividends attributable to these treasury shares amounting to \$12.1 million were included in equity as deduction of dividend paid.

(7) See note 3 (f).

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.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021
(All amounts in \$ thousands)

Consolidated Statements of Changes in Equity

	Attributable to the owners of the parent								Non-controlling interest	Total Equity
	Capital stock (1)	Treasury shares (1)	Initial public offering expenses	Reserves (2)	Capital stock issue discount (3)	Currency translation adjustment	Retained earnings	Total		
Balance as of January 1, 2022	2,004,743	(150,000)	(23,295)	1,360,637	(2,324,866)	(2,898,593)	12,566,393	10,535,019	1,700,019	12,235,038
Profit for the year							1,767,516	1,767,516	325,256	2,092,772
Other comprehensive income (loss) for the period										
Currency translation adjustment						39,525		39,525	3,183	42,708
Remeasurement of post employment benefit obligations				21,864				21,864	2,571	24,435
Cash flow hedges and others, net of tax				20				20	20	40
Others (4)				12,269				12,269	7,671	19,940
Total comprehensive income (loss) for the year	—	—	—	34,153	—	39,525	1,767,516	1,841,194	338,701	2,179,895
Dividends paid in cash (5)							(530,031)	(530,031)	—	(530,031)
Dividends paid in kind to non-controlling interest								—	(112,293)	(112,293)
Acquisition of non-controlling interest (6)				(223)				(223)	(3,993)	(4,216)
Balance as of December 31, 2022	2,004,743	(150,000)	(23,295)	1,394,567	(2,324,866)	(2,859,068)	13,803,878	11,845,959	1,922,434	13,768,393

(1) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of \$1.00 per share. As of December 31, 2022, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of December 31, 2022, the Company held 41,666,666 shares as treasury shares.

(2) Include mainly legal reserve under Luxembourg law for \$200.5 million, undistributable reserves under Luxembourg law for \$1.4 billion and reserves related to the acquisition of non-controlling interest in subsidiaries for \$(72.4) million.

(3) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.

(4) Includes mainly the changes of the fair value of financial instruments at fair value through other comprehensive income, net of tax.

(5) Represents \$0.27 per share (\$2.70 per ADS). Related to the dividends distributed on May 3 and on November 2, 2022, and as 41,666,666 shares are held as treasury shares by Ternium, the dividends attributable to these treasury shares amounting to \$11.2 million were included in equity as deduction of dividend paid.

(6) Corresponds to the acquisition of non-controlling interest participation of Ternium Argentina S.A.

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.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021
(All amounts in \$ thousands)

Consolidated Statements of Changes in Equity

	Attributable to the owners of the parent									
	Capital stock (1)	Treasury shares (1)	Initial public offering expenses	Reserves (2)	Capital stock issue discount (3)	Currency translation adjustment	Retained earnings	Total	Non-controlling interest	Total Equity
Balance as of January 1, 2021	2,004,743	(150,000)	(23,295)	1,329,945	(2,324,866)	(2,861,029)	9,310,617	7,286,115	1,157,038	8,443,153
Profit for the year							3,825,068	3,825,068	542,123	4,367,191
Other comprehensive income (loss) for the period										
Currency translation adjustment						(37,564)		(37,564)	(2,917)	(40,481)
Remeasurement of post employment benefit obligations				30,447				30,447	4,027	34,474
Cash flow hedges and others, net of tax				100				100	95	195
Others				134				134	421	555
Total comprehensive income (loss) for the year	—	—	—	30,681	—	(37,564)	3,825,068	3,818,185	543,749	4,361,934
Dividends paid in cash (4)							(569,292)	(569,292)	—	(569,292)
Acquisition of non-controlling interest (5)				11				11	(768)	(757)
Balance as of December 31, 2021	2,004,743	(150,000)	(23,295)	1,360,637	(2,324,866)	(2,898,593)	12,566,393	10,535,019	1,700,019	12,235,038

(1) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of \$1.00 per share. As of December 31, 2021, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of December 31, 2021, the Company held 41,666,666 shares as treasury shares.

(2) Include mainly legal reserve under Luxembourg law for \$200.5 million, undistributable reserves under Luxembourg law for \$1.4 billion and reserves related to the acquisition of non-controlling interest in subsidiaries for \$(72.2) million.

(3) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.

(4) Represents \$0.29 per share (\$2.90 per ADS). Related to the dividends distributed on May 3 and on November 2, 2021, and as 41,666,666 shares are held as treasury shares by Ternium, the dividends attributable to these treasury shares amounting to \$12.1 million were included in equity as deduction of dividend paid.

(5) Corresponds to the acquisition of non-controlling interest participation of Ternium Argentina S.A.

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.

Consolidated Statements of Cash Flows

	Notes	Year ended December 31,		
		2023	2022	2021
Cash flows from operating activities				
Profit for the year		986,374	2,092,772	4,367,191
Adjustments for:				
Depreciation and amortization	12 & 13	657,692	616,492	591,790
Impairment charge	4 (f), 9 & 12	42,316	99,000	—
Income tax accruals less payments	27 (b)	(160,940)	(1,195,561)	578,285
Equity in earnings of non-consolidated companies	14	(105,305)	(37,114)	(400,732)
Interest accruals less payments/receipts, net	27 (b)	(45,139)	(24,795)	5,901
Changes in provisions	19	(64,447)	(1,069)	11,761
Changes in working capital (1)	27 (b)	321,081	1,152,498	(2,617,789)
Net foreign exchange results and others		(236,499)	50,720	140,908
Non-cash effects related to the increase of the participation in Usiminas	3	1,105,991	—	—
Net cash provided by operating activities		2,501,124	2,752,943	2,677,315
Cash flows from investing activities				
Capital expenditures and advances to suppliers for PP&E (2)	12 & 13	(1,460,677)	(580,553)	(523,610)
Increase in other investments	18	(717,534)	(770,638)	(579,010)
Proceeds from the sale of property, plant and equipment		2,477	1,912	1,752
Dividends received from non-consolidated companies		43,075	28,884	56,275
Acquisition of business				
Purchase consideration	3	(118,686)	—	—
Cash acquired	3	781,072	—	—
Acquisition of non-controlling interest		—	(4,216)	(757)
Net cash used in investing activities		(1,470,273)	(1,324,611)	(1,045,350)
Cash flows from financing activities				
Dividends paid in cash to company's shareholders		(569,292)	(530,031)	(569,292)
Lease payments		(58,900)	(49,410)	(45,604)
Proceeds from borrowings		354,946	285,908	246,046
Repayments of borrowings		(493,111)	(722,644)	(485,526)
Net cash used in financing activities		(766,357)	(1,016,177)	(854,376)
Increase in cash and cash equivalents		264,494	412,155	777,589
Movement in cash and cash equivalents				
At January 1,		1,653,355	1,276,605	537,882
Effect of exchange rate changes		(71,836)	(35,405)	(38,866)
Increase in cash and cash equivalents		264,494	412,155	777,589
Cash and cash equivalents at December 31, (3)		1,846,013	1,653,355	1,276,605
Non-cash transactions:				
Dividends paid in kind to non-controlling interest		(233,538)	(112,293)	—
Acquisition of PP&E under lease contract agreements		16,061	13,961	13,758
Adjustments related to post-retirement benefits and contingencies		171,987	—	—

(1) The working capital is impacted by non-cash movement of \$129.3 million as of December 31, 2023 (\$24.9 million and \$(12.5) million as of December 31, 2022 and 2021, respectively) due to the variations in the exchange rates used by subsidiaries with functional currencies different from the U.S. dollar.

(2) It includes capital expenditures of \$1,201,639 and advances to suppliers for property, plant and equipment of \$259,048.

(3) It includes restricted cash of \$3,129, \$30 and \$58 as of December 31, 2023, 2022 and 2021, respectively. In addition, the Company had other investments with a maturity of more than three months for \$2,186,420, \$1,975,490 and \$1,357,484 as of December 31, 2023, 2022 and 2021, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Page
1 <u>General information</u>	F-13
2 <u>Basis of presentation</u>	F-14
3 <u>Acquisition of business – Increase of the participation in Usiminas Control Group and new governance structure of Usiminas</u>	F-17
4 <u>Accounting policies</u>	F-23
5 <u>Segment information</u>	F-46
6 <u>Cost of sales</u>	F-49
7 <u>Selling, general and administrative expenses</u>	F-49
8 <u>Labor costs (included in cost of sales and selling, general and administrative expenses)</u>	F-50
9 <u>Other operating income (expenses), net</u>	F-50
10 <u>Other financial income (expenses), net</u>	F-51
11 <u>Income tax expense</u>	F-51
12 <u>Property, plant and equipment, net</u>	F-54
13 <u>Intangible assets, net</u>	F-56
14 <u>Investments in non-consolidated companies</u>	F-57
15 <u>Receivables, net - non-current and current</u>	F-59
16 <u>Trade receivables, net – non-current and current</u>	F-60
17 <u>Inventories, net</u>	F-60
18 <u>Cash, cash equivalents and other investments</u>	F-61
19 <u>Allowances and provisions – non-current and current</u>	F-61
20 <u>Deferred income tax</u>	F-62
21 <u>Other liabilities – non-current and current</u>	F-64
22 <u>Derivative financial instruments</u>	F-67
23 <u>Lease liabilities</u>	F-70
24 <u>Borrowings</u>	F-71
25 <u>Contingencies, commitments and restrictions on the distribution of profits</u>	F-73
26 <u>Related party transactions</u>	F-81
27 <u>Other required disclosures</u>	F-82
28 <u>Recently issued accounting pronouncements</u>	F-84
29 <u>Financial risk management</u>	F-86
30 <u>Foreign exchange restrictions in Argentina</u>	F-94
31 <u>Ternium to integrate operation in the USMCA</u>	F-96

Notes to the Consolidated Financial Statements

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 \$1.00 per share. As of December 31, 2023, there were 2,004,743,442 shares issued. All issued shares are fully paid.

Ternium’s American Depositary Shares (“ADSs”) trade on the New York Stock Exchange under the symbol “TX”.

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 a *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 \$4.0 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 a Luxembourg holding company, the Company voluntarily recorded a special reserve exclusively for tax-basis purposes. As of December 31, 2023 and 2022, this special tax reserve amounted to \$4.7 billion and \$5.2 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.

2. BASIS OF PRESENTATION

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (International Financial Reporting Standards) issued and effective or issued and early adopted as at the time of preparing these statements (February 2024), as issued by the International Accounting Standards Board and in conformity with IFRS Accounting Standards as adopted by the European Union (“EU”). These consolidated financial statements are presented in thousands of United States dollars (“\$”), except otherwise indicated.

These Consolidated financial statements fairly present the consolidated financial position of Ternium as of December 31, 2023 and 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years ended December 31, 2023, 2022 and 2021.

Elimination of all material intercompany transactions and balances between the Company and its respective subsidiaries has been made in consolidation.

These consolidated financial statements have been prepared under the historical cost convention and certain financial assets and financial liabilities (including derivative instruments) are at fair value through profit or loss.

These consolidated financial statements have been approved for issue by the Board of Directors on February 20, 2024. The Directors have the power to amend and reissue the consolidated financial statements.

Detailed below are the companies whose financial statements have been consolidated and accounted for interest in these consolidated financial statements.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

2. BASIS OF PRESENTATION (continued)

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2023	2022	2021
Ternium S.A.	Luxembourg	Holding	100.00 %	100.00 %	100.00 %
Ternium Investments S.à.r.l.	Luxembourg	Holding	100.00 %	100.00 %	100.00 %
Ternium Internacional España S.L. (1)	Spain	Holding and marketing of steel products	100.00 %	100.00 %	100.00 %
Ternium Solutions S.A. (1)	Uruguay	Other services	100.00 %	100.00 %	100.00 %
Ternium Internationaal B.V. (1)	Netherlands	Marketing of steel products	100.00 %	100.00 %	100.00 %
Ternium USA Inc. (2)	USA	Manufacturing and selling of steel products	100.00 %	100.00 %	100.00 %
Ternium Argentina S.A. (3)	Argentina	Manufacturing and selling of flat steel products	62.57 %	62.57 %	62.49 %
Prosid Investments S.A. (4)	Uruguay	Holding	62.58 %	62.58 %	62.49 %
Ternium Mexico S.A. de C.V. (5)	Mexico	Manufacturing and selling of steel products	89.25 %	89.25 %	89.22 %
Las Encinas S.A. de C.V. (6)	Mexico	Exploration, exploitation and pelletizing of iron ore	89.25 %	89.25 %	89.22 %
Ferropak Comercial S.A. de C.V. (6)	Mexico	Scrap services company	89.25 %	89.25 %	89.22 %
Transamerica E. & I. Trading Corp. (6)	USA	Scrap services company	89.25 %	89.25 %	89.22 %
Galvacer Chile S.A. (6)	Chile	Distributing company	89.25 %	89.25 %	89.22 %
Ternium Gas México S.A. de C.V. (7)	Mexico	Energy services company	89.25 %	89.25 %	89.22 %
Consorcio Minero Benito Juárez Peña Colorada S.A. de C.V. (8)	Mexico	Exploration, exploitation and pelletizing of iron ore	44.62 %	44.62 %	44.61 %
Exiros B.V. (8)	Netherlands	Procurement and trading services	50.00 %	50.00 %	50.00 %
Servicios Integrales Nova de Monterrey S.A. de C.V. (9)	Mexico	Medical and Social Services	66.49 %	66.49 %	66.47 %
Ternium Internacional Nicaragua S.A.	Nicaragua	Manufacturing and selling of steel products	99.38 %	99.38 %	99.38 %
Ternium Internacional Honduras S.A. de C.V.	Honduras	Manufacturing and selling of steel products	99.18 %	99.18 %	99.18 %
Ternium Internacional El Salvador S.A. de C.V.	El Salvador	Manufacturing and selling of steel products	99.92 %	99.92 %	99.92 %
Ternium Internacional Costa Rica S.A.	Costa Rica	Manufacturing and selling of steel products	99.98 %	99.98 %	99.98 %
Ternium Internacional Guatemala S.A. (10)	Guatemala	Manufacturing and selling of steel products	99.98 %	99.98 %	99.98 %
Ternium Colombia S.A.S. (11)	Colombia	Manufacturing and selling of steel products	100.00 %	100.00 %	100.00 %
Ternium del Cauca S.A.S. (11)	Colombia	Manufacturing and selling of steel products	100.00 %	100.00 %	100.00 %
Ternium del Atlántico S.A.S. (11)	Colombia	Manufacturing and selling of steel products	100.00 %	100.00 %	100.00 %
Ternium Procurement S.A. (11)	Uruguay	Marketing of steel products and procurement services	100.00 %	100.00 %	100.00 %
Technology & Engineering Services S.A. (11)	Uruguay	Engineering and other services	100.00 %	100.00 %	100.00 %
Ternium Brasil Ltda. (12)	Brazil	Manufacturing and selling of steel products	100.00 %	100.00 %	100.00 %
Tenigal S. de R.L. de C.V. (13)	Mexico	Manufacturing and selling of steel products	51.00 %	51.00 %	51.00 %
Soluciones Integrales de Gestión S.A. (14)	Argentina	Other services	100.00 %	100.00 %	100.00 %
Vientos de Olavarría S.A. (15)	Argentina	Renewable energy projects.	62.57 %	62.57 %	—
Usinas Siderúrgicas de Minas Gerais S.A. (16)	Brazil	Manufacturing and selling of steel products	23.30 %	—	—
Mineração Usiminas S.A. (17)	Brazil	Exploration, exploitation and pelletizing of iron ore	16.31 %	—	—
Soluções Em Aço Usiminas S.A. (18)	Brazil	Manufacturing and selling of steel products	16.05 %	—	—

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

2. BASIS OF PRESENTATION (continued)

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2023	2022	2021
Usiminas Mecânica S.A. (19)	Brazil	Engineering and other services	23.30 %	—	—
Rios Unidos logística e transporte de aço Ltda. (19)	Brazil	Logistics and distribution of steel-derived products	23.30 %	—	—
Usiminas Internatioonal S.À R.L. (20)	Luxembourg	Holding	23.30 %	—	—
Usiminas Participações E Logística S.A. (21)	Brazil	Logistics and distribution of steel-derived products	17.48 %	—	—
Metalcentro Ltda. (22)	Brazil	Other services	23.30 %	—	—
Ternium Participações S.A.em liquidação (23)	Brazil	Holding	—	100.00 %	100.00 %
Ternium Siderúrgica de Caldas S.A.S.(24)	Colombia	Manufacturing and selling of steel products	—	—	100.00 %
Impeco S.A. (25)	Argentina	Manufacturing of pipe products	—	—	62.49 %

(1) Indirectly through Ternium Investments S.à.r.l. Total voting rights held: 100.00%.

(2) Since the second quarter of 2021, indirectly through Ternium Internacional España S.L. Total voting rights held 100.00%. Before that, indirectly through Ternium Investments S.à.r.l. total voting rights was 100.00% in 2020.

(3) Indirectly through Ternium Internacional España S.L. Total voting rights held 62.57%.

(4) Indirectly through Ternium Argentina S.A. and Ternium Procurement S.A. Total voting rights held 100.00%.

(5) Indirectly through Ternium Argentina S.A. and Ternium Internacional España S.L. Total voting rights held 100.00%.

(6) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 100.00%.

(7) Indirectly through Ternium Mexico S.A. de C.V. and Tenigal S. de R.L. de C.V. Total voting rights held: 100.00%.

(8) Total voting rights held: 50.00%. The Company recognizes the assets, liabilities, revenue and expenses in relation to its interest in the joint operation.

(9) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 74.50%.

(10) Indirectly through Ternium Internacional España S.L. and Ternium Mexico S.A. de C.V. Total voting rights held: 100.00%.

(11) Indirectly through Ternium Internacional España S.L. Total voting rights held: 100.00%.

(12) Indirectly through Ternium Internacional España S.L. Total voting rights held: 100.00%.

(13) Indirectly through Ternium Internacional España S.L. Total voting rights held: 51.00%.

(14) Indirectly through Ternium Investments S.à r.l. and Ternium Internacional España S.L. Total voting rights held 100.00%.

(15) Indirectly through Ternium Argentina S.A. Total voting rights held 100.00%.

(16) Indirectly through Ternium Investments S.à r.l., Prosid Investments S.A. and Ternium Argentina S.A. Total voting rights held 42.57%.

(17) Indirectly through Usinas Siderúrgicas de Minas Gerais S.A. Total voting rights held 29.80%.

(18) Indirectly through Usinas Siderúrgicas de Minas Gerais S.A. Total voting rights held 29.32%.

(19) Indirectly through Usinas Siderúrgicas de Minas Gerais S.A. Total voting rights held 42.53%.

(20) Indirectly through Usinas Siderúrgicas de Minas Gerais S.A. Total voting rights held 42.57%.

(21) Indirectly through Usinas Siderúrgicas de Minas Gerais S.A. and Mineração Usiminas S.A. Total voting rights held 31.97%.

(22) Indirectly through Usinas Siderúrgicas de Minas Gerais S.A. and Usiminas Mecânica S.A. Total voting rights held 42.53%.

(23) This company was dissolved as of January 2, 2023.

(24) This company was merged into Ternium Colombia S.A.S. as of November 30, 2022.

(25) This company was dissolved as of February 16, 2022.

The most material non-controlling interest is related to the investment in Ternium Argentina S.A. (“Ternium Argentina”) and Usinas Siderúrgicas de Minas Gerais S.A. (“Usiminas”), being both listed companies in the Buenos Aires Stock Exchange and in the B3 Brazilian Stock Exchange, respectively.

For more information about Ternium Argentina, see note 30 and information publicly available in the Buenos Aires Stock Exchange webpage.

Under Usiminas’ annual accounts as of December 31, 2023, and for the year then ended, revenues amounted to \$5,534 million (2022: \$6,287 million), net profit from continuing operations to \$328 million (2022: \$405 million), total assets to \$8,296 million (2022: \$7,666 million), total liabilities to \$2,812 million (2022: \$2,705 million) and shareholders’ equity to \$5,484 million (2022: \$4,962 million). Information publicly available related to Usiminas could be found in the Usiminas Investor Relations webpage.

3. ACQUISITION OF BUSINESS – INCREASE OF THE PARTICIPATION IN USIMINAS CONTROL GROUP AND NEW GOVERNANCE STRUCTURE OF USIMINAS*(a) The participation in Usiminas as of June 30, 2023*

On January 16, 2012, the Company's subsidiaries, Ternium Investments and Ternium Argentina (together with its wholly-owned subsidiary Prosid Investments S.A., or "Prosid", and the Company's affiliate, Confab Industrial S.A., a subsidiary of Tenaris, or TenarisConfab), joined the existing control group of Usiminas, a leading steel company in the Brazilian flat steel market, through the acquisition of 84.7, 30.0, and 25.0 million ordinary shares, respectively, and formed the so-called Ternium/Tenaris (T/T) Group.

On October 30, 2014, Ternium Investments acquired 51.4 million additional ordinary shares of Usiminas. On April 20, 2016, Ternium Investments subscribed to 7.0 million preferred shares of Usiminas and Ternium Argentina, together with Prosid, subscribed to an aggregate 1.5 million preferred shares of Usiminas. On July 19, 2016, Usiminas' extraordinary general shareholders' meeting homologated a capital increase, and Ternium Investments acquired 62.6 million additional ordinary shares, and Ternium Argentina and Prosid acquired an aggregate 13.8 million additional ordinary shares. As a result of these transactions, Ternium, through its subsidiaries Ternium Investments, Ternium Argentina and Prosid, owned as of June 30, 2023, 242.6 million ordinary shares of Usiminas (representing 34.4% of Usiminas' ordinary shares) and 8.5 million of Usiminas' preferred shares (representing 1.6% of Usiminas' preferred shares), representing, in the aggregate, 20.4% of Usiminas' share capital.

As of June 30, 2023, the Usiminas control group held, in the aggregate, 483.6 million ordinary shares bound to the Usiminas shareholders' agreement, representing approximately 68.6% of Usiminas' voting capital. The Usiminas control group, which was bound by a long-term shareholders' agreement that governs the rights and obligations of Usiminas' control group members, was composed as of such date of three sub-groups: the T/T Group; the NSC Group, comprising Nippon Steel Corporation ("NSC"), Metal One Corporation and Mitsubishi Corporation; and Usiminas' pension fund Previdência Usiminas. The T/T Group held approximately 47.1% of the total shares held by the control group (39.5% corresponding to the Ternium entities and the other 7.6% corresponding to TenarisConfab); the NSC Group held approximately 45.9% of the total shares held by the control group; and Previdência Usiminas held the remaining 7%. The corporate governance rules reflected in the Usiminas shareholders agreement provided, among other things, that Usiminas' executive board was composed of six members, including the chief executive officer and five vice-presidents, with Ternium and NSC nominating three members each. The right to nominate Usiminas' chief executive officer alternated between Ternium and NSC at every 4-year interval, with the party that did not nominate the chief executive officer having the right to nominate the chairman of Usiminas' board of directors for the same 4-year period. The Usiminas shareholders agreement also provided for an exit mechanism consisting of a buy-and-sell procedure—exercisable at any time after November 16, 2022, and applicable with respect to shares held by NSC and the T/T Group—, which would allow either Ternium or NSC to purchase all or a majority of the Usiminas shares held by the other shareholder.

(b) The acquisition of the additional participation

On March 30, 2023, Ternium S.A. announced that its subsidiaries Ternium Investments and Ternium Argentina, together with Confab, a subsidiary of its affiliate Tenaris S.A., all of which compose the T/T group within Usiminas control group, entered into a share purchase agreement to acquire from Nippon Steel Corporation, Mitsubishi and MetalOne (the "NSC group"), pro rata to their current participations in the T/T group, 68.7 million ordinary shares of Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS ("Usiminas") at a price of BRL10 per ordinary share.

3. ACQUISITION OF BUSINESS – INCREASE OF THE PARTICIPATION IN USIMINAS CONTROL GROUP AND NEW GOVERNANCE STRUCTURE OF USIMINAS (continued)

On July 3, 2023, the Company announced the completion of the acquisition of this additional participation. Pursuant to the transaction, Ternium paid \$118.7 million in cash for 57.7 million ordinary shares, increasing its participation in the Usiminas control group to 51.5%.

The Usiminas control group holds the majority of Usiminas' voting rights. Following the completion of the transaction, the T/T group holds an aggregate participation of 61.3% in the control group, with the NSC group and Previdência Usiminas (Usiminas employees' pension fund) holding 31.7% and 7.1%, respectively. The Usiminas control group members also agreed a new governance structure, as a result of which the T/T group nominated a majority of the Usiminas board of directors, the CEO and four other members of Usiminas board of officers, and ordinary decisions are approved with a 55% majority of the control group shares.

Pursuant to the Usiminas shareholders agreement, as supplemented by the T/T Group shareholders' agreement, Ternium started fully consolidating Usiminas balance sheet and results of operations in its consolidated financial statements beginning in July 2023.

(c) Remeasurement of the previously held interest

As of July 3, 2023, Ternium remeasured its former participation (20.4%) at its fair value as of such date.

Consequently, Ternium valued its previously held interest by means of the market quotation of Usiminas share in the Brazilian stock market. Such value as of July 3, 2023, was of 7.36 BRL per share, amounting to a total of \$385.9 million. This valuation results in the recognition of a loss of \$441.4 million, which is included along with the gain related to the bargain purchase amounting to \$270.4 million (see note 3 (d)) in the "Effect related to the increase of the participation in Usiminas" in the income statement for a total of \$171.0 million.

In addition, IFRS 3, paragraph 42, establishes that the previous interest must be remeasured, and necessary adjustments made as if it were a disposal of the investment. In this case, items previously recognized in other comprehensive income, mainly the CTA (currency translation adjustment) should be recycled to results of the period. The accumulated loss in "Other comprehensive income" as of the acquisition date was \$934.9 million.

3. ACQUISITION OF BUSINESS – INCREASE OF THE PARTICIPATION IN USIMINAS CONTROL GROUP AND NEW GOVERNANCE STRUCTURE OF USIMINAS (continued)*(d) Fair value of net assets acquired*

The fair values determined for the assets acquired and liabilities assumed arising from the acquisition are as follows:

Fair value of acquired assets and assumed liabilities:	in \$ thousands
Property, plant and equipment (note 12)	904,780
Investments in non-consolidated companies	400,037
Inventories	1,707,311
Cash and cash equivalents	781,072
Other investments	247,005
Trade receivables	764,257
Allowance for doubtful accounts	(44,626)
Other receivables	854,917
Deferred tax assets	1,327,232
Borrowings	(1,224,399)
Provisions	(856,153)
Trade payables	(758,687)
Other assets and liabilities, net	(509,486)
Net assets acquired	3,593,260
Non-controlling interest	(2,818,358)
Remeasurement of previously held interest in Usiminas	(385,851)
Total Purchase consideration	(118,686)
Bargain purchase gain	270,365
Loss on the remeasurement of previously held interest in Usiminas	(441,410)
Net loss effect related to the increase of the participation in Usiminas	(171,045)

The purchase price allocation disclosed above was prepared with the assistance of a third-party expert. Management applied significant judgment in estimating the fair value of assets acquired and liabilities assumed, which involved the use of significant estimates and assumptions in particular with respect to the estimation of the loss probability for the contingencies, including revenue forecasts, EBITDA margins, capital expenditures and discount rate for the cash flow projections. According to the purchase price allocation, the transaction led to the recognition of a bargain purchase of \$270.4 million.

Since the acquisition date and to December 31, 2023, revenues and net income from Usiminas amounted to \$2,737 and \$129 million, respectively. Had the acquisition occurred on January 1, 2023, pro-forma revenue and net income for the year ended December 31, 2023, would have been \$5,517 million and \$237 million, respectively. These amounts are unaudited and have been calculated considering the valuation of cost of sales under the FIFO method, the adjustments for changes in the accounting policies and the adjustments related to the fair value of assets and liabilities calculated for the purchase price allocation and its impact in results.

3. ACQUISITION OF BUSINESS – INCREASE OF THE PARTICIPATION IN USIMINAS CONTROL GROUP AND NEW GOVERNANCE STRUCTURE OF USIMINAS (continued)*(e) Put and call option*

In addition to the share purchase and the new governance structure, a “put” and “call” mechanism was established according to the following scheme:

- NSC group will have the right, at any time after the closing of the transaction, to withdraw its remaining shares from the control group and sell them in the open market after giving the T/T group the opportunity to buy them at the 40-trading day average price per share immediately prior to the NSC group’s notice of withdrawal, as well as the right, at any time after the second anniversary of the closing, to sell such shares to the T/T group at BRL 10 per share.
- At any time after the second anniversary of the closing of the transaction, the T/T group will have the right to buy the NSC group’s remaining interest in the Usiminas control group (153.1 million ordinary shares) at the higher of BRL10 per share and the 40-trading day average price per share immediately prior to the date of exercising the option.
- In the case of the T/T Group, Ternium will decide at its own discretion the execution of the call option, having Confab and Ternium Argentina the option to acquire the shares owned by NSC pro rata to their participation.

IAS 32 requires a liability to be recognized for written puts over non-controlling interests. The liability reflects the entity’s obligation to deliver cash or a financial asset. The financial liability is recognized at present value of the redemption amount and accreted through finance charges in the income statement over the contract period up to the final redemption amount. Ternium has recognized a liability associated with the put option of \$242.5 million (\$249.3 million as of December 31, 2023), accounted for in the statement of financial position under Other liabilities, with the corresponding debit in the statement of changes in equity under Non-controlling interest.

(f) Recognition of non-controlling interest

Ternium recognizes non-controlling interests in an acquired entity either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Usiminas, the Company elected to recognize the non-controlling interests at its proportionate share of the acquired net identifiable assets, which led to a non-controlling interest of \$2,575.9 million.

3. ACQUISITION OF BUSINESS – INCREASE OF THE PARTICIPATION IN USIMINAS CONTROL GROUP AND NEW GOVERNANCE STRUCTURE OF USIMINAS (continued)*(g) Main contingencies associated with the acquired business*

Contrary to the recognition principles in IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IFRS 3 Business Combinations requires an acquirer of a business to recognize contingent liabilities assumed in a business acquisition at the acquisition date even if it is not probable that an outflow of resources will be required to settle the obligation.

	in \$ thousands
Provisions for contingencies recognized by Usiminas before business combination	(199,677)
Provisions for contingencies recognized as part of the business combination:	
Tax related contingencies	(432,488)
Civil and other related contingencies	(174,333)
Labour related contingencies	(49,655)
Total Provision for contingencies	(856,153)

Contingencies estimated by Management were related to possible losses arising from administrative proceedings and litigation related to tax, civil and labour matters and based on the advice and assessment of internal and external legal advisors.

The main contingencies recognized in the consolidated financial statements pursuant to IFRS 3 Business Combinations in connection with the acquisition of the additional participation in Usiminas and the full consolidation of Usiminas include the following:

Description	Status	As of the acquisition date (in \$ thousands)	As of December 31, 2023 (in \$ thousands)
Labor lawsuits filed by employees, former employees and outsourced personnel of the Cubatão Plant, claiming severance pay and social security rights.	Pending judgment by the Labor Court and administrative bodies, at different levels.	57,343	55,643
Tax proceeding in which the tax authorities seek the reversal of ICMS/SP credits on materials considered as consumables (refractory items and others).	Awaiting final outcome of the Appeal to the Superior Court of Justice (STJ).	29,772	30,440
Labor lawsuits filed by employees, former employees and outsourced personnel of the Ipatinga Plant, claiming severance pay and social security rights.	Pending judgment by the Labor Court and administrative bodies, at different levels.	15,112	13,722
Labor lawsuits filed by former employees challenging the amount of compensation paid on dismissals.	Pending judgment.	10,837	9,809
Other contingencies		86,613	99,880
Provisions for contingencies recognized by Usiminas before business combination		199,677	209,494

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

3. ACQUISITION OF BUSINESS – INCREASE OF THE PARTICIPATION IN USIMINAS CONTROL GROUP AND NEW GOVERNANCE STRUCTURE OF USIMINAS (continued)

Description	Status	As of the acquisition date (in \$ thousands)	As of December 31, 2023 (in \$ thousands)
Objection filed against the decision that recognized only partially the credit rights established in a final and unappealable court decision that determined the exclusion of ICMS amounts from the calculation basis of PIS/COFINS-Imports.	Pending judgment at administrative level.	94,792	94,359
Tax collection proceedings related to the collection of ICMS/SP on goods shipped to other countries without effective proof of export.	Pending judgment by the trial court.	51,546	51,311
Tax proceedings seeking the reversal of ICMS/SP credits on materials considered as consumables (refractory items and others).	Several case records, declaratory actions and tax collection proceedings, suspended or pending decision by higher courts.	38,640	38,464
ICMS – Action for annulment of the tax debt claimed by the State of Rio Grande do Sul due to failure to make the advance payment of the tax at the entry of goods coming from other States (rate differential).	Pending judgment by the trial court.	28,789	28,658
Tax assessment notice issued by the State of Minas Gerais concerning alleged reversal of ICMS credits on sale of electrical energy.	Pending judgment at administrative level.	12,386	12,330
Other tax contingencies		206,335	199,692
Provisions for tax contingencies recognized as part of the business combination		432,488	424,814
Public Civil Action seeking the reimbursement of the amounts increased by means of a term of amendment to the Contractor's Agreement, due to alleged overbilling in the construction of a bridge in Brasília/DF.	As of July 3, 2023, the claim was deemed groundless and was pending judgment of appeal. As of December 31, 2023, the action was dismissed as unfounded and the case was archived.	64,315	—
Public Civil Action seeking compensation for alleged damages caused to the State of Santa Catarina's Treasury related to improper expenditures incurred in the construction of a bridge.	Pending conclusion of the expert evidence	21,113	21,016
Other civil and other contingencies (1)		88,905	59,374
Provisions for civil and other contingencies recognized as part of the business combination		174,333	80,390
Labor lawsuits filed by employees, former employees and outsourced personnel of the Cubatão Plant, claiming severance pay and social security rights.	Pending judgment by the Labor Court and administrative bodies, at different levels.	27,123	24,814
Other labour contingencies (1)		22,532	20,499
Provisions for labour contingencies recognized as part of the business combination		49,655	45,313

(1) Composed of individually non-significant contingencies.

4. ACCOUNTING POLICIES

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 control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

The Company recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The recognition of business combinations requires the acquirer to measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either (a) fair value; or (b) the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The Company opted for the proportional share in the recognized amounts of the identifiable net assets for the recognition described in note 3 related to Usiminas.

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.

4. ACCOUNTING POLICIES (continued)

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 unless the transaction provides evidence of an impairment of the transferred asset. 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) Investments in non-consolidated companies

Associated companies are those entities in which Ternium has significant influence, but which it does not control.

Joint arrangements are understood as combinations in which there are contractual agreements by virtue of which two or more companies hold an interest in companies that undertake operations or hold assets in such a way that any financial or operating decision is subject to the unanimous consent of the partners. A joint arrangement is classed as a joint operation if the parties hold rights to its assets and have obligations in respect of its liabilities or as a joint venture if the venturers hold rights only to the investee's net assets.

Investments in non-consolidated companies (associated companies and joint ventures) are accounted for using the equity method of accounting. Under this method, interests in joint ventures and associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses in the income statement, and its share of post-acquisition changes in reserves recognized in reserves and in other comprehensive income in the income statement. Unrealized gains on transactions among the Company and its non-consolidated companies are eliminated to the extent of the Company's interest in such non-consolidated companies; 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 a non-consolidated company equals or exceeds its interest in such non-consolidated company, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of such non-consolidated company. Accounting policies of non-consolidated companies have been changed where necessary to ensure consistency with the policies adopted by the Company.

The Company's investment in associates and joint ventures includes notional goodwill identified on acquisition.

The Company determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the amount within "Equity on earnings (losses) of non-consolidated companies".

4. ACCOUNTING POLICIES (continued)**(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"). Except for Usiminas and the non-consolidated companies whose functional currencies are their local currencies, Ternium determined that the functional currency of its subsidiaries is the U.S. dollar. Although Ternium is located in Luxembourg, it operates in several countries with different currencies. The \$ is the currency that best reflects the economic substance of the underlying events and circumstances relevant to Ternium as a whole.

(2) Subsidiary companies

The results and financial position of all the group entities (except for the ones which operated in a hyperinflationary economy, if any) 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 (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); 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 fair value through other comprehensive income are included in other gains/(losses).

4. ACCOUNTING POLICIES (continued)**(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.

The Company classifies its financial instruments in the following measurement categories:

- Amortized cost: instruments that are held for collection or repayment of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income and expenses from these financial instruments are included in finance income or expense using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in finance income or expense, together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.
- Fair value through other comprehensive income (“FVOCI”): financial instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the instruments’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue or expense and foreign exchange gains and losses which are recognized in profit or loss. When the financial instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses), except for equity instruments, for which there is no reclassification from OCI to profit or loss. Interest income or expense from these financial instruments is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- Fair value through profit or loss (“FVPL”): financial instruments that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The classification depends on the Company’s business model for managing the financial instruments and the contractual terms of the cash flows.

For financial instruments measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

At initial recognition, the Company measures a financial instrument at its fair value plus, in the case of a financial instrument not at FVPL, transaction costs that are directly attributable to the acquisition of the financial instrument. Transaction costs of financial instruments carried at FVPL are expensed in profit or loss. Subsequent measurement of debt instruments depends on the Company’s business model for managing the asset and the cash flow characteristics of the asset.

4. ACCOUNTING POLICIES (continued)

The classification depended on the nature and purpose of the financial assets and was determined at the time of initial recognition.

Financial assets and liabilities were recognized and derecognized on the settlement date.

Financial assets were 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, were 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.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 4 (i) for further details.

For loans and receivables category and for held-to-maturity investments, the amount of the loss was 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 was reduced and the amount of the loss was recognized in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss was recognized in the consolidated income statement.

Derivative financial instruments

Information about accounting for derivative financial instruments and hedging activities is included in Note 29 "Financial Risk management" and Note 4 (y).

Put option valuation method

IFRS presents the following options to recognize the value of a put option:

- Under IFRS 10, the terms of the forward and option contracts should be analyzed to assess whether they provide the parent or the non-controlling interest with access to the risks and rewards associated with the actual ownership of the shares. The non-controlling interest should be recognized if risks and rewards associated with ownership have been retained by the non-controlling interest. A financial liability (recognized at the present value of the redemption amount) is recorded to reflect the forward or put option.

4. ACCOUNTING POLICIES (continued)

- Under IAS 32, a liability is recognized for written puts over non-controlling interests. The liability reflects the entity's obligation to deliver cash or a financial asset. The financial liability is recognized at present value of the redemption amount and accreted through finance charges in the income statement over the contract period up to the final redemption amount.

(d) Property, plant and equipment*(1) 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. Spare parts are included in property, plant and equipment.

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	10-50 years
Production equipment	5-50 years
Vehicles, furniture and fixtures and other equipment	3-20 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. The re-estimation of assets useful lives by the Company did not materially affect depreciation charges in 2023, 2022 and 2021.

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").

Amortization charges are included in cost of sales, selling, general and administrative expenses.

4. ACCOUNTING POLICIES (continued)*(2) Right-of-use assets*

The Company is a party to lease contracts for:

- Land
- Plants and equipment for the production of industrial gases and other production materials.
- Transportation and maintenance equipment.
- Warehouses and office spaces.

These leases are recognized, measured and presented in accordance to IFRS 16 “Leases”, following the guidelines described below.

Accounting by the lessee

The Company recognizes a right-of-use asset and a lease liability at the commencement date of each lease contract that grants the right to control the use of an identified asset during a period of time. The commencement date is the date in which the lessor makes an underlying asset available for use by the lessee.

The Company applied exemptions for leases with a duration lower than 12 months, with a value lower than thirty thousand U.S. dollars and/or with clauses related to variable payments. These leases have been considered as short-term leases and, accordingly, no right-of-use asset or lease liability have been recognized.

At initial recognition, the right-of-use asset is measured considering:

- The value of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives; and
- Any initial direct costs incurred by the lessee.

After initial recognition, the right-of-use assets are measured at cost, less any accumulated depreciation and/or impairment losses, and adjusted for any re-measurement of the lease liability.

Depreciation of the right-of-use asset is calculated using the straight-line method over the estimated duration of the lease contract, as follows:

Land	1-31 years
Buildings and facilities	1-26 years
Machinery	1-14 years

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term, or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Accounting by the lessor

When the Company is acting as a lessor, each of its leases is classified as either operating or finance lease:

- Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.
- Leases where all substantial risks and rewards of ownership are transferred by the lessor to the lessee are classified as finance leases.

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 assets

Mining assets include:

- (a) Mining licenses acquired;
- (b) Capitalized exploration and evaluation costs, reclassified from exploration and evaluation costs (see note 4 (e) 3); and
- (c) Capitalized developmental stripping costs (see note 4 (u)).

Mining licenses were recognized as separate intangible assets upon the acquisition of the investment in Mexico and in Usiminas and comprise the right to exploit the mines and are recognized at its fair value at acquisition date less accumulated amortization.

Mexico's 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.

Usiminas' mining concessions were granted for an indefinite period and until complete depletion of mineral reserves and are subject to the procedures set forth in applicable Brazilian 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, 2023, 2022 and 2021, is approximately 13%, 12% and 7% per year, respectively.

Considering that there are no concrete development plans in the short term and for production feasibility in certain areas of the mining concessions held by Las Encinas S.A. de C.V., the Company decided to recognize an impairment charge over these assets of \$42.3 million.

4. ACCOUNTING POLICIES (continued)**(3) Exploration and evaluation costs**

Exploration and evaluation activities involve the search for iron ore resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs are measured at cost. Costs directly associated with exploration and evaluation activities are capitalized as intangible assets until the determination of reserves is evaluated. The costs associated to the acquisition of machinery and equipment are recognized as property, plant and equipment. If it is determined that commercial discovery has been achieved, costs incurred are reclassified into Mining assets and amortization starts once production begins.

Exploration costs are tested for impairment whenever there are indicators that impairment exists. Indicators of impairment include, but are not limited to:

- Rights to explore in an area have expired or will expire in the near future without renewal;
- No further exploration and evaluation is planned or budgeted;
- A decision to discontinue exploration and evaluation in an area because of the absence of commercial reserves; and
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

When analyzing the existence of impairment indicators, the exploration and evaluation areas from the mining units will be evaluated.

(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 IAS 36, 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. The impairment losses on goodwill cannot be reversed.

As of December 31, 2023 and 2022, the carrying amount of goodwill allocated to the Mexico CGUs was \$662.3 million, of which \$619.8 million corresponds to Steel Mexico CGU and \$42.5 million to Mining Mexico CGU.

(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, 2023, 2022 and 2021 totaled \$19.0 million, \$16.3 million and \$9.8 million, respectively.

4. ACCOUNTING POLICIES (continued)*(6) Customer relationships acquired in a business combination*

In accordance with IFRS 3 and IAS 38, Ternium has recognized the value of customer relationships in connection with the acquisition of Ternium Staal B.V. as of September 7, 2017. The value of the slab commitment agreement by which Ternium Investments S.à r.l. was entitled to invoice, under certain conditions, the price difference between slabs and hot rolled coils has been amortized using the units of slabs sold method. As of December 31, 2021, the asset related to this slab commitment agreement was fully amortized.

(7) Trademarks acquired in a business combination

Trademarks are amortized using the straight-line method over a useful life of between 5 to 10 years.

(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 higher of the CGU's fair value less costs to sell and its value in use. 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. 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. Significant assumptions considered in forecasts include the gross domestic product (GDP) growth rates of the country under study and their correlation with steel demand, changes in the growth rate for the perpetuity rate, changes in steel prices, changes in certain significant raw material costs and changes in discount rates.

Ternium uses, for the steel segment impairment tests, cash flow projections over a five-year period based on past performance and expectations of market development; for the subsequent years beyond the five-year period, a terminal value was calculated based on perpetuity. The growth rate used for the perpetuity rate is of 2.18%. This rate does not exceed the average long-term growth rate for the relevant markets. In the case of the mining segment and the mining activity developed by Usiminas, cash flow projections are prepared until the mines are fully depleted and are based on past performance and expectations of market development.

Cash flows are discounted at rates that reflect specific country and currency risks associated with the cash flow projections. The discount rates used are based on the weighted average cost of capital (WACC), which is considered to be a good indicator of cost of capital.

4. ACCOUNTING POLICIES (continued)

Considering the macroeconomic situation in Argentina, the increase in the inflation rates, the devaluation of the Argentine peso and a weaker industrial environment as of December 31, 2023, the Company decided to assess the recoverability of its investments in Argentina, resulting in no impairment charges to be recognized. As of December 31, 2023, the post-tax discount rate used to test the investment in Argentine subsidiaries for impairment was 17.3%.

In the case of the Steel Mexico CGU, considering that there is a value registered for goodwill, the Company performed the mandatory impairment test over goodwill, resulting in no impairment charges to be recognized. Also, in the case of the Mining Mexico CGU and considering the registered goodwill, the Company performed the mandatory impairment test over goodwill, resulting in no impairment charges to be recognized. As of December 31, 2023, the post-tax discount rate used to test the recoverability of the goodwill in the Steel and Mining Mexico CGUs for impairment was 12.10% (as of December 31, 2022, 11.28%).

As of December 31, 2022, the Company recognized an impairment charge of \$99.0 million over the property, plant and equipment in the Brazil CGU. As of December 31, 2023, Management assessed the business situation as of such date and concluded that the recovery of impairment indicators was not significantly enough and that there were no significant positive events to proceed with a reversal of previously recognized impairment charges.

During the years 2023, 2022 and 2021, no impairment provisions were recorded in connection with assets that have an indefinite useful life (including goodwill) in the Company's CGUs.

As of September 30, 2022, the Company recognized an impairment charge of \$120.4 million over the investment in Usiminas. On July 3, 2023, the Company acquired an additional participation in Usiminas and started the full consolidation of assets and liabilities of Usiminas (see note 3). As of December 31, 2023, no impairment triggers were detected and, consequently, no impairment test was prepared.

(g) Other investments

Other investments consist primarily of investments in financial debt instruments and equity investments where the Company holds a minor equity interest 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 at fair value through profit or loss is recognized in Other financial income (expenses), net in the consolidated income statement. The fair value of quoted investments is 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.

4. ACCOUNTING POLICIES (continued)

Certain fixed income financial instruments purchased by the Company have been categorized as at fair value through other comprehensive income. The results of these financial investments are recognized in Finance Income in the Consolidated Income Statement using the effective interest method. Unrealized gains and losses other than impairment and foreign exchange results are recognized in Other comprehensive income. On maturity or disposal, net gain and losses previously deferred in Other comprehensive income are recognized in Finance Income in the Consolidated Income Statement.

(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 production stripping costs, depreciation of fixed assets related to the mining activity and amortization of mining assets for those mines under production.

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.

(i) Trade receivables and other receivables

Trade and other receivables are recognized initially at fair value, generally the original invoice amount. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The Company keeps an allowance for trade receivables, recorded in an asset account to offset the trade receivables in an amount estimated sufficient to cover the losses resulting from the impossibility for the debtors to cancel the amounts owed. This allowance for trade receivables is recorded with a charge to selling expenses.

Judicial deposits are those made in a bank account, in connection with legal proceedings, in Brazilian currency and monetarily restated to ensure the settlement of potential future liabilities. Some judicial deposits that are linked to taxes payable in installments are presented at their net amount.

(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.

4. ACCOUNTING POLICIES (continued)

(k) Assets (disposal groups) classified as held for sale

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 assets classified as held for sale, as of December 31, 2023 and 2022 totals \$6.7 million and \$1.8 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, including bonds and debentures issued by Usiminas, are recognized initially for an amount equal to the net proceeds received. In subsequent periods, borrowings, including bonds and debentures, are stated at amortized cost following the effective interest method.

(m) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at such date, including the following concepts:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease liabilities with payments dependent on external factors, such as minimum volumes sold or used, are not included in the initial measurement of the lease liabilities and such payments are recognized directly in profit and loss.

Lease payments are discounted using incremental borrowing rates for the location and currency of each lease contract or, if available, the rate implicit in the lease contract.

The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease term determined by the Company comprises:

- Non-cancelable period of lease contracts;
- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date, the Company measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect lease payments made; and
- Re-measuring the carrying amount to reflect any reassessment or lease modifications.

4. ACCOUNTING POLICIES (continued)**(n) 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.

Deferred tax assets and liabilities are re-estimated if tax rates change. These amounts are charged or credited to the consolidated income statement or to the item "Other comprehensive income for the year" in the consolidated statement of comprehensive income, depending on the account to which the original amount was charged or credited.

(o) Employee liabilities**(1) Post-employment 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 the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually (at year end) by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

4. ACCOUNTING POLICIES (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income. For defined benefit plans, net defined benefit liability/asset is calculated based on the surplus or deficit derived by the difference between the defined benefit obligations less plan assets.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

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 a commitment for the payment of pensions and seniority premiums, as well as for health-care expenses.

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 the cause of retirement.

Argentina

Ternium Argentina 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 termination of the employment relationship due to certain specified events, including retirement. This unfunded plan provides defined benefits based on years of service and final average salary.

Brazil

Usiminas operates various post-employment schemes, including defined benefit pension plans, defined/variable contribution pension plans and a post-retirement healthcare plan. The retirement plans offer to employees' supplementary retirement and pension benefits and are managed by Previdência Usiminas, which in line with the applicable legislation, has as its main purpose the management and running of private pension plans.

4. ACCOUNTING POLICIES (continued)

Usiminas has different defined benefit pension plans:

- 1) Benefit plan 1 (PB1), defined benefit plan, closed for new enrolments since November 1996.
- 2) Defined benefit plan (PBD), defined benefit plan, closed for new enrolments since December 2000; the beneficiaries of this plan are also entitled to self-funded retirement plan, vesting, redemption, and portability.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the market value of plan assets, adjusted for: (i) actuarial gains and losses; (ii) rules to determine the asset ceiling; and (iii) minimum funding requirements.

Usiminas has taken out debts in connection with the minimum requirements for payment of contributions, for the purpose of covering the gap in relation to the services already received. In the event of non-recoverable surplus, the debts taken are recognized as an additional liability in the computation of net actuarial liabilities.

The PBD plan debit balance is determined at the end of each year, based on a direct actuarial revaluation. During the subsequent year, the liability is adjusted by the monthly surplus or deficit determined in the PBD plan and by the amount of payments falling due in the period. The debt balance should be repaid in 148 installments.

Also, Usiminas has different defined contribution pension plans:

- 3) Benefit plan 2 (USIPREV), variable contribution benefit plan, operating since August 1998, provides post-employment benefits to the employees of the sponsor companies. Currently, this is the only plan accepting new enrolments.
- 4) COSIPREV, defined contribution plan has been closed for new enrolments since April 30, 2009. For this defined contribution plan (COSIPREV), Usiminas pays contributions to a private pension entity on compulsory, contractual or voluntary bases. The contributions are recognized as finance costs in the period in which they are due. The entity has no further payment obligations once the contributions have been paid.

USIPREV and COSIPREV plans have a Pension Fund formed from members' account balances not used in benefit payouts. As provided for in the plans' regulations, this Fund may be used to cover the cost of these plans in the future.

In addition, Usiminas has in place a post-retirement healthcare plan:

- (a) CoSaúde, post-retirement healthcare benefits discontinued on November 30, 2021, with the subsequent restructuring of group plans to be offered to former beneficiaries, in compliance with the legal clauses and conditions.
- (b) Saúde Usiminas, healthcare plan, which opened for enrolments to all employees and retirees in 2010 and was extinguished as of December 31, 2023, being replaced with two new plans: Usiexato and Usiflex. These two new plans provide with two different methods of payment to the members of the plans: a mixed method, with the Company offering the option of bearing 100% of the monthly fee for active employees until the termination of the labor contracts, or a contributory method, which allows the continuation of the healthcare services after resignation or retirement of the employees.

4. ACCOUNTING POLICIES (continued)**(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. From 2018 units were vest ratably over the same period and will be mandatorily redeemed by the Company 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.

As of December 31, 2023 and 2022, the outstanding liability corresponding to the Program amounts to \$90.1 million and \$79.8 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, 2023 and 2022, is \$94.5 million and \$88.6 million, respectively.

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.

(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, Ternium Argentina 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.

(p) Provisions

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.

4. ACCOUNTING POLICIES (continued)

(q) Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(r) Revenue recognition and other income

Revenue is recognized at a point of time from sales to direct customers upon the satisfaction of performance obligations, which occurs when control of the goods transfers to the customer and the customer obtains the benefits from the goods, the potential cash flows and the transaction price can be measured reliably, and it is probable that the Company will collect the consideration in connection with the exchange of the goods. The control over the goods is obtained by the customer depending on when the goods are made available to the shipper or the customer takes possession of the goods, depending on the delivery terms. The Company considers that it has completed its performance obligations when the goods are delivered to its customers or to a shipper who will transport the goods to its customers. The revenue recognized by the Company is measured at the transaction price of the consideration received or receivable to which the Company is entitled to, reduced by estimated returns and other customer credits, such as discounts and volume rebates, based on the expected value to be realized and after eliminating sales within the group.

Usiminas Mecánica S.A., one of Usiminas' subsidiaries, uses the percentage-of-completion (POC) method to account for the revenue from orders in progress sold at fixed prices. The use of the POC method requires Management to estimate the services performed up to the balance sheet date as a proportion of the total services to be performed.

Interest income is recognized on an effective yield basis.

(s) Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

The amount of borrowing costs that Ternium capitalized during a period will not exceed the amount of borrowing costs incurred during that period. As of December 31, 2023, 2022 and 2021, the capitalized borrowing costs were nil, \$0.4 million and \$6.3 million, respectively.

(t) 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.

4. ACCOUNTING POLICIES (continued)

(u) Stripping costs

Stripping costs are the costs associated with the removal of overburden and other waste materials and can be incurred before the mining production commences (“development stripping”) or during the production stage (“production stripping”).

Development stripping costs that contribute to the future economic benefits of mining operations are capitalized as intangible assets (Mining assets). Production stripping costs which are part of on-going activities are included in the cost of the inventory produced (that is extracted) at each mine during the period in which they are incurred.

Capitalization of development stripping costs finishes when the commercial production of the mine commences. At that time, all development stripping costs are presented within Mining assets and depreciated on a unit-of-production basis. It is considered that commercial production begins when the production stage of mining operations begins and continues throughout the life of a mine.

(v) Mining development costs

Mining development costs are the costs associated to the activities related to the establishment of access to the mineral reserve and other preparations for commercial production. These activities often continue during production.

Development expenditures are capitalized and classified as Work in progress. On completion of development, all assets included in Work in progress are individually reclassified to the appropriate category of property, plant and equipment and depreciated accordingly.

(w) Asset retirement obligations

Ternium records asset retirement obligations (“ARO”) initially at the fair value of the legal or constructive obligation in the period in which it is incurred and capitalizes the ARO by increasing the carrying amount of property, plant and equipment. The fair value of the obligation is determined as the discounted value of the expected future cash flows and is included in Provisions. The liability is accreted to its present value through net financing cost and the capitalized cost is depreciated based in the unit of production method.

(x) 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, excluding the average number of shares of the parent Company held by the Group. There are no dilutive securities for the periods presented.

(y) 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.

4. ACCOUNTING POLICIES (continued)

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. As of December 31, 2023 and 2022, the effective portion of designated cash flow hedges (net of taxes) amounted to \$15.9 million and nil, respectively, and were included under "changes in the fair value of derivatives classified as cash flow hedges" line item in the statement of comprehensive income (see Note 27 (a)).

More information about accounting for derivative financial instruments and hedging activities is included in Note 29 "Financial risk management".

(z) Treasury shares

Acquisitions of treasury shares are recorded at acquisition cost, deducted from equity until disposal. The gains and losses on disposal of treasury shares are recognized under "Reserves" in the consolidated statement of financial position.

(aa) Cash flow

The consolidated statements of cash flows have been prepared using the indirect method and contain the use of the following expressions and their respective meanings:

- a) Operating activities: activities that constitute ordinary Group revenues, as well as other activities that cannot be qualified as investing or financing.
- b) Investing activities: acquisition, sale or disposal by other means of assets in the long-term and other investments not included in cash and cash equivalents.
- c) Financing activities: activities that generate changes in the size and composition of net equity and liabilities that do not form part of operating activities.

(bb) 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 CGUs. Impairment testing of the CGUs 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 post tax discount rate used as of December 31, 2023 was 12.10% and no impairment charge resulted from the impairment test performed. See notes 4(f) and 4(e)(4).

4. ACCOUNTING POLICIES (continued)**(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, due to uncertain tax positions, 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.

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, uncertain tax positions, 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 \$839.9 million and \$81.4 million as of December 31, 2023 and 2022, respectively.

(4) 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.

4. ACCOUNTING POLICIES (continued)

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.

(5) *Post-employment obligation estimates*

The Company estimates at each year-end the provision necessary to meet its post-employment obligations in accordance with the advice from independent actuaries. The calculation of post-employment and other employee obligations requires the application of various assumptions. The main assumptions for post-employment and other employee obligations include discount rates, compensation growth rates, pension growth rates and life expectancy. Changes in the assumptions could give rise to adjustments in the results and liabilities recorded and might have an impact on the post-employment and other employee obligations recognized in the future.

(6) *Business combinations*

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Company makes judgments and estimates in relation to the fair value of assets acquired and liabilities assumed, including estimation of cash flow projections with significant assumptions related to revenue forecasts, EBITDA margins, capital expenditures, discount rate and estimation of loss probability for the contingencies assumed. If any unallocated portion is positive, it is recognized as goodwill, and if negative, it is recognized in the income statement. See further information in note 3.

(7) *Taxation*

At year end, the Company assesses the sufficiency of future taxable income to utilize the recognized deferred tax assets. The Company uses projections of future taxable income to assess the probability that the deferred tax assets will be realized. Management applied significant judgment in assessing the recoverability of deferred tax assets predicting historical profitability, projected future taxable profit, including assumptions related to revenue forecast and EBITDA margins.

4. ACCOUNTING POLICIES (continued)**(cc) Climate Change**

Ternium is committed to the UN Global Compact Initiative, its sustainable development goals, and the world's efforts to address Climate Change.

The Company is determined to find ways to reduce the carbon footprint of its operations and the steel value chain. In February 2021, Ternium announced a medium-term target to reduce its carbon dioxide emissions intensity rate by 20% in 2030, compared to its 2018 base rate of 1.7 tons of carbon dioxide per ton of steel. The Company's strategy to achieve this 2030 reduction target consists of a multi-faceted approach that includes increasing the use of renewable energy and the development of energy efficiency strategies, increasing the participation of scrap in the metallic mix, improving the carbon capture capacity at its Direct Reduction Iron ("DRI") facilities, replacing coking coal with charcoal and prioritizing lower specific-emission steelmaking technologies. The Company anticipates a change in its emission intensity rate starting in 2025 once the projects are operational.

In addition, Ternium is also exploring business opportunities such as selling the captured CO₂ from its facilities in Mexico, marketing by-products of the process, and utilizing steel in solutions that promote energy efficiency and lower emissions in the supply chain. These sales currently represent a relatively small proportion of overall sales but are expected to increase in the coming years.

The Company intends to continue analyzing and developing measures to decarbonize its operations over the longer term with the ambition of achieving carbon neutrality. This endeavor will require significant long-term investments, conditioned by technology innovation, cooperation within the value chain, government regulations, and capital availability for decarbonization projects. Factors like access to abundant and affordable clean energy, appropriate energy infrastructure, local and global regulation that guarantee fair trade and carbon capture storage, access to sustainable finance for low emissions steel-making technologies, and changes in consumer behavior will be key in the development of solutions and the outcomes in the next decades.

Given that Ternium's climate-change-related decarbonization plans span over many years and are subject to significant uncertainty as described above, they have not been included as part of the assumptions used to calculate future cash flows of the recoverable amount of the company's CGUs, except for those plans that are already approved or in process. Estimates and assumptions related to the impairment test over long-lived assets and goodwill, useful lives of assets, capital and research and development expenditures, inventory valuation, recovery of deferred tax assets and provisions, and contingent liabilities are based on available information and government regulations in place as of December 31, 2023, as well as on the company's already approved or in process investment plans.

5. SEGMENT INFORMATION

As of December 31, 2023, the Company is organized in three operating segments: Steel, Mining and Usiminas. The CODM is still reviewing the new business structure to allocate resources and to assess the performance in future periods.

The Steel segment includes the sales of steel products done by the Company's subsidiaries, other than Usiminas, which comprises mainly slabs, hot and cold rolled products, coated products, roll-formed and tubular products, billets, bars and other products.

The Mining segment includes the sales of mining products, done by the Company's subsidiaries, other than Usiminas, mainly iron ore and pellets, and comprises the mining activities of Las Encinas, an iron ore mining company in which Ternium holds a 100% equity interest and the 50% of the operations and results performed by Peña Colorada, another iron ore mining company in which Ternium maintains that same percentage over its equity interest.

The Usiminas segment included in the Company as from July 2023, following the increase of the participation, includes the sales of steel and mining products done by Usiminas. Usiminas' activities include iron ore extraction, steel transformation, production of capital goods and logistics. Usiminas manufactures and sells various products and raw materials, such as flat steel, iron ore, stamped steel parts for the automotive industry and products for the civil construction and capital goods industry.

Ternium's Chief Executive Officer ("CEO") functions as the Company's Chief Operating Decision Maker ("CODM"). The various geographic regions operate as an integrated steel producer. The CEO allocates resources and assesses performance of the Steel Segment as an integrated business and of the Mining Segment. The CEO uses "Operating income – Management view" as per the below table as the key performance measure which differs from operating income determined in accordance with IFRS principally as follows:

- The use of direct cost methodology to calculate the inventories, while under IFRS is at full cost, including absorption of production overheads and depreciation.
- The use of costs based on previously internally defined cost estimates, while, under IFRS, costs are calculated at historical cost (with the FIFO method).
- In the case of Usiminas, the use of costs based in the weighted average cost, while, under IFRS, costs are calculated under the FIFO method.
- Other non-significant differences.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

5. SEGMENT INFORMATION (continued)

	Year ended December 31, 2023				
	Steel	Mining	Usiminas	Inter-segment eliminations	Total
Operating income - Management view	2,404,189	(58,037)	64,423	(6,401)	2,404,174
Reconciliation:					
Differences in Cost of sales					(206,160)
Operating income - Under IFRS					2,198,014
Financial income (expense), net					123,454
Equity in earnings (losses) of non-consolidated companies					105,305
Effect related to the increase of the participation in Usiminas					(171,045)
Recycling of other comprehensive income related to Usiminas					(934,946)
Income before income tax expense - IFRS					1,320,782
Net sales from external customers	14,909,209	96	2,700,787	—	17,610,092
Net sales from transactions with other operating segments of the same entity	285,025	500,401	31,620	(817,046)	—
Depreciation and amortization	(520,328)	(107,546)	(29,819)	—	(657,693)
	Year ended December 31, 2022				
	Steel	Mining	Usiminas	Inter-segment eliminations	Total
Operating income - Management view	2,556,949	3,716	—	10,500	2,571,165
Reconciliation:					
Differences in Cost of sales					128,354
Operating income - Under IFRS					2,699,519
Financial income (expense), net					(70,133)
Equity in earnings (losses) of non-consolidated companies					37,114
Income before income tax expense - IFRS					2,666,500
Net sales from external customers	16,414,334	132	—	—	16,414,466
Net sales from transactions with other operating segments of the same entity	—	410,636	—	(410,636)	—
Depreciation and amortization	(523,818)	(92,674)	—	—	(616,492)
	Year ended December 31, 2021				
	Steel	Mining	Usiminas	Inter-segment eliminations	Total
Operating income - Management view	4,210,135	204,070	—	1,586	4,415,791
Reconciliation:					
Differences in Cost of sales					855,345
Operating income - Under IFRS					5,271,136
Financial income (expense), net					92,462
Equity in earnings (losses) of non-consolidated companies					400,732
Income before income tax expense - IFRS					5,764,330
Net sales from external customers	16,043,033	47,711	—	—	16,090,744
Net sales from transactions with other operating segments of the same entity	—	478,559	—	(478,559)	—
Depreciation and amortization	(528,144)	(63,646)	—	—	(591,790)

Information on segment assets is not disclosed as it is not reviewed by the CEO.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

5. SEGMENT INFORMATION (continued)
GEOGRAPHICAL INFORMATION

The Company had no revenues attributable to the Company's country of incorporation (Luxembourg) in 2023 and 2022. In 2021 the Company had revenues attributable to Luxembourg related to a contract acquired as part of the acquisition of the participation in Ternium Brasil Ltda.

For purposes of reporting geographical information, net sales are allocated based on the customer's location. Allocation of depreciation and amortization is based on the geographical location of the underlying assets.

Year ended December 31, 2023					
	Mexico	Southern region	Brazil	Other markets	Total
Net sales	9,419,873	3,588,651	2,518,764	2,082,804	17,610,092
Non-current assets (2)	4,965,628	878,642	2,474,178	315,287	8,633,735

Year ended December 31, 2022					
	Mexico	Southern region	Brazil (1)	Other markets	Total
Net sales	8,949,104	3,853,390	743,713	2,868,259	16,414,466
Non-current assets (2)	4,769,161	859,351	1,265,013	312,771	7,206,296

Year ended December 31, 2021					
	Mexico	Southern region	Brazil	Other markets	Total
Net sales	8,990,868	3,377,596	1,122,518	2,599,762	16,090,744
Non-current assets (2)	4,789,273	861,149	1,373,377	310,035	7,333,834

(1) The non-current assets value includes the impact of the impairment charge of \$99.0 million recognized in the Brazil CGU.

(2) Includes Property, plant and equipment and Intangible assets

REVENUES BY PRODUCT

	Year ended December 31,		
	2023	2022	2021
Slabs	177,240	640,231	1,304,437
Hot rolled (1)	7,913,232	6,991,466	6,356,576
Cold rolled	2,379,499	1,951,702	1,990,143
Coated (2)	5,708,328	5,704,765	5,303,394
Roll-formed and tubular (3)	789,255	660,830	659,609
Billets, round bars and others	45,351	142,511	167,138
Other products (4)	597,187	322,961	309,447
TOTAL SALES	17,610,092	16,414,466	16,090,744

(1) Hot rolled includes hot rolled flat products, merchant bars, reinforcing bars, stirrups and rods.

(2) Coated includes tin plate and galvanized products.

(3) Roll-formed and tubular includes pre-engineered metal building systems, tubes, beams, insulated panels, roofing and cladding, roof tiles and steel decks.

(4) Other products include mainly sales of energy and pig iron.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

6. COST OF SALES

	Year ended December 31,		
	2023	2022	2021
Inventories at the beginning of the year	3,470,215	3,908,305	2,001,781
Acquisition of business (Note 3)	1,707,311	—	—
Translation differences	(22,514)	—	—
Plus: Charges for the year			
Raw materials and consumables used and other movements	11,193,050	9,773,523	9,835,504
Services and fees	250,333	183,003	151,251
Labor cost	940,411	862,593	689,614
Depreciation of property, plant and equipment	556,630	532,160	514,746
Amortization of intangible assets	47,374	43,947	23,519
Maintenance expenses	825,809	612,928	582,633
Office expenses	14,873	10,295	7,741
Insurance	24,867	15,184	12,309
Change of obsolescence allowance	4,707	20,804	3,965
Valuation allowance	(15,333)	15,333	—
Recovery from sales of scrap and by-products	(37,186)	(42,000)	(37,597)
Others	38,567	21,422	17,909
Less: Inventories at the end of the year	(4,948,376)	(3,470,215)	(3,908,305)
Cost of Sales	14,050,737	12,487,282	9,895,070

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2023	2022	2021
Services and fees (1)	91,853	73,401	60,216
Labor cost	355,967	299,139	250,697
Depreciation of property, plant and equipment	16,562	13,990	14,153
Amortization of intangible assets	37,126	26,395	39,372
Maintenance and expenses	10,340	8,311	6,977
Taxes	164,935	170,216	160,254
Office expenses	72,426	41,921	34,968
Freight and transportation	681,416	499,127	365,455
Increase (decrease) of allowance for doubtful accounts	12,528	114	350
Others	28,525	11,032	17,682
Selling, general and administrative expenses	1,471,678	1,143,646	950,124

(1) For the year ended December 31, 2023, it includes fees accrued for professional services rendered by PwC to Ternium S.A. and its subsidiaries that amounted to \$5,340, including \$4,783 for audit services, \$268 for audit-related services, \$8 for tax services and \$281 for all other services.

For the year ended December 31, 2022, it includes fees accrued for professional services rendered by PwC to Ternium S.A. and its subsidiaries that amounted to \$3,991, including \$3,681 for audit services, \$272 for audit-related services and \$38 for all other services.

For the year ended December 31, 2021, it includes fees accrued for professional services rendered by PwC to Ternium S.A. and its subsidiaries that amounted to \$3,241, including \$3,157 for audit services, \$78 for audit-related services and \$6 for all other services.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

8 LABOR COSTS (Included Cost of sales and Selling, General and Administrative expenses)

	Year ended December 31,		
	2023	2022	2021
Wages, salaries and social security costs	1,216,566	1,093,105	878,347
Termination benefits	23,189	22,246	18,677
Post-employment benefits (Note 21 (i))	56,623	46,381	43,287
Labor costs	1,296,378	1,161,732	940,311

As of December 31, 2023, 2022 and 2021, the number of employees was 34,458, 20,510 and 20,142, respectively.

9. OTHER OPERATING INCOME (EXPENSES), NET

	Year ended December 31,		
	2023	2022	2021
Results of sundry assets	8,165	8,177	8,558
Gain from the agreement related to the post-retirement benefits from Usiminas	108,696	—	—
Provision for legal claims and other matters (Note 19 and 25 (i) and (ii))	59,649	1,069	—
Other operating income (1)	—	5,735	40,587
Other operating income	176,510	14,981	49,145
Provision for legal claims and other matters (Note 19 and 25 (i) and (ii))	—	—	(11,761)
Impairment charge (2)	(42,316)	(99,000)	—
Reversal of the asset in connection with the slab commitment agreement (Note 4 (e) (6))	—	—	(11,798)
Other operating expense (1)	(23,857)	—	—
Other operating expense	(66,173)	(99,000)	(23,559)
Other operating income (expenses), net	110,337	(84,019)	25,586

(1) For the year ended December 31, 2023, it includes the value update of certain tax liabilities in Usiminas of \$10,000. For the year ended December 31, 2021, it includes the recovery of certain tax credits in Brazil of \$27,200.

(2) For the year ended December 31, 2023, see note 4(e)(2). For the year ended December 31, 2022, see note 4(f).

10. OTHER FINANCIAL INCOME (EXPENSES), NET

	Year ended December 31,		
	2023	2022	2021
Interest expense	(125,376)	(46,737)	(26,997)
Finance expense	(125,376)	(46,737)	(26,997)
Interest income	255,009	75,145	62,912
Finance income	255,009	75,145	62,912
Net foreign exchange gain (loss)	98,037	(163,740)	(36,761)
Change in fair value of financial assets	1,899	78,309	75,801
Derivative contract results	(60,183)	(2,132)	1,485
Others	(45,932)	(10,978)	16,022
Other financial income (expenses), net	(6,179)	(98,541)	56,547

11. INCOME TAX EXPENSE

Income tax expense for each of the years presented is as follows:

	Year ended December 31,		
	2023	2022	2021
Current tax			
Current tax	(578,902)	(671,016)	(1,650,281)
Recovery of income tax	13,429	—	—
Deferred tax (Note 19)			
Deferred tax	102,431	80,692	185,655
Effect of changes in tax law (1)	—	—	(9,117)
Recognition of previously unrecognized deferred tax assets (2)	128,634	—	—
Recovery of income tax	—	16,596	76,604
Income tax expense	(334,408)	(573,728)	(1,397,139)

(1) For 2021, it includes the modification of the tax rate in Argentina enacted in 2017 and modified in 2019 and 2021, setting the corporate income tax rate to 35% for the year 2021 going forward.

(2) It includes the recovery of unrecognized tax losses and temporary differences in Ternium Brasil Ltda.

11. INCOME TAX EXPENSE (continued)

Income tax expense for the years ended December 31, 2023, 2022 and 2021 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,		
	2023	2022	2021
Income before income tax	1,320,782	2,666,500	5,764,330
Income tax expense at statutory tax rate	(643,686)	(785,888)	(1,633,556)
Non taxable income	39,755	—	37,815
Non deductible expenses	—	(45,862)	—
Effect of currency translation on tax base (1)	180,582	241,426	131,115
Recognition of previously unrecognized deferred tax assets	128,634	—	—
Provision for tax losses	(53,122)	—	—
Recovery of income tax	13,429	16,596	76,604
Effect of changes in tax law	—	—	(9,117)
Income tax expense	(334,408)	(573,728)	(1,397,139)

(1) Ternium applies the liability method to recognize deferred income tax on temporary differences between the tax bases of assets and their carrying amounts in the financial statements. By application of this method, Ternium recognizes gains and losses on deferred income tax due to the effect of the change in the value on the tax basis in subsidiaries, which have a functional currency different to their local currency, mainly Mexico and Argentina.

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.

In December 2021, the Organization for Economic Co-operation and Development (“OECD”) released the Pillar Two model rules (the Global Anti-Base Erosion rules, or “GloBE”) to reform international corporate taxation. Following Pillar Two OECD’s initiative, the European Union adopted in December 2022 a directive to impose a global minimum taxation for multinational companies in the Union, to be effective as from 2024.

In May 2023, the IASB made narrow-scope amendments to IAS 12 setting an exception that provides relief from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax laws that implement the Pillar Two model rules, including tax laws that implement qualified domestic minimum top-up taxes as per described in those rules.

On December 20, 2023, the Luxembourg Parliament approved the Pillar Two law transposing the EU Pillar Two Directive into domestic legislation. The law enters into force as from fiscal years starting on or after 31 December 2023.

The Company is within the scope of the rules, and therefore will be required to calculate its GloBE effective tax rate for each jurisdiction where it operates and will be liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate, as from 2024.

No current tax impacts have arisen in the current Consolidated Financial Statements as of December 31, 2023, due to the application of Pillar Two rules, as they will be applicable as from 2024 in jurisdictions relevant for the Company.

11. INCOME TAX EXPENSE (continued)

In addition, the Company has applied the exception prescribed by the amendments to IAS 12, and therefore it has not recognized any deferred tax impact from the Pillar Two application.

The Company is in the process of assessing its exposure to the Pillar Two legislation and testing its situation under the OECD transitional safe harbor rules and expects no major impacts in relation to top-up tax due to the application of one or more of the transitional safe harbor rules.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted legislation is not yet reasonably estimable.

12. PROPERTY, PLANT AND EQUIPMENT, NET*(1) Property, plant and equipment, net*

	Year ended December 31, 2023						
	Land	Buildings and improvements	Production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts	Right-of-use assets
Values at the beginning of the year							
Cost	607,971	4,091,108	7,744,607	309,469	547,102	173,731	395,620
Accumulated depreciation	—	(2,012,992)	(5,123,790)	(254,599)	—	(30,864)	(185,476)
Net book value as of January 1, 2023	607,971	2,078,116	2,620,817	54,870	547,102	142,867	210,144
Opening net book value	607,971	2,078,116	2,620,817	54,870	547,102	142,867	210,144
Acquisition of business (note 3)	93,842	170,609	407,931	10,880	173,100	27,986	20,432
Translation differences	(41)	358	1,810	53	(790)	(183)	(869)
Additions	70,415	5,333	24,861	2,903	921,175	37,437	16,061
Disposals / Consumptions	(2,314)	(409)	(388)	(952)	(1,861)	(35,792)	(104)
Indexation	—	—	—	—	—	—	10,626
Transfers	4,179	139,552	343,301	27,825	(517,722)	(252)	—
Depreciation charge	—	(148,406)	(346,531)	(21,674)	—	(411)	(56,170)
Closing net book value	774,052	2,245,153	3,051,801	73,905	1,121,004	171,652	200,120
Values at the end of the year							
Cost	774,052	4,407,345	8,514,780	344,859	1,121,004	202,923	438,596
Accumulated depreciation	—	(2,162,192)	(5,462,979)	(270,954)	—	(31,271)	(238,476)
Net book value as of December 31, 2023	774,052	2,245,153	3,051,801	73,905	1,121,004	171,652	200,120

	Year ended December 31, 2022						
	Land	Buildings and improvements	Production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts	Right-of-use assets
Values at the beginning of the year							
Cost	594,744	4,023,271	7,707,052	294,356	563,082	166,959	364,971
Accumulated depreciation	—	(1,890,186)	(4,986,161)	(240,250)	—	(29,792)	(136,468)
Net book value as of January 1, 2022	594,744	2,133,085	2,720,891	54,106	563,082	137,167	228,503
Opening net book value	594,744	2,133,085	2,720,891	54,106	563,082	137,167	228,503
Translation differences	139	325	123	23	9	—	—
Impairment charge (note 4 (f))	—	(53,635)	(45,365)	—	—	—	—
Additions	5,342	2,423	913	2,337	433,269	28,983	13,961
Capitalized borrowing costs	—	—	—	—	403	—	—
Disposals / Consumptions	(953)	(1,133)	(1,056)	(842)	(1,162)	(22,210)	(1,039)
Indexation	—	—	—	—	—	—	17,945
Transfers	8,699	144,914	273,885	18,660	(448,499)	—	—
Depreciation charge	—	(147,863)	(328,574)	(19,414)	—	(1,073)	(49,226)
Closing net book value	607,971	2,078,116	2,620,817	54,870	547,102	142,867	210,144
Values at the end of the year							
Cost	607,971	4,091,108	7,744,607	309,469	547,102	173,731	395,620
Accumulated depreciation	—	(2,012,992)	(5,123,790)	(254,599)	—	(30,864)	(185,476)
Net book value as of December 31, 2022	607,971	2,078,116	2,620,817	54,870	547,102	142,867	210,144

12. PROPERTY, PLANT AND EQUIPMENT, NET (continued)**(2) Right-of-use assets**

	Right-of-use assets				
	Land	Buildings and improvements	Production equipment	Vehicles, furniture and fixtures	Total
Values at the beginning of the year					
Cost	1,339	266,330	127,765	187	395,621
Accumulated depreciation	(4)	(118,709)	(66,639)	(125)	(185,477)
Net book value as of January 1, 2023	1,335	147,621	61,126	62	210,144
Opening net book value	1,335	147,621	61,126	62	210,144
Translation differences	—	(790)	(79)	—	(869)
Acquisition of business (note 3)	—	3,894	16,433	105	20,432
Additions	—	3,716	12,304	41	16,061
Disposal/Derecognition	—	(85)	(19)	—	(104)
Indexation	(962)	9,784	1,704	100	10,626
Depreciation charge	(26)	(35,178)	(20,854)	(112)	(56,170)
Closing net book value	347	128,962	70,615	196	200,120
Values at the end of the year					
Cost	376	281,250	156,614	355	438,595
Accumulated depreciation	(29)	(152,288)	(85,999)	(159)	(238,475)
Net book value as of December 31, 2023	347	128,962	70,615	196	200,120

	Right-of-use assets				
	Land	Buildings and improvements	Production equipment	Vehicles, furniture and fixtures	Total
Values at the beginning of the year					
Cost	—	245,300	119,497	174	364,971
Accumulated depreciation	—	(87,103)	(49,321)	(44)	(136,468)
Net book value as of January 1, 2022	—	158,197	70,176	130	228,503
Opening net book value	—	158,197	70,176	130	228,503
Additions	1,339	6,445	6,163	14	13,961
Disposal/Derecognition	—	—	(1,039)	—	(1,039)
Indexation	—	14,585	3,360	—	17,945
Depreciation charge	(4)	(31,606)	(17,534)	(82)	(49,226)
Closing net book value	1,335	147,621	61,126	62	210,144
Values at the end of the year					
Cost	1,339	266,330	127,765	187	395,621
Accumulated depreciation	(4)	(118,709)	(66,639)	(125)	(185,477)
Net book value as of December 31, 2022	1,335	147,621	61,126	62	210,144

The cost related to variable-lease payments that do not depend on an index or rate amounted to \$19.1 million for the year ended December 31, 2023 (\$14.5 million and \$20.0 million for the year ended December 31, 2022 and 2021, respectively). The expenses related to leases for which the Company applied the practical expedient described in paragraph 5 (a) of IFRS 16 (leases with contract term of less than 12 months) amounted to \$2.8 million for the year ended December 31, 2023 (\$1.9 million and \$2.0 million for the year ended December 31, 2022 and 2021, respectively).

13. INTANGIBLE ASSETS, NET

	Year ended December 31, 2023						
	Information system projects	Mining assets	Exploration and evaluation costs	Customer relationships and other contractual rights	Trademarks	Goodwill	Total
Values at the beginning of the year							
Cost	460,434	358,767	29,360	297,427	73,935	662,307	1,882,230
Accumulated depreciation	(348,260)	(227,098)	—	(288,528)	(73,935)	—	(937,821)
Net book value as of January 1, 2023	112,174	131,669	29,360	8,899	—	662,307	944,409
Opening net book value	112,174	131,669	29,360	8,899	—	662,307	944,409
Translation differences	(227)	—	—	—	—	—	(227)
Acquisition of business (note 3)	34,451	—	—	—	—	—	34,451
Additions	67,754	32,407	40,333	726	—	—	141,220
Disposals / Consumptions	(113)	—	—	(19)	—	—	(132)
Impairment charge (note 4 (e)(2))	—	(42,316)	—	—	—	—	(42,316)
Transfers	3,181	55,016	(55,054)	—	—	—	3,143
Depreciation charge	(35,722)	(48,434)	—	(344)	—	—	(84,500)
Closing net book value	181,498	128,342	14,639	9,262	—	662,307	996,048
Values at the end of the year							
Cost	563,120	403,875	14,639	298,134	73,935	662,307	2,016,010
Accumulated depreciation	(381,622)	(275,533)	—	(288,872)	(73,935)	—	(1,019,962)
Net book value as of December 31, 2023	181,498	128,342	14,639	9,262	—	662,307	996,048
	Year ended December 31, 2022						
	Information system projects	Mining assets	Exploration and evaluation costs	Customer relationships and other contractual rights	Trademarks	Goodwill	Total
Values at the beginning of the year							
Cost	402,387	326,269	11,231	295,597	73,935	662,307	1,771,726
Accumulated depreciation	(322,595)	(184,766)	—	(288,174)	(73,935)	—	(869,470)
Net book value as of January 1, 2022	79,792	141,503	11,231	7,423	—	662,307	902,256
Opening net book value	79,792	141,503	11,231	7,423	—	662,307	902,256
Additions	57,689	—	50,627	1,831	—	—	110,147
Transfers	2,348	32,498	(32,498)	—	—	—	2,348
Depreciation charge	(27,655)	(42,332)	—	(355)	—	—	(70,342)
Closing net book value	112,174	131,669	29,360	8,899	—	662,307	944,409
Values at the end of the year							
Cost	460,434	358,767	29,360	297,427	73,935	662,307	1,882,230
Accumulated depreciation	(348,260)	(227,098)	—	(288,528)	(73,935)	—	(937,821)
Net book value as of December 31, 2022	112,174	131,669	29,360	8,899	—	662,307	944,409

The Company has not registered any impairment charges in connection with Goodwill (see notes 4 (f) and (bb) (1) and (4)).

14. INVESTMENTS IN NON-CONSOLIDATED COMPANIES

	As of December 31,	
	2023	2022
At the beginning of the year	821,571	751,475
Acquisition of business (note 3)	400,037	—
Derecognition related to the increase of the participation in Usiminas	(771,995)	—
Equity in earnings of non-consolidated companies	105,305	37,114
Other comprehensive income and other effects	(2,812)	48,475
Dividends from non-consolidated companies (1)	(34,841)	(15,493)
At the end of the year	517,265	821,571

(1) Mainly related to dividends from Unigal Usiminas Ltda. and MRS Logística S.A.

The principal investments in non-consolidated companies, all of which are unlisted, except for Usiminas, are:

	Country of incorporation	Main activity	Voting rights at		Value at	
			December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Usinas Siderurgicas de Minas Gerais S.A. - USIMINAS	Brazil	Manufacturing and selling of steel products	—	34.39 %	—	725,705
Techgen S.A. de C.V.	Mexico	Provision of electric power	48.00 %	48.00 %	116,849	90,559
Unigal Usiminas Ltda.	Brazil	Manufacturing and selling of steel products	70.00 %	—	124,064	—
MRS Logística S.A	Brazil	Logistical services	11.41 %	—	235,268	—
Other non-consolidated companies (1)					41,084	5,307
					517,265	821,571

(1) It includes the investments held in Finma S.A.I.F., Recrotek S.R.L. de C.V., Gas Industrial de Monterrey S.A. de C.V., Modal Terminal de Graneis Ltda., Usiroll – Usiminas Court Tecnologia em Acabamento Superficial Ltda, Codeme Engenharia S.A, Terminal de Cargas Paraopeba Ltda., Terminal de Cargas Sarzedo Ltda., and Metalcentro Ltda.

(a) Techgen S.A. de C.V.

Techgen is a Mexican natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico. The company started producing energy on December 1, 2016 and is fully operational. As of February 2017, Ternium, Tenaris, and Tecpetrol International S.A. (a wholly-owned subsidiary of San Faustin S.A., the controlling shareholder of both Ternium and Tenaris) completed their investments in Techgen. Techgen is currently owned 48% by Ternium, 30% by Tecpetrol and 22% by Tenaris. Ternium and Tenaris also agreed to enter into power supply and transportation agreements with Techgen, pursuant to which Ternium and Tenaris will contract 78% and 22%, respectively, of Techgen's power capacity of 900 megawatts.

Techgen stated in its unaudited annual accounts as of and for the year ended December 31, 2023, that revenues amounted to \$444 million (\$580 million as of December 31, 2022), net profit from continuing operations to \$55 million (\$55 million as of December 31, 2022), non-current assets to \$766 million (\$766 million as of December 31, 2022), current assets to \$175 million (\$131 million as of December 31, 2022), non-current liabilities to \$466 million (\$527 million as of December 31, 2022), current liabilities to \$232 million (\$181 million as of December 31, 2022) and shareholders' equity to \$243 million (\$189 million as of December 31, 2022).

14. INVESTMENTS IN NON-CONSOLIDATED COMPANIES (continued)

During 2017 and 2016, Techgen's shareholders made additional investments in Techgen, in the form of subordinated loans, which in the case of Ternium amounted to \$136.3 million as of December 31, 2023, and which are due in June 2026.

On February 2019, Techgen S.A. de C.V. entered into syndicated loan agreement with HSBC Mexico, Natixis, Credit Agricole, BNP, Santander, Intesa SP and Norinchukin (the "Syndicated Loan"), according to the following terms: (i) Libor + 170 bps; (ii) maturity on February 13, 2026; (iii) average life 4.30 years; and (iv) guaranteed by: assets, shares, a debt service reserve account - which represents 10% of the outstanding amount- and the fix capacity charge cash-flow.

On August 5, 2021, Ternium Investments completed the purchase of a participation in this Syndicated Loan for an amount of \$68 million. As of December 31, 2023, the outstanding syndicated loan amount was of \$267 million and Ternium Investments' participation was of \$55 million.

For commitments from Ternium in connection with Techgen, see note 25.

(b) Unigal Usiminas Ltda.

Unigal is a Brazilian joint venture with a plant located in Ipatinga, Minas Gerais, between Usiminas and Nippon Steel Corporation, which hold 70% and 30% ownership interest, respectively. The main activity of this joint venture is the transformation of cold-rolled coils, provided only by Usiminas, into hot-dipped galvanized coils. The plant has a galvanizing production capacity of 1,030 million tons per year. The control of Unigal is shared between the partners, as provided for in the shareholders' agreement.

Unigal stated in its unaudited annual accounts, prepared in accordance with IFRS Accounting Standards (International Financial Reporting Standards), as of December 31, 2023, that non-current assets amounted to \$163 million, current assets to \$40 million, non-current liabilities to \$48 million, current liabilities to \$11 million and shareholders' equity to \$143 million. Revenues amounted to \$37 million and net profit from continuing operations to \$17 million for the six-month period ended December 31, 2023.

(c) MRS Logística S.A.

MRS Logística is a Brazilian railway cargo operator and logistics services provider that manages a 1,634 km network in the states of Minas Gerais, Rio de Janeiro and São Paulo, a region that concentrates about half of the Brazilian GDP. Usiminas holds a 11.41% ownership interest, along with CSN (18.6%), Congonhas Minérios (18.6%), Vale (10.9%), Gerdau (1.3%) and a wide group of small investors (6.5%). These companies, through a shareholders' agreement, constitute, through representatives, the Board of Directors, which is responsible, among other duties, for this company's overall strategic direction, for the decision on most significant investments and for the health and longevity of the organization.

MRS Logística stated in its unaudited annual accounts, prepared in accordance with IFRS Accounting Standards (International Financial Reporting Standards), as of December 31, 2023, that non-current assets to \$2,779 million, current assets to \$954 million, non-current liabilities to \$1,709 million, current liabilities to \$704 million and shareholders' equity to \$1,320 million. Revenues amounted to \$727 million and net profit from continuing operations to \$148 million for the six-month period ended December 31, 2023.

15. RECEIVABLES, NET – NON CURRENT AND CURRENT

	As of December 31,	
	2023	2022
Receivables with related parties (Notes 26 and 14 (a))	135,124	127,008
Employee advances and loans	28,812	21,729
Advances to suppliers for the purchase of property, plant and equipment (1)	181,962	44,067
Advances to suppliers for the purchase of property, plant and equipment with related parties (Note 26) (1)	123,599	2,444
Other tax credits (2)	356,687	117,111
Judicial deposits and other receivables (2)	178,602	—
Others	68,459	6,331
Receivables, net – Non-current	1,073,245	318,690

	As of December 31,	
	2023	2022
Value added tax (2)	508,318	133,860
Income tax credits	486,470	400,949
Other tax credits	41,909	37,461
Employee advances and loans	12,592	6,782
Advances to suppliers	39,288	22,257
Advances to suppliers with related parties (Note 26)	3,166	6,089
Expenses paid in advance	28,207	17,850
Government tax refunds on exports	4,120	1,677
Receivables with related parties (Note 26)	11,387	17,154
Others	37,407	18,683
Receivables, net – Current	1,172,864	662,762

(1) The increase in the year 2023 is related to the ongoing investment plan in the Pesquería plant in Mexico.

(2) The increase in the year 2023 is related to the increase of participation in Usiminas.

16. TRADE RECEIVABLES, NET – NON CURRENT AND CURRENT

	As of December 31,	
	2023	2022
Trade receivables	6,430	—
Allowance for doubtful accounts (Note 19)	(6,430)	—
Trade receivables, net – Non-current	—	—
Current accounts	2,092,361	1,110,481
Trade receivables with related parties (Note 26)	26,183	80,078
Allowance for doubtful accounts (Note 19)	(53,045)	(9,870)
Trade receivables, net - Current	2,065,499	1,180,689

	Trade receivables, net as of December 31, 2023		
	Total	Fully performing	Past due
Guaranteed	697,001	664,698	32,303
Not guaranteed	1,427,973	1,246,206	181,767
Trade receivables	2,124,974	1,910,904	214,070
Allowance for doubtful accounts (Note 19)	(59,475)	—	(59,475)
Trade receivables, net	2,065,499	1,910,904	154,595

	Trade receivables, net as of December 31, 2022		
	Total	Fully performing	Past due
Guaranteed	527,700	498,962	28,738
Not guaranteed	662,859	590,093	72,766
Trade receivables	1,190,559	1,089,055	101,504
Allowance for doubtful accounts (Note 19)	(9,870)	—	(9,870)
Trade receivables, net	1,180,689	1,089,055	91,634

17. INVENTORIES, NET

	As of December 31,	
	2023	2022
Raw materials, materials and spare parts	1,409,316	963,732
Goods in process	2,312,068	1,681,239
Finished goods	947,768	553,965
Goods in transit	479,248	365,675
Obsolescence allowance (Note 19)	(200,024)	(79,063)
Valuation allowance	—	(15,333)
Inventories, net	4,948,376	3,470,215

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

18. CASH, CASH EQUIVALENTS AND OTHER INVESTMENTS – NON CURRENT AND CURRENT

	As of December 31,	
	2023	2022
Investments in debt instruments and other	210,774	100,464
Other investments	156	252
Other investments, net – Non-current	210,930	100,716
	As of December 31,	
	2023	2022
(i) Other investments		
Other deposits with maturity of more than three months	1,975,646	1,875,026
Other investments - Current	1,975,646	1,875,026
(ii) Cash and cash equivalents		
Cash and banks	492,684	371,797
Restricted cash	3,129	30
Short-term bank deposits	478,778	772,953
Other deposits with maturity of less than three months	871,422	508,575
Cash and cash equivalents	1,846,013	1,653,355

19. ALLOWANCES AND PROVISIONS – NON CURRENT AND CURRENT

Provisions and allowances - Non current	Deducted from assets Allowance for doubtful accounts	Liabilities Legal claims and other matters	Liabilities Asset retirement obligation
Year ended December 31, 2023			
Values at the beginning of the year	—	81,422	38,104
Translation differences	75	(4,108)	7,558
Acquisition of business (note 3)	6,663	856,153	58,127
Additions	—	37,112	828
Reversals	(308)	(96,761)	(162)
Uses	—	(33,897)	—
As of December 31, 2023	6,430	839,921	104,455
Year ended December 31, 2022			
Values at the beginning of the year	—	83,299	32,098
Translation differences	—	2,999	2,735
Additions	—	5,889	3,271
Reversals	—	(6,959)	—
Uses	—	(3,806)	—
As of December 31, 2022	—	81,422	38,104

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

19. ALLOWANCES AND PROVISIONS – NON CURRENT AND CURRENT (continued)

Provisions and allowances - Current	Deducted from assets		Liabilities
	Allowance for doubtful accounts	Obsolescence allowance	Asset retirement obligation
Year ended December 31, 2023			
Values at the beginning of the year	9,870	79,063	3,304
Translation differences	(771)	(1,521)	(217)
Acquisition of business (note 3)	37,963	77,895	1,428
Additions	15,639	35,215	6,946
Reversals	(2,803)	(30,508)	—
Uses	(6,853)	39,880	(4,129)
As of December 31, 2023	53,045	200,024	7,332
Year ended December 31, 2022			
Values at the beginning of the year	9,472	61,476	3,610
Translation differences	544	—	(465)
Additions	1,786	36,666	3,558
Reversals	(1,672)	(15,862)	—
Uses	(260)	(3,217)	(3,399)
As of December 31, 2022	9,870	79,063	3,304

20. 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:

	As of December 31,	
	2023	2022
At the beginning of the year	37,495	(25,471)
Acquisition of business (note 3)	1,327,232	—
Translation differences	(4,373)	330
Recognition of previously unrecognized tax losses	128,634	—
Charges directly to other comprehensive income	(48,854)	(18,056)
Deferred tax credit (note 11)	102,431	80,692
At the end of the year	1,542,565	37,495

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

20. DEFERRED INCOME TAX (continued)

The changes in deferred tax assets and liabilities (prior to offsetting the balances within the same tax jurisdiction) during the year are as follows:

Deferred tax assets (liabilities)	At the beginning of the year	Translation differences	Acquisition of business	Credits (Charges) directly to OCI	Recognition of previously unrecognized tax losses	Income statement credit (charge)	Total as of December 31, 2023
Property, plant and equipment	(200,556)	(2,360)	412,320	—	—	114,134	323,538
Inventories	(69,594)	(903)	116,290	—	—	(27,962)	17,831
Intangible assets	(22,923)	(683)	143,033	—	—	14,901	134,328
Provisions	98,999	(698)	255,529	—	—	267	354,097
Trade receivables	15,515	—	28,510	—	—	(1,351)	42,674
Tax losses (1)	17,400	4,901	304,237	—	—	56,433	382,971
Other (2)	198,654	(4,630)	67,313	(48,854)	128,634	(53,991)	287,126
At the end of the year	37,495	(4,373)	1,327,232	(48,854)	128,634	102,431	1,542,565

(1) As of December 31, 2023, the recognized deferred tax assets on tax losses amount to \$383.0 million mainly connected to Ternium Brasil Ltda. and Usinas Siderúrgicas de Minas Gerais S.A. Additionally, there are net unrecognized deferred tax assets of \$14.2 million, connected to Usinas Siderúrgicas de Minas Gerais S.A., and unrecognized tax losses amounting to \$357.4 million from Usinas Siderúrgicas de Minas Gerais S.A. and \$889.4 million from Ternium Brasil Ltda. Under the Luxembourg tax law, tax losses generated before 2017 can be carried forward indefinitely and are not subject to any yearly consumption limitation, while losses incurred as from 2017 may be carried forward for a maximum of 17 years. Unrecognized tax losses of Ternium SA as of December 31, 2022 amounted to \$2.1 billion and the estimated tax loss for the fiscal year 2023 amounted to \$30.1 million, with approximately 92% of the referred tax losses generated before 2017. Unrecognized tax losses of Ternium Investments S.à r.l. as of December 31, 2022 amounted to \$2.6 billion and the estimated tax result for fiscal year 2023 amounted to \$0.9 million, with approximately 98% of the referred tax losses generated before 2017.

(2) It corresponds mainly to the deferred tax assets related to post-employment benefits and asset retirement obligations.

Deferred tax assets (liabilities)	At the beginning of the year	Translation differences	Acquisition of business	Credits (Charges) directly to OCI	Recognition of previously unrecognized tax losses	Income statement credit (charge)	Total as of December 31, 2022
Property, plant and equipment	(353,420)	—	—	—	—	152,864	(200,556)
Inventories	49,437	—	—	—	—	(119,031)	(69,594)
Intangible assets	(26,323)	—	—	—	—	3,400	(22,923)
Provisions	82,139	—	—	—	—	16,860	98,999
Trade receivables	35,144	—	—	—	—	(19,629)	15,515
Tax losses (1)	3,578	—	—	—	—	13,822	17,400
Other (2)	183,975	330	—	(18,056)	—	32,406	198,654
At the end of the year	(25,471)	330	—	(18,056)	—	80,692	37,495

(3) As of December 31, 2022, the recognized deferred tax assets on tax losses amount to \$17.4 million and there are net unrecognized deferred tax assets of \$202.0 million and unrecognized tax losses amounting to \$879.0 million. These two last effects are connected to the acquisition of Ternium Brasil Ltda.

(4) It corresponds mainly to the deferred tax assets related to post-employment benefits and asset retirement obligations.

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.

21. OTHER LIABILITIES – NON CURRENT AND CURRENT

	As of December 31,	
	2023	2022
(i) Other liabilities - Non current		
Post-employment benefits	673,453	405,018
Other employee benefits	93,194	84,028
Asset retirement obligation (note 19) (1)	104,455	38,104
Put option liability (note 3 (e))	249,264	—
Other	28,632	11,064
Other liabilities – Non-current	1,148,998	538,214

(1) The asset in connection with this liability is included in Property, plant and equipment.

Post-employment benefits

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

	Post-employment benefits	
	As of December 31,	
	2023	2022
Present value of obligations	1,975,462	405,018
Fair value of plan assets	(1,525,330)	—
Asset ceiling	223,321	—
Net liability (asset) in the statement of financial position	673,453	405,018

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

	Post-employment benefits	
	Year ended December 31,	
	2023	2022
Current service cost	14,876	13,721
Interest cost (income), net	30,686	32,660
Interest on Asset ceiling/ Onerous liability	20,973	—
Reversal of prior service cost - Saúde Usiminas healthcare plan	(108,696)	—
Net (income) loss included in income statement	(42,161)	46,381

The amounts recognized in other comprehensive income are as follows:

	Post-employment benefits	
	Year ended December 31,	
	2023	2022
Remeasurements		
Effect of changes in demographic assumptions	(31,024)	3,990
Effect of changes in financial assumptions	26,509	(36,927)
Effect of experience adjustments	66,817	8,370
Change in asset ceiling	32,707	—
Expected return on assets	(42,882)	—
Net loss (income) included in other comprehensive income	52,127	(24,567)

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

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

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

	Post-employment benefits	
	As of December 31,	
	2023	2022
At the beginning of the year	405,018	390,942
Acquisition of business (note 3)	1,529,949	—
Transfers, new participants and funding of the plan	30,116	(508)
Total expense	79,396	46,381
Remeasurements	62,302	(24,567)
Translation differences	40,168	21,088
Contributions paid	(171,487)	(28,318)
At the end of the year	1,975,462	405,018

Changes in fair value of the plan assets are as follows:

	Fair value of plan assets	
	As of December 31,	
	2023	2022
At the beginning of the year	—	—
Acquisition of business (Note 3) (1)	1,462,147	—
Expected return on assets	42,882	—
Interest income	142,529	—
Translation differences	(5,933)	—
Funding of the plan	14,848	—
Contributions paid	(131,143)	—
At the end of the year	1,525,330	—

(1) The asset ceiling at the acquisition date amounted to \$169.7 million.

The major categories of plan assets are as follows:

	Fair value of plan assets	
	As of December 31,	
	2023	2022
Usiminas shares	64,819	—
Non-US government securities	1,054,671	—
Fixed income	99,602	—
Investments funds	241,481	—
Others	64,757	—
At the end of the year	1,525,330	—

As of December 31, 2023, the pension plan assets included 34,109,762 common shares of Usiminas (34,109,762 common shares of the Usiminas as of December 2022).

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

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

The principal actuarial assumptions used were as follows:

	Year ended December 31,	
	2023	2022
Mexico		
Discount rate	9.00%	9.00%
Compensation growth rate	6.00% - 7.00%	6.00% - 7.00%
	Year ended December 31,	
	2023	2022
Argentina		
Discount rate	6.00% - 7.00%	6.00% - 7.00%
Compensation growth rate	2.00% - 3.00%	2.00% - 3.00%
	Year ended December 31,	
	2023	2022
Brazil		
Discount rate	5.23% - 5.40%	—
Compensation growth rate	0.50% - 2.90%	—
Long-term increase in medical service costs	4.75%	—
Expected return on plan assets	9.28% - 9.46%	—

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	-7.6%	9.1%
Compensation growth rate	1.00%	0.4%	-1.0%
Pension growth rate	1.00%	-1.0%	-0.5%
Life expectancy	1 year	1.4%	-1.4%

The estimated future payments for the next five years will be between \$178.9 million and \$197.3 million per year.

The post-retirement benefits related to Usiminas are guaranteed with property, plant and equipment up to the amount of \$275 million.

	As of December 31,	
	2023	2022
(ii) Other liabilities - Current		
Payroll and social security payable	174,188	150,378
VAT liabilities	68,178	113,842
Other tax liabilities	70,815	55,622
Termination benefits	100	761
Related Parties (Note 26)	3,588	515
Asset retirement obligation (Note 19)	7,332	3,303
Dividends payable	51,249	—
Others	54,263	20,422
Other liabilities – Current	429,713	344,843

22. DERIVATIVE FINANCIAL INSTRUMENTS**Net fair values of derivative financial instruments**

The net fair values of derivative financial instruments as of December 31, 2023 and 2022 were as follows:

	As of December 31,	
	2023	2022
Contracts with positive fair value		
Commodities contracts	247	—
Foreign exchange contracts	15,159	227
	15,406	227
Contracts with negative fair value		
Interest rate swap contracts	—	(1)
Commodities contracts	(6,190)	(504)
Foreign exchange contracts	(2,030)	—
	(8,220)	(505)

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, 2023, most of the Company's long-term borrowings were at variable rates, except for the debentures issued by Usiminas.

During 2012 and 2013, Tenigal entered into several forward starting interest rate swap agreements in order to fix the interest rate to be paid over an aggregate amount of \$100 million, at an average rate of 1.92%. These agreements became effective during July 2014, were due in July 2022 and were accounted for as cash flow hedges. As of December 31, 2023 and 2022, there were no outstanding cash flow hedge reserve related to these agreements.

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

	Cash flow hedges - Interest rate derivatives		
	Gross amount	Income tax	Total
As of December 31, 2021	(60)	20	(40)
(Decrease) / Increase	1	(1)	—
Reclassification to income statement	59	(19)	40
As of December 31, 2022	—	—	—
(Decrease) / Increase	—	—	—
Reclassification to income statement	—	—	—
As of December 31, 2023	—	—	—

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

22. 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 \$, in accordance with the Company's policy for derivative instruments.

During 2023, 2022 and 2021, Ternium Colombia S.A.S. has entered into non-deliverable forward agreements to manage the aggregate exposure arising from its balance sheet position in conjunction with expected future trade receivables denominated in its local currency. As of December 31, 2023, the notional amount on these agreements amounted to \$81.2 million, out of which \$37.6 million will be settling on January 2, 2024.

During 2023, 2022 and 2021, Ternium Mexico entered into several forward agreements mainly to manage the exchange rate exposure generated by future payables in EUR related to the investment plan in Pesquería among other standard liabilities in EUR. The notional amount hedged as of December 31, 2023, was EUR556.9 million. These agreements will be due up to September 2025 and have been accounted for as cash flow hedges. As of December 31, 2023, the aggregate notional amount on these agreements amounted to \$605.3 million.

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

	Cash flow hedges - Foreign exchange derivatives		
	Gross amount	Income tax	Total
As of December 31, 2022	—	—	—
(Decrease) / Increase	22,721	(6,824)	15,897
Reclassification to income statement	—	—	—
As of December 31, 2023	22,721	(6,824)	15,897

Furthermore, during 2023 and 2022, Ternium Mexico has entered into non-deliverable forward agreements to manage the exposure of certain tax credits denominated in its local currency. As of December 31, 2023, there is no notional amount outstanding on these agreements.

During 2023, Ternium Guatemala entered into several non-deliverable forward agreements in order to manage the exchange rate exposure generated by trade receivables denominated in Guatemalan quetzals. As of December 31, 2023, the notional amount on these agreements amounted to \$2.0 million.

During 2023, Ternium del Atlántico entered into several non-deliverable forward agreements to manage the aggregate exposure arising from its balance sheet position in conjunction with expected future trade receivables denominated in Colombian pesos. As of December 31, 2023, the notional amount on these agreements amounted to \$94.7 million, out of which \$40.0 million will be settling on January 2, 2024.

During 2023, Ternium Procurement entered into specific forward agreements in order to manage the exchange rate exposure generated by purchases of semi-finished steel products. As of December 31, 2023, the notional amount on these agreements amounted to \$1.0 million.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The net fair values of the exchange rate derivative contracts as of December 31, 2023 and 2022 were as follows:

Currencies	Contract	Notional amount	Fair value at December 31,	
			2023	2022
EUR/\$	Forward - Buy EUR	556.9 million EUR	15,159	258
COP/\$	ND Forward - Sell COP	697.9 billion COP	(2,024)	227
GTQ/\$	ND Forward - Sell GTQ	15.7 million GTQ	(6)	—
MXN/\$	ND Forward - Sell MXN		—	(258)
			13,129	227

COP: Colombian pesos; EUR: Euros; \$: US dollars; GTQ: Guatemalan quetzales; MXN: Mexican pesos.

(c) Commodities contracts

During 2023 and 2022, Ternium Mexico entered into swap agreements to mitigate the specific impact of the fluctuation of zinc price fluctuations affecting the manufacturing of galvanized products to be sold with a fixed zinc price. As of December 31, 2023, Ternium Mexico has several agreements outstanding with an aggregate notional amount of \$8.4 million.

During 2023 and 2022, Mineração Usiminas, one of Usiminas' subsidiaries, entered into forward agreements to manage the impact of the fluctuation of iron ore prices affecting its sales in the foreign market. As of December 31, 2023, Mineração Usiminas has several agreements outstanding with an aggregate notional amount of \$57.8 million.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

23. LEASE LIABILITIES

	Lease liabilities		
	Current	Non Current	Total
Year ended December 31, 2023			
Values at the beginning of the year	49,015	190,134	239,149
Translation differences	(750)	4,799	4,049
Acquisition of business (Note 3)	8,009	17,668	25,677
Net proceeds	2,746	11,810	14,556
Indexation	5,755	5,384	11,139
Repayments	(58,900)	—	(58,900)
Interest accrued	16,200	—	16,200
Interest paid	(10,783)	—	(10,783)
Reclassifications	40,882	(40,882)	—
As of December 31, 2023	52,174	188,913	241,087
Year ended December 31, 2022			
Values at the beginning of the year	44,371	215,250	259,621
Translation differences	(1,506)	(4,180)	(5,686)
Net proceeds	3,903	9,763	13,666
Indexation	3,107	14,988	18,095
Repayments	(49,404)	(6)	(49,410)
Interest accrued	14,468	—	14,468
Interest paid	(11,605)	—	(11,605)
Reclassifications	45,681	(45,681)	—
As of December 31, 2022	49,015	190,134	239,149

	As of December 31, 2023	As of December 31, 2022
Commitments in relation to finance leases are payable as follows:		
Within one year	57,002	60,233
Later than one year but not later than five years	159,888	151,255
Later than five years	87,557	108,191
Minimum lease payments	304,447	319,679
Future finance charges	(63,360)	(80,530)
Total Financial lease liabilities	241,087	239,149

The present value of finance lease liabilities is as follows:		
Within one year	52,174	49,015
Later than one year but not later than five years	140,330	117,654
Later than five years	48,583	72,480
Total minimum lease payments	241,087	239,149

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

24. BORROWINGS

	As of December 31,	
	2023	2022
(i) Non-current		
Bank borrowings	9,353	534,352
Bonds	747,260	—
Debentures	454,136	—
Less: debt issue costs	(4,788)	(1,651)
	1,205,961	532,701
(ii) Current		
Bank borrowings	915,989	500,091
Bonds	23,485	—
Debentures	4,220	—
Less: debt issue costs	(3,241)	(927)
	940,453	499,164
Total Financial Debt	2,146,414	1,031,865

The maturity of borrowings is as follows:

	Expected Maturity Date			At December 31, (1)	
	2024	2025	2026 and thereafter	2023	2022
Borrowings - Fixed Rate	315,696	—	—	315,696	295,033
Borrowings - Floating Rate	599,727	9,335	—	609,062	736,832
Bonds	21,111	—	743,699	764,810	—
Debentures	3,920	—	452,926	456,846	—
Total	940,454	9,335	1,196,625	2,146,414	1,031,865

(1) As most borrowings and the debentures incorporate floating rates that approximate market rates and the contractual repricing occurs mostly every 1 month, the fair value of the borrowings and the debentures approximates their carrying amount and it is not disclosed separately. Fixed rate borrowings are uncommitted short-term revolving loans, and their fair value approximates to their carrying amount. Regarding the bonds, its fair value approximates the market value.

The weighted average interest rates - which incorporate instruments denominated mainly in U.S. dollars and which do not include the effect of derivative financial instruments nor the devaluation of these local currencies - at year-end were as follows:

	As of December 31,	
	2023	2022
Bank borrowings	7.28 %	6.21 %
Bonds	5.88 %	—
Debentures	12.52 %	—

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 as of December 31, 2023 and 2022, respectively.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

24. BORROWINGS (continued)

Breakdown of borrowings by currency is as follows:

Currencies	Contract	As of December 31,	
		2023	2022
\$	Floating	609,062	684,554
\$	Fixed	1,021,909	197,259
BRL	Floating	456,846	—
BRL	Fixed	352	—
COP	Fixed	53,135	92,680
GTQ	Fixed	5,110	5,094
COP	Floating	—	38,934
MXN	Floating	—	13,339
ARS	Floating	—	5
		2,146,414	1,031,865

\$: U.S. dollars; ARS: Argentine pesos; BRL: Brazilian reais; COP: Colombian pesos; GTQ: Guatemalan quetzales; MXN: Mexican pesos.

Ternium's most significant current borrowings as of December 31, 2023, were those incurred under Ternium Brasil's syndicated loan facility, in order to finance solely activities related to its exports of goods, and under Usiminas' bonds and debentures issued in order to refinance its financial debt:

Date	Borrower	Type	In \$ million		Maturity
			Original principal amount	Outstanding principal amount as of December 31, 2023	
August 2019	Ternium Brasil	Syndicated loan	500	500	August 2024
July 2019	Usiminas	Bonds	750	750	July 2026
May 2022	Usiminas	Debentures - 8th emission	145	134	May 2029
December 2022	Usiminas	Debentures - 9th emission	310	287	December 2032

The main covenants on these loan agreements, bonds and debentures are limitations on liens and encumbrances, limitations on the sale of certain assets and compliance with financial ratios (i.e. leverage ratio). As of December 31, 2023, Ternium was in compliance with all of its covenants.

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

Ternium is from time to time subject to various claims, lawsuits and other legal proceedings, including customer, employee, tax and environmental-related claims, in which third parties are seeking payment for alleged damages, reimbursement for losses, or indemnity. Management with the assistance of legal counsel periodically reviews the status of each significant matter and assesses potential financial exposure.

Some of these claims, lawsuits and other legal proceedings involve highly complex issues, and often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Accordingly, with respect to a large portion of such claims, lawsuits and other legal proceedings, Ternium is unable to make a reliable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, Ternium has not accrued a provision for the potential outcome of these cases.

If a potential loss from a claim, lawsuit or other proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded. Accruals for loss contingencies reflect a reasonable estimate of the losses to be incurred based on information available to management as of the date of preparation of the financial statements and take into consideration litigation and settlement strategies. In a limited number of ongoing cases, Ternium was able to make a reliable estimate of the expected loss or range of probable loss and has accrued a provision for such loss but believes that publication of this information on a case-by-case basis would seriously prejudice Ternium's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed information with respect to the nature of the contingency but has not disclosed its estimate of the range of potential loss.

The Company believes that the aggregate provisions recorded for potential losses in its consolidated financial statements are adequate based upon currently available information. However, if management's estimates prove incorrect, current reserves could be inadequate and Ternium could incur a charge to earnings which could have a material adverse effect on Ternium's results of operations, financial condition, net worth and cash flows.

(i) Tax claims and other contingencies

The tax claims and other contingencies recognized at the increase of the participation of Usiminas are included in note 3.

(a) Companhia Siderúrgica Nacional (CSN) – Tender offer litigation

In 2013, the Company was notified of a lawsuit filed in Brazil by Companhia Siderúrgica Nacional, or CSN, and various entities affiliated with CSN against Ternium Investments, its subsidiary Ternium Argentina, and Tenaris's subsidiary Confab, all of which compose the T/T Group under the Usiminas shareholders agreement. The entities named in the CSN lawsuit had acquired a participation in Usiminas in January 2012. The CSN lawsuit alleges that, under applicable Brazilian laws and rules, the acquirers were required to launch a tag-along tender offer to all non-controlling holders of Usiminas ordinary shares for a price per share equal to 80% of the price per share paid in such acquisition, or BRL 28.8, and seeks an order to compel the acquirers to launch an offer at that price plus interest. If so ordered, the offer would need to be made to 182,609,851 ordinary shares of Usiminas not belonging to Usiminas' control group; Ternium Investments and Ternium Argentina's respective shares in the offer would be 60.6% and 21.5%.

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

On September 23, 2013, the first instance court dismissed the CSN lawsuit, and on February 8, 2017, the court of appeals maintained the understanding of the first instance court. On August 18, 2017, CSN filed an appeal to the Superior Court of Justice (SCJ) seeking the review and reversal of the decision issued by the Court of Appeals. On September 10, 2019, the SCJ declared CSN's appeal admissible. On March 7, 2023, the SCJ, by majority vote, rejected CSN's appeal. CSN made several submissions in connection with the SCJ decision, including a motion for clarification that challenged the merits of the SCJ decision. Decisions at the SCJ are adopted by majority vote and, at the date of these consolidated financial statements, voting at the SCJ with respect to the motion for clarification is ongoing. At an October 17, 2023 session, two justices voted in favor of remanding the case to the first instance for it to be retried following production and assessment of the new evidence, and two justices voted, without requiring any further evidence, in favor of granting CSN's motion for clarification and reversing the March 7, 2023 decision that rejected CSN's appeal; because the fifth member of SCJ excused himself from voting, a justice from another panel at the SCJ will be summoned to produce the tie-breaking vote. There are no specified deadlines for voting to be resumed or the SCJ decision to be issued. In any event, either party may appeal against a SCJ decision.

According to the views of the two justices that voted in favor of CSN's motion, Ternium Investments and the other members of the T/T Group should be ordered to pay to CSN an indemnification amount equal to the difference between the price paid by the T/T Group in its acquisition and the market value of the Usiminas shares at signing, plus monetary adjustment and interest (at a rate of 1% per month) through the date of payment, plus legal costs equal to 10% of the compensation payable to CSN, with CSN retaining ownership of the Usiminas ordinary shares it currently owns. If that unprecedented view were to prevail, and depending on how the indemnification is calculated by other courts, as of December 31, 2023, the potential aggregate indemnification payable by Ternium Investments and Ternium Argentina could reach up to BRL3.1 billion (approximately \$0.6 billion at the BRL/\$ rate as of such date) and BRL1.1 billion (approximately \$0.2 billion), respectively.

The Company continues to believe that all of CSN's claims and allegations are groundless and without merit, as confirmed by several opinions of Brazilian legal counsel, two decisions issued by the Brazilian securities regulator in February 2012 and December 2016, the first and second instance court decisions and the March 7, 2023 SCJ decision referred to above. Notwithstanding the foregoing, in light of the votes already issued by two members of the SCJ on CSN's motion for clarification, the Company cannot predict the ultimate resolution on the matter.

(b) Potential Mexican income tax adjustment

In March 2015, as part of a tax audit with respect to fiscal year 2008, the Mexican tax authority ("SAT") challenged the deduction by Ternium Mexico of a tax loss arising from an intercompany sale of shares in December 2008. In addition, in September 2018, as part of a tax audit for fiscal year 2011, the SAT objected to the deduction by Ternium Mexico of the remainder of the 2008 tax loss. Ternium Mexico requested an injunction from the Mexican courts against the SAT claims and filed its defense and supporting documents with the SAT. After Ternium Mexico obtained an injunction in August 2020, in November 2020, the SAT issued a new preliminary audit report in which it reiterated its objections to the deduction of the 2008 tax loss. In June 2021, the SAT determined income tax adjustments with respect to 2008 and 2011 for amounts currently estimated at approximately \$72.8 million and \$35.6 million, respectively. Ternium Mexico appealed the SAT determinations.

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

More recently, however, Ternium Mexico withdrew its appeals and agreed to provide further information and documentation to the SAT. With all of the above-mentioned information and documentation, the SAT reduced the 2008 and 2011 tax adjustments downwards to approximately \$17.5 million and \$35.8 million, respectively. The Company had a tax provision of \$53.3 million already included in its consolidated financial statements as of September 30, 2023. The payment to the SAT was done on October 9, 2023, and the Company received formal documentation issued by the SAT with the closure of both audits.

(c) Fishermen associations' claims

Civil contingencies include lawsuits brought by a number of fishermen associations on behalf of their associates, alleging that the dredge of Ternium Brasil's deep-water port has had a negative impact on fish farming and exploitation activities in the Sepetiba Bay area in Rio de Janeiro and that, as a result, fishermen in that area had suffered damages. A provision in the amount of \$24.5 million was recorded at the acquisition date in connection with this matter (nil and \$4.5 million as of December 31, 2023 and 2022, respectively; the decrease in the provision was mainly due to the favorable outcome for a part of the lawsuits).

(d) Tax assessments relating to the use of certain ICMS tax credits

The Imposto Sobre Operações Relativas à Circulação de Mercadorias e Serviços, or ICMS, is a Brazilian value-added tax on the services (inter-states) and the transfer of goods in Brazil. Payment of ICMS generates tax credits that, subject to applicable law, rules and regulations, may be either used to offset ICMS payment obligations generated in connection with domestic sales of products and services, or sold and transferred to third parties.

The Rio de Janeiro State Treasury Office is challenging the use by Ternium Brasil of ICMS tax credits generated in connection with purchases of refractory materials in the period from December 2010 through December 2016, and intends to assess taxes and impose fines on Ternium Brasil on the argument that such materials may not be qualified as "raw materials" or "intermediary products" but as "goods for consumption" and, accordingly, ICMS tax credits generated in connection with their purchase are not available and may not be used to offset ICMS payment obligations generated in connection with Ternium Brasil's domestic sales of carbon steel slabs. Ternium Brasil has appealed against the Rio de Janeiro State Treasury Office tax assessments and fines. A provision in the amount of \$57.7 million was recorded as of the acquisition date in connection with this matter (\$37.5 million and \$34.8 million as of December 31, 2023 and 2022, respectively).

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

(ii) Commitments

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

(a) Ternium Argentina signed agreements, mainly with Vale S.A. and Mineração Corumbaense Reunida S.A., to cover 80% of its required iron ore, pellets and iron ore fines volumes until December 31, 2024, for an estimated total amount of \$304.9 million. Although they do not set a minimum amount or a minimum commitment to purchase a fixed volume, under certain circumstances a penalty is established for the party that fails of:

- 7% in case the annual operated volume is between 70% and 75% of the total volume of purchases of the Company; such percentage is applied over the difference between the actual purchased volume and the 80% of the total volume of purchases.
- 15% in case the annual operated volume is lower than 70% of the total volume of purchases of the Company; such percentage is applied over the difference between the actual purchased volume and the 80% of the total volume of purchases.

(b) Ternium Argentina also signed various contracts for the provision and transportation of natural gas, including Tecpetrol and Energy Consulting Services S.A., both related companies of Ternium, assuming firm commitments for a total of \$48.6 million payable until April 2025. Additionally, Ternium Argentina signed contracts for gas transportation with Transportadora de Gas del Norte S.A., a related company of Ternium, assuming firm commitments for a total of \$5.3 million payable until April 2028.

(c) Ternium Argentina signed an agreement with Air Liquide Argentina S.A. for the supply of oxygen, nitrogen and argon, for an aggregate amount of \$167.1 million, which is due to terminate in 2037.

(d) Ternium Argentina signed various contracts within its investment plan for the future acquisition of Property, plant and equipment for a total of \$175.5 million. Also, Vientos de Olavarría, a subsidiary controlled by Ternium Argentina, subscribed various contracts for the maintenance and the operation of the wind farm for a total of \$62.0 million payable until the year 2054.

(e) On April 24, 2017, Ternium Mexico entered into a 25-year contract (effective as of December 1, 2016, through December 1, 2041) with Techgen, S.A. de C.V. for the supply of 699 MW (which represents 78% of Techgen's capacity) and covers most of Ternium Mexico's facilities electricity needs. Monthly payments are determined on the basis of capacity charges, operation costs, back-up power charges, and transmission charges. As of the seventh contract year (as long as Techgen's existing or replacing bank facility has been repaid in full), Ternium Mexico has the right to suspend or early terminate the contract if the rate payable under the agreement is higher than the rate charged by *Comisión Federal de Electricidad* ("CFE") or its successors. Ternium Mexico may instruct Techgen to sell to any affiliate of Ternium Mexico, to CFE, or to any other third party all or any part of unused contracted energy under the agreement and Ternium Mexico will benefit from the proceeds of such sale.

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

(f) Ternium México issued a guarantee letter covering up to approximately \$28.8 million of the obligations of Gas Industrial de Monterrey, S.A. de C.V. (“GIMSA”), under the natural gas trading agreement between GIMSA and NEG Natural S.A. de C.V. (“NEG”). The credit line granted by NEG in connection with this natural gas trading agreement amounted to approximately \$19.8 million. As of December 31, 2023, the outstanding amount under the natural gas trading agreement was \$6.5 million, which is below the amount included in the guarantee letter issued by Ternium México. The contract with NEG was renewed in June 28, 2022, and the guarantee letter covering up to the above-mentioned amount was issued in January 2023.

(g) In June 2018, Ternium Mexico entered into a loan agreement with a syndicate of banks for a \$1,000 million syndicated loan facility for the purpose of financing capital expenditures, the repayment or prepayment of existing debt, and other general corporate purposes. The Company entered the Facility on June 12, 2018, and the final maturity date is on June 12, 2023, being payable in eight consecutive and equal semi-annual installments commencing on December 13, 2019. The main financial covenant that the Facility requires to meet is the consolidated net senior leverage ratio to be not greater than 3.5 to 1.00. During 2019, the facility was fully disbursed (\$400 million was disbursed during 2018 and \$600 million by the end of June 2019). On January 12, 2023, Ternium Mexico made a pre-payment of the remaining balance, leaving the loan fully amortized.

(h) Ternium Mexico issued a guarantee letter covering up to approximately \$59.9 million of the obligations of Techgen, S.A. de C.V. (“Techgen”), under the Clean Energy Certificates trading agreement between Techgen and Enel Green Power (“ENEL”). The amount equals the remnant balance if Techgen decides to terminate the agreement prior to the expiration date (and decreases as time of the contract passes). The contract was signed on May 25, 2018, and terminates on June 30, 2041.

(i) In June 2008, Ternium Mexico entered into an industrial gas supply agreement with Praxair Mexico for the Guerrero and Juventud facilities until December 2024, for a total amount of \$421 million. In 2011, an amendment agreement added the purchase of hydrogen for the Juventud and Universidad facilities, valid until April 2025. As of December 31, 2023, the agreement considers a minimum annual oxygen consumption of 96 million cubic meters, valued at approximately \$4.5 million per year. The Company is in compliance with the minimum annual quotas established, which represent less than half of the average annual consumption.

(j) On May 9, 2018, Ternium Mexico entered into a 10-year contract (effective as of July 1, 2018) with Kinder Morgan Texas Pipeline L.L.C., Kinder Morgan Tejas Pipeline L.L.C. and Kinder Morgan Border Pipeline L.L.C. for the transportation of natural gas in the United States of America (Texas). The contracted capacity is 60,000 MMBTU/day and the annual cost is approximately \$3.7 million.

(k) On December 30, 2019, Ternium Mexico entered into a 15-year contract (effective as of July 1, 2021) with Kinder Morgan Texas Pipeline L.L.C., Kinder Morgan Tejas Pipeline L.L.C. and Kinder Morgan Gas Natural de México S. de R.L. de C.V. for the transportation of natural gas in the United States of America (Texas) and in Mexico. The contracted capacity is 31,000 MMBTU/day and the annual cost is approximately \$4.8 million.

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

(l) Techgen is a party to gas transportation capacity agreements with Kinder Morgan Gas Natural de Mexico, S. de R.L. de C.V., Kinder Morgan Texas Pipeline LLC and Kinder Morgan Tejas Pipeline LLC for the whole transportation capacity starting on August 1, 2016 and ending during the second half of 2036. As of December 31, 2023, the outstanding value of this commitment was approximately \$179.0 million. Ternium's exposure under the guarantee in connection with these agreements amounts to \$85.9 million, corresponding to the 48% of the agreements' outstanding value as of December 31, 2023.

(m) Ternium issued two stand-by letters of credit covering 48% of the funding of a debt service reserve account under a syndicated loan agreement between Techgen and several banks led by Citigroup Global Markets Inc., Credit Agricole Corporate and Investment Bank, and Natixis, New York Branch acting as joint bookrunners. The loan agreement dated as of February 13, 2019, amounted to \$640 million and the proceeds were used by Techgen to refinance in full all amounts owed under a previous syndicated loan between Techgen and several banks, which funds were used in the construction of the facility. As of December 31, 2023, the outstanding aggregated amount under the stand-by letters of credit was \$49.6 million, as a result the amount guaranteed by Ternium was approximately \$23.8 million.

(n) During 2006, CSA, the predecessor of Ternium Brasil, has entered into a 15-year contract denominated "*Contrato de comercialização de energia elétrica no ambiente regulado - CCEAR por disponibilidade*" to provide electric energy to 24 distributors starting on 2011. Under this contract, Ternium Brasil has to provide 200 MW average per year and the price is adjusted by the Brazilian inflation index. The penalty for not delivering the volume of energy of the contract is the difference between the spot price and the unit variable cost (calculated and published by the Agência Nacional de Energia Elétrica), calculated per hour.

(o) Ternium Brasil signed an exclusivity agreement with Vale S.A. for the purchase of iron ore (pellets, sinter feed and lump ore), which is due to terminate in 2029. The total purchased volume, in accordance with the actual production capacity, is of approximately 8.0 million tons per year. Ternium Brasil has not the obligation to take or pay the mentioned volume and only should pay logistic costs in case of not purchasing the contracted volume.

(p) Ternium Brasil also signed on November 2007 a contract with Primetals Technologies Brazil Ltda. for the provision of maintenance services at a central workshop for the entire steel mill complex, including caster maintenance for the steel plant. As of December 31, 2023, the outstanding amount of the mentioned services was approximately \$21.3 million and is due to terminate in November 2024. Ternium Brasil is currently using more hours than the minimum quantity of contracted hours.

(q) Ternium Brasil is a party to a long-term contract with the Consortium formed by Air Liquide Brasil Ltda., AirSteel Ltda., White Martins Gases Industriais Ltda., White Martins Steel Ltda. and ThyssenKrupp MinEnergy GmbH for the supply of air, oxygen, nitrogen and argon to satisfy the requirements up to January 2029. The outstanding amount was approximately \$170.2 million as of December 31, 2023. The contract has minimum daily-required volumes.

(r) Ternium Brasil, for its activity of energy generation through gas and steam turbines, signed on March 2017 a contract with GE Global Parts and Products GMBH, General Electric International Inc. and Alstom Energia Térmica e Indústria Ltda. for the maintenance services of such turbines (including the supply of spare parts) for a period of 20 years. This agreement was extended for an additional period of 4 years. As of December 31, 2023, the outstanding amount of this commitment was \$ 176.9 million.

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

(s) Ternium Brasil signed on January 2015 a contract with Naturgy (formerly Companhia Distribuidora de Gás do Rio de Janeiro) for the supply of natural gas, which was due to terminate in December 2019. This agreement was automatically renewed for another two years, is due to terminate in December 2024 and can be interrupted by common agreement due to free market conditions' changes. The outstanding amount was of \$38.6 million (or 61.3 million m3) as of December 31, 2023. Ternium Brasil is currently purchasing more than the minimum volume required by the contract, which is 85% of the volume mentioned before.

(t) Ternium Brasil signed on May 2019 a contract with LSI Logística S.A. for mobile equipment rental. This agreement is due to terminate in May 2024 and the outstanding amount was \$1.4 million as of December 31, 2023. The contract only has a penalty in case of anticipated termination.

(u) Ternium Brasil signed in December 2023 a contract with Vix Logística S.A. for logistics supply chain operations. The start of the activities is scheduled to begin in May 2024. This agreement is due to terminate in May 2029 and the outstanding amount was \$49.6 million as of December 31, 2023. The contract has minimum required volumes and a penalty for early termination.

(v) As of December 31, 2023, Usiminas' commitments for the acquisition of immobilized assets totaled \$139.7 million and are intended, mainly, for adaptation, reforms, and improvements in the primary areas of Ipatinga, increase in quality, reduction of costs, maintenance, technological updating of equipment and environmental protection.

(w) In July 2011, Usiminas Mineração S.A. subscribed an agreement with MBL Materiais Básicos Ltda, related to the mining rights adjacent to its mining reserves. On October 15, 2012, the agreement was authorized by the National Mining Agency (ANM). It has a duration of 30 years, or until the complete depletion of these mineral reserves. The monthly payments are linked to the volume of iron ore extracted from the areas covered by the agreement. Since 2015, a minimum annual volume of 3.6 million metric tons was established. If the annual volume of iron ore extracted is below the minimum volume, a payment under a take-or-pay arrangement will be due, calculated as the difference between the minimum volume and the volume effectively extracted. The outstanding amount was approximately \$336.9 million as of December 31, 2023.

(x) In June 2016, Usiminas S.A. entered into electricity purchase agreement with Cemig S.A. for the Cubatão steel plant facilities until December 2030. The contract has two ranges: the first range up to 32 MW and the second range up to 65.4 MW. The entire volume of the first range represents a take-or-pay arrangement, and if consumption reaches the second band, a lower tariff will be applied. The outstanding amount was approximately \$199.2 million as of December 31, 2023.

(y) In February 2021, Usiminas S.A. entered into an electricity purchase agreement with Engie S.A. for the Ipatinga steel plant facilities until December 2026. The contract is fully take-or-pay; however, Usiminas can sell this electricity in the market at any time, and even if consumption is lower than contracted, the energy is automatically sold by the Electric Energy Commercialization Chamber (CCEE). The outstanding amount was approximately \$55.1 million as of December 31, 2023.

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

(z) In November 2022, Usiminas S.A. entered into an electricity purchase agreement with Enel S.A. for the Ipatinga steel plant facilities until December 2026. The contract is fully take-or-pay; however, Usiminas can sell this electricity in the market at any time, and even if consumption is lower than contracted, the energy is automatically sold by the Electric Energy Commercialization Chamber (CCEE). The outstanding amount was approximately \$58.6 million as of December 31, 2023.

(aa) In December 2021, Usiminas S.A. entered into a solar energy purchase agreement with Canadian Solar S.A. for the supply to the Ipatinga steel plant facilities until December 2039. As of December 31, 2023, the total outstanding amounted to approximately \$149.5 million.

(ab) In December 2023, Usiminas S.A. entered into an agreement with Comgas S.A. for the supply of natural gas to the Cubatão Steel Plant facilities until December 2024. The contracted capacity is 240 thousand cubic meters per day with a flexibility of plus or minus 5%. Daily, Usiminas S.A. can schedule any volume as needed, with acceptance conditioned on the availability in the Comgas S.A. pipeline. The flexibility calculation is done on a daily basis, while the take-or-pay volume is 80% annually. The outstanding amount was approximately \$53.8 million as of December 31, 2023.

(ac) In December 2023, Usiminas S.A. entered into an agreement with Gasmig S.A. for the supply of natural gas to the Ipatinga steel plant facilities until December 2024. The contracted capacity is 850 thousand cubic meters per day with a flexibility of plus or minus 10%. Daily, Usiminas S.A. can schedule any volume as needed, with acceptance conditioned on the availability in the Gasmig S.A. pipeline. The flexibility calculation is done on a daily basis, while the take-or-pay volume is 80% annually. The outstanding amount was approximately \$197.9 million as of December 31, 2023.

(iii) Restrictions on the distribution of profits

In accordance with Luxembourg Law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve until such reserve equals 10% of the issued share capital.

As of December 31, 2023, this reserve is fully allocated and additional allocations to the reserve are not required under Luxembourg law. Dividends may not be paid out of the legal reserve.

The Company may pay dividends to the extent, among other conditions, that it has distributable retained earnings calculated in accordance with Luxembourg law and regulations.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

As of December 31, 2023, Techint Holdings S.à r.l. (“Techint”) indirectly owned 65.03% of the Company’s share capital and Tenaris Investments S.à r.l. (“Tenaris”) held 11.46% of the Company’s share capital and voting rights. Each of Techint and Tenaris were controlled by San Faustin S.A., a Luxembourg company (“San Faustin”). Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin (“RP STAK”), a private foundation (Stichting) located in the Netherlands, held voting shares in San Faustin sufficient in number to control San Faustin. No person or group of persons controls RP STAK.

The following transactions were carried out with related parties:

	As of December 31,	
	2023	2022
(ii) Year-end balances		
(a) Arising from sales/purchases of goods/services and other transactions		
Receivables from non-consolidated parties	143,292	180,476
Receivables from other related parties	29,402	43,765
Advances from non-consolidated parties	2,843	4,851
Advances to suppliers with other related parties	123,921	3,683
Payables to non-consolidated parties	(149,562)	(91,172)
Payables to other related parties	(27,963)	(20,163)
Lease liabilities with other related parties	(1,379)	(2,287)
	120,554	119,153

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

26. RELATED PARTY TRANSACTIONS (continued)

(iii) Officers and Directors' compensation

During the year ended December 31, 2023, the cash compensation of Officers and Directors amounted to \$26,608 (2022: \$22,899). In addition, Officers received 1,064,000 Units for a total amount of \$6,591 (2022: \$7,220) in connection with the incentive retention program mentioned in note 4 (o)(3).

27. OTHER REQUIRED DISCLOSURES

(a) Statement of comprehensive income

	Cash flow hedges			Currency translation adjustment
	Gross amount	Income tax	Total	
As of December 31, 2021	(60)	20	(40)	(3,918,344)
(Decrease) / Increase	1	(1)	—	42,708
Reclassification to income statement	59	(19)	40	—
As of December 31, 2022	—	—	—	(3,875,636)
(Decrease) / Increase	22,721	(6,824)	15,897	132,339
Reclassification to income statement	—	—	—	839,437
As of December 31, 2023	22,721	(6,824)	15,897	(2,903,860)

(b) Statement of cash flows

	Year ended December 31,		
	2023	2022	2021
(i) Changes in working capital (1)			
Inventories	202,470	438,090	(1,906,524)
Receivables and others	6,342	10,888	(41,535)
Trade receivables	(104,280)	573,811	(885,200)
Other liabilities	(64,022)	46,403	106,223
Trade payables	280,571	83,306	109,247
	321,081	1,152,498	(2,617,789)
(ii) Income tax accrual less payments			
Tax accrued (Note 11)	334,408	573,728	1,397,139
Taxes paid	(495,348)	(1,769,289)	(818,854)
	(160,940)	(1,195,561)	578,285
(iii) Interest accruals less payments			
Interest accrued (Note 10 and 23)	(113,433)	(13,940)	(20,948)
Interest received	202,000	31,880	62,912
Interest paid	(133,706)	(42,735)	(36,063)
	(45,139)	(24,795)	5,901

(1) Changes in working capital are shown net of the effect of exchange rate changes.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

27. OTHER REQUIRED DISCLOSURES (continued)

(c) Financial debt reconciliation

	Financial debt			
	Finance lease liabilities	Short term borrowings	Long term borrowings	Total
As of December 31, 2021	(259,621)	(822,573)	(656,465)	(1,738,659)
Cash flows	61,015	467,014	625	528,654
Reclassifications	—	(124,140)	124,140	—
Acquisitions - finance leases	(13,666)	—	—	(13,666)
Foreign exchange adjustments	5,686	26,093	58	31,837
Other non cash movements	(32,563)	(45,558)	(1,059)	(79,180)
As of December 31, 2022	(239,149)	(499,164)	(532,701)	(1,271,014)
Cash flows	69,683	248,587	12,500	330,770
Reclassifications	—	(511,723)	511,723	—
Acquisitions - finance leases	(14,556)	—	—	(14,556)
Acquisition of business (note 3)	(25,677)	(26,558)	(1,197,841)	(1,250,076)
Foreign exchange adjustments	(4,049)	(30,199)	2,267	(31,981)
Other non cash movements	(27,339)	(121,396)	(1,909)	(150,644)
As of December 31, 2023	(241,087)	(940,453)	(1,205,961)	(2,387,501)

28. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The following amendments, standards and interpretations have been applied on the year starting January 1, 2023:

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets.

As of December 31, 2023, the Company's management had already assessed the effects of applying these amendments on the Company's financial statements and had not identified any material impact in the application of these amendments.

OECD Pillar Two Rules – Amendments to IAS 12

In December 2021, the Organization for Economic Co-operation and Development ("OECD") released the Pillar Two model rules (the Global Anti-Base Erosion rules, or "GloBE") to reform international corporate taxation. Following Pillar Two OECD's initiative, the European Union adopted in December 2022 a directive to impose a global minimum taxation for multinational companies in the Union, to be effective as from 2024. In May 2023, the IASB made narrow-scope amendments to IAS 12 setting an exception that provides relief from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax laws that implement the Pillar Two model rules, including tax laws that implement qualified domestic minimum top-up taxes as per described in those rules.

No current tax impacts have arisen in the current Consolidated Financial Statements as of December 31, 2023, due to the application of Pillar Two rules, as they will be applicable as from 2024 in jurisdictions relevant for the Company. In addition, the Company has applied the exception prescribed by the amendments to IAS 12, and therefore it has not recognized any deferred tax impact from the Pillar Two application.

The following standards, amendments to standards and interpretations are not mandatory for the financial year beginning January 1, 2023, and have not been early adopted:

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Non-current Liabilities with Covenants – Amendments to IAS 1

Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include the carrying amount of the liability, information about the covenants, and facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

28. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (continued)

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

In September 2022, the IASB finalized narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction.

IFRS S1, 'General requirements for disclosure of sustainability-related financial information

IFRS S1 was issued in June 2023. It sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general purpose financial reports in making decisions relating to providing resources to the entity and that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. It sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to primary users in making decisions about providing resources to the entity.

Amendments to IAS 21 - Lack of Exchangeability.

On August 15, 2023, the IASB published Lack of Exchangeability (Amendments to IAS 21), which that contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Other standards and interpretations non-significant for the Company's financial statements:

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies
- Amendments to IAS 8 – Definition of accounting estimates
- Amendments to IAS 7 and IFRS 7 - Supplier finance arrangements
- IFRS 17 Insurance Contracts

29. 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.

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. 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's foreign exchange policy seeks to minimize the impact of fluctuations in the value of other currencies with respect to the U.S. dollar. Ternium's subsidiaries monitor their actual and expected short-term net cash flows in currencies other than the U.S. dollar and analyze potential hedging according to its needs in line with its derivative policy. This hedging can be carried out either by netting 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.

The following table shows a breakdown of Ternium's assessed financial position exposure to currency risk as of December 31, 2023.

Exposure to functional currency	\$ million	BRL million
US dollar (\$)	—	(469)
EU euro (EUR)	97	—
Argentine peso (ARS)	(135)	—
Mexican peso (MXN)	(313)	—
Brazilian real (BRL)	59	—
Colombian peso (COP)	(20)	—
Yenes (JPY)	115	—
Other currencies	(2)	—

The main relevant exposures correspond to:

(a) Argentine peso vs. U.S. dollar

If the Argentine peso had weakened by 1% against the U.S. dollar, it would have generated a pre tax gain of \$1.3 million and a pre tax gain of \$0.2 million as of December 31, 2023 and 2022, respectively.

(b) Mexican peso vs. U.S. dollar

If the Mexican peso had weakened by 1% against the U.S. dollar, it would have generated a pre-tax gain of \$3.1 million and \$2.6 million as of December 31, 2023 and 2022, respectively.

29. FINANCIAL RISK MANAGEMENT (continued)**(c) Colombian peso vs. U.S. dollar**

If the Colombian peso had weakened by 1% against the U.S. dollar, it would have generated a pre-tax gain of \$0.2 million and \$0.9 million as of December 31, 2023 and 2022, respectively.

(d) Brazilian real vs. U.S. dollar

If the Brazilian real had weakened by 1% against the U.S. dollar, it would have generated a pre-tax loss of \$5.3 million and a pre-tax loss of \$0.4 million as of December 31, 2023 and 2022, respectively.

We estimate that if the Argentine peso, Mexican peso, Colombian peso and Brazilian real had weakened simultaneously by 1% against the U.S. dollar with all other variables held constant, total pre-tax loss for the year would have been \$0.6 million higher (a pre-tax income of \$3.3 million higher as of December 31, 2022), as a result of foreign exchange gains/losses on translation of U.S. dollar-denominated financial position, mainly local currency cash, trade receivables, trade payables, tax credits and liabilities, lease liabilities, borrowings and other liabilities.

Considering the same variation of the currencies against the U.S. dollar of all net investments in foreign operations amounting to \$2.7 billion, the currency translation adjustment included in total equity would have been \$6.1 million lower, arising mainly from the adjustment on translation of the equity related to the Brazilian real during the year 2023.

(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 could be partially fixed through different derivative transactions, such as interest rate swaps.

Ternium's nominal weighted average interest rate for its debt instruments, which do not include neither the effect of derivative financial instruments, nor the devaluation of the local currencies, was 8.46% and 6.21% as of December 31, 2023 and 2022, 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.

Ternium's total variable interest rate debt amounted to \$1,065.9 million (49.7% of total borrowings) as of December 31, 2023, and \$736.8 million (71.4% of total borrowings) as of December 31, 2022.

If interest rates on the aggregate average notional of U.S. dollar denominated borrowings held during 2023, excluding borrowings with derivatives contracts mentioned in Note 22 (a), had been 100 basis points higher with all other variables held constant, total pre-tax income for the year ended December 31, 2023 would have been \$18.3 million lower (\$12.1 million lower as of December 31, 2022).

Effect of IBOR reform

Reform and replacement of various inter-bank offered rates ('IBORs') became a priority for regulators. Most IBOR rates stopped being published by December 31, 2022, while certain and most used U.S. dollar LIBOR rates stopped being published by June 30, 2023.

During 2023, Ternium finished the transition to the alternative interest rates benchmark (mostly SOFR based) for the remaining outstanding loans that continued to be based in U.S. dollar LIBOR rates as of December 31, 2022. All newly transacted U.S. dollar floating rate financial liabilities will be linked to an alternative benchmark rate (e.g. SOFR + spread adjustments).

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

29. FINANCIAL RISK MANAGEMENT (continued)

The Company prepared a sensitivity analysis considering this situation and concluded that no material impacts derived from this change. The Company also enhanced its systems and internal processes to ensure smooth transition from IBOR to alternative benchmark interest rates.

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 invests in financial assets with a minimum credit rating of investment grade established by an international qualification agency renowned in the financial market, in line with corporate investment portfolio policies. Approximately 34.8% of the Company's liquid financial assets correspond to investment grade rated instruments as of December 31, 2023, in comparison with approximately 59.9% as of December 31, 2022. The investments in financial assets are as follows:

	As of December 31, 2023	As of December 31, 2022
Cash and cash equivalents	1,846,013	1,653,355
Other Investments - Current and Non-Current	2,186,420	1,975,490
Fixed Income (time-deposit, zero-coupon bonds, commercial papers)	1,025,207	576,784
Deposit certificates and investment funds	844,428	204,802
Commercial papers	129,798	323,386
Other	50,981	48,596
Bonds and other fixed income	1,160,230	1,395,853
Non - U.S. government securities	928,419	651,633
U.S. government and corporate securities	231,811	744,220
Other notes	983	2,853

Ternium has no significant concentrations of credit risk from customers. No single customer accounts for more than ten 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.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

29. FINANCIAL RISK MANAGEMENT (continued)

As of December 31, 2023, trade receivables total \$2,065.5 million (\$1,180.7 million as of December 31, 2022). These trade receivables are collateralized by guarantees under letter of credit and other bank guarantees of \$1.4 million (\$0.1 million as of December 31, 2022), credit insurance of \$686.2 million (\$520.6 million as of December 31, 2022) and other guarantees of \$9.4 million (\$7.0 million as of December 31, 2022).

As of December 31, 2023, trade receivables of \$1,910.9 million (\$1,089.1 million as of December 31, 2022) were fully performing.

As of December 31, 2023, trade receivables of \$214.1 million (\$101.5 million as of December 31, 2022) were past due (mainly up to 180 days).

The amount of the allowance for doubtful accounts was \$59.5 million as of December 31, 2023 (\$9.9 million as of December 31, 2022).

The carrying amounts of the Company's trade and other receivables as of December 31, 2023, are denominated in the following currencies:

Currency	\$ million
US dollar (\$)	1,691
EU euro (EUR)	160
Argentine peso (ARS)	34
Mexican peso (MXN)	679
Brazilian real (BRL)	1,667
Colombian peso (COP)	79
Other currencies	1
	4,311

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 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.

\$ million	2024	2025	2026	2027	Thereafter
Borrowings	940	9	744	94	359
Interests to be accrued (1)	189	164	134	96	153
Trade payables and other liabilities	2,253	46	18	17	65
Lease liabilities	52	47	33	31	78
Total	3,434	266	929	238	655

(1) These amounts do not include the effect of derivative financial instruments.

As of December 31, 2023, total cash and cash equivalents and other current and non-current investments less borrowings amounted to \$1,886.0 million.

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

29. FINANCIAL RISK MANAGEMENT (continued)
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 0.11 and 0.07 as of December 31, 2023 and 2022, 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.

As of December 31, 2023 (in \$ thousands)	Amortized cost	Assets at fair value through profit or loss	Assets at fair value through OCI	Total
(i) Assets as per statement of financial position				
Receivables	472,384	—	—	472,384
Derivative financial instruments	—	15,406	—	15,406
Trade receivables	2,065,499	—	—	2,065,499
Other investments	883,513	142,677	1,160,230	2,186,420
Cash and cash equivalents	1,367,235	478,778	—	1,846,013
Total	4,788,631	636,861	1,160,230	6,585,722
As of December 31, 2023 (in \$ thousands)	Liabilities at fair value through profit or loss	Amortized cost		Total
(ii) Liabilities as per statement of financial position				
Other liabilities	—	487,792		487,792
Trade payables	—	2,159,647		2,159,647
Derivative financial instruments	8,220	—		8,220
Finance lease liabilities	—	241,087		241,087
Borrowings	—	2,146,414		2,146,414
Total	8,220	5,034,940		5,043,160
As of December 31, 2022 (in \$ thousands)	Amortized cost	Assets at fair value through profit or loss	Assets at fair value through OCI	Total
(i) Assets as per statement of financial position				
Receivables	197,686	—	—	197,686
Derivative financial instruments	—	227	—	227
Trade receivables	1,180,689	—	—	1,180,689
Other investments	483,209	96,428	1,395,853	1,975,490
Cash and cash equivalents	880,402	772,953	—	1,653,355
Total	2,741,986	869,608	1,395,853	5,007,447
As of December 31, 2022 (in \$ thousands)	Liabilities at fair value through profit or loss	Amortized cost		Total
(ii) Liabilities as per statement of financial position				
Other liabilities	—	64,968		64,968
Trade payables	—	1,102,264		1,102,264
Derivative financial instruments	505	—		505
Finance lease liabilities	—	239,149		239,149
Borrowings	—	1,031,865		1,031,865
Total	505	2,438,246		2,438,751

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

29. FINANCIAL RISK MANAGEMENT (continued)

Fair Value by Hierarchy

Following the requirements contained in IFRS 13, 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).

The following table presents the assets and liabilities that are measured at fair value as of December 31, 2023 and 2022:

Description	Fair value measurement as of December 31, 2023 (in \$ thousands):			
	Total	Level 1	Level 2	Level 3 (*)
Financial assets at fair value through profit or loss / OCI				
Cash and cash equivalents	478,778	478,778	—	—
Other investments	1,302,907	1,086,319	197,743	18,845
Derivative financial instruments	15,406	—	15,406	—
Total assets	1,797,091	1,565,097	213,149	18,845
Financial liabilities at fair value through profit or loss / OCI				
Derivative financial instruments	8,220	—	8,220	—
Total liabilities	8,220	—	8,220	—

Description	Fair value measurement as of December 31, 2022 (in \$ thousands):			
	Total	Level 1	Level 2	Level 3 (*)
Financial assets at fair value through profit or loss / OCI				
Cash and cash equivalents	772,953	772,953	—	—
Other investments	1,492,281	1,283,284	164,980	44,017
Derivative financial instruments	227	—	227	—
Total assets	2,265,461	2,056,237	165,207	44,017
Financial liabilities at fair value through profit or loss / OCI				
Derivative financial instruments	505	—	505	—
Total liabilities	505	—	505	—

(*) The fair value of financial instruments classified as level 3 is not obtained from observable market information, but from measurements of the asset portfolio at market value provided by the fund manager. The evolution of such instruments during the years ended December 31, 2023 and 2022, corresponds to the initial investment and to the changes in its fair value, as follows:

	Guarantee fund companies	Non - U.S. government securities
As of December 31, 2022	2,854	41,163
Disinvestment	(2,169)	(5,801)
Interest accrued	—	(4,137)
Changes in fair value	2,441	(3,657)
Reclassifications	—	(9,706)
Net foreign exchange gain	(2,143)	—
At December 31, 2023	983	17,862

29. FINANCIAL RISK MANAGEMENT (continued)

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy, there were no transfers from Level 1 to Level 3 and there were transfers of Non-U.S. Government securities from Level 2 to Level 3.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by Ternium is the current mid price. These instruments are included in Level 1 and comprise primarily corporate and sovereign debt securities.

The fair value of financial instruments that are not traded in an active market (such as certain debt securities, certificates of deposits with original maturity of more than three months, forward and interest rate derivative instruments) is determined by using valuation techniques which maximize the use of observable market data when available and rely as little as possible on entity specific estimates. If all significant inputs required to value an instrument are observable, the instrument is included in Level 2. Ternium values its assets and liabilities included in this level using mid prices, interest rate curves, broker quotations, current exchange rates and forward rates volatilities obtained from market contributors as of the valuation date.

If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3. Ternium values its assets and liabilities in this level using observable market inputs, information provided by fund managers and management assumptions which reflect the Company's best estimate on how market participants would price the asset or liability at measurement date.

3) Accounting for derivative financial instruments and hedging activities

Depending on the nature of the hedged item, Ternium either recognizes its derivative financial instruments' transactions in the statement of financial position at cost and subsequently measures changes on a monthly basis at fair value, or undertakes hedge accounting, classifying these transactions as cash flow hedges. While changes in fair value are disclosed under "Other financial income (expenses), net" line item in the income statement, changes in transactions classified as cash flow hedges are disclosed as an equity reserve in the statement of comprehensive income. 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 capital expenditures). 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. Once the hedged item gets settled, 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

29. FINANCIAL RISK MANAGEMENT (continued)

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. The Company also documents its assessment, 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. As of December 31, 2023 and 2022, the effective portion of designated cash flow hedges (net of taxes) amounted to \$15.9 million and nil, respectively, and were included under "changes in the fair value of derivatives classified as cash flow hedges" line item in the statement of comprehensive income (see Note 27 (a)).

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 22. 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 incorporate floating rates that approximate market rates and the contractual repricing occurs mostly every one month, the fair value of the borrowings approximates their carrying amount and it 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.

30. FOREIGN EXCHANGE RESTRICTIONS IN ARGENTINA

Ternium's Argentine subsidiary, Ternium Argentina S.A., is currently operating in a complex and volatile economic environment.

Between September 2019 and December 13, 2023, the Argentine government imposed significant restrictions on foreign exchange transactions. Although after a new administration took office in Argentina in December 2023 certain restrictions were eased and other changes to such regulations are expected, at the date of these Consolidated Financial Statements the application of existing foreign exchange regulations remains uncertain and the scope and timing of upcoming changes remain unknown. The main currently applicable measures are described below:

- Access to the Argentine foreign exchange market ("MULC") to pay for imports of services rendered by related and non-related parties (including royalties) on or before December 12, 2023, is subject to Argentine Central Bank approval. Currently, these approvals are rarely, if ever, granted. Access to the MULC to pay for imports of services that were rendered or accrued as from December 13, 2023, does not require government approval, but payment is deferred 30 calendar days as from the date of supply or accrual of the service (if the service was rendered by a non-related party) or 180 calendar days (if rendered by a related party).
- The Argentine Central Bank is issuing newly created Bonds ("BOPREAL") with a maturity of 4 years (2027) that can only be purchased in Argentine Pesos in the primary offerings by debtors under any such import debts and, then, such bonds can be sold for a price payable in foreign currency that can be used to pay suppliers under such debts, without having the importer any restriction to enter into any other foreign exchange transaction in the MULC. The secondary market of the BOPREAL is still in formation. In addition, from April 1, 2024 any such importer who purchased the bonds in the primary offerings may enter into the securities transactions described below to obtain foreign currency (for an amount that does not exceed in USD of the difference between the nominal value of the bonds and market prices when they are sold) to be able to pay the above-mentioned import debts, without having the importer any restriction to enter into any other foreign exchange transaction in the MULC. Access to the MULC to pay for imports that have obtained customs clearance as from December 13, 2023, does not require government approval but, it requires that the price is paid in four equal instalments payable on the 30th, 60th, 90th and 120th day counted from the customs clearance of the good imported.
- Foreign currency proceeds from exports of services must be sold into the MULC and converted into Argentine pesos within five business days of collection. As from December 13, 2023, up to 20% of export proceeds can be sold for Argentine pesos through securities transactions resulting in a higher implicit exchange rate, as described further below. This percentage has changed over time.
- Access to the MULC to make dividend payments requires prior Argentine Central Bank approval. When required, Argentine Central Bank approvals are rarely, if ever, granted.

Ternium Argentina carries out all of its import and export transactions through MULC. Therefore, assets and liabilities in foreign currency as of December 31, 2023, have been valued considering the official exchange rates at the end of the period.

Under Ternium Argentina's annual accounts as of December 31, 2023, and for the year then ended, revenues amounted to \$3,419 million (2022: \$3,830 million), net profit from continuing operations to \$686 million (2022: \$756 million), total assets to \$5,083 million (2022: \$5,258 million), total liabilities to \$759 million (2022: \$511 million) and shareholders' equity to \$4,324 million (2022: \$4,747 million).

30. FOREIGN EXCHANGE RESTRICTIONS IN ARGENTINA (continued)

Ternium Argentina's cash and cash equivalents and other investments amounted to \$1,094 million as of December 31, 2023, broken down as follows:

- \$902 million in U.S. dollars-denominated instruments, in sovereign bonds issued by the Argentine Government and payable in U.S. dollars, and Argentine Treasury bonds related to the official exchange rate. The U.S. dollar value of these instruments recorded in Ternium's consolidated financial statements is based on their Argentine peso local market price, converted to the U.S. dollar at the ARS/\$ official exchange rate. Therefore, the valuation of such investments is subject to the volatility of the Argentine financial market and currency exchange rates, leading to a potential significant reduction of such value in the consolidated financial statements.
- \$136 million in negotiable obligations and promissory notes issued by Argentine export driven companies in U.S. dollars and mainly payable in Argentine pesos.
- \$56 million in Argentine pesos-denominated instruments, mainly mutual funds.

Ternium Argentina's financial position in ARS as of December 31, 2023, amounted to \$103 million in monetary assets and \$220 million in monetary liabilities. All of Ternium Argentina's ARS-denominated assets and liabilities are valued at the prevailing official exchange rate. The Argentine peso devaluated by approximately 55% upon the change of government. In the event of an additional devaluation, Ternium Argentina may be adversely affected, and will also suffer a loss on deferred tax charge as a result of a deterioration on the tax value of their fixed assets. At this time, the Company is unable to estimate all impacts of a new devaluation of the Argentine peso against the U.S. dollar.

On April 24, 2023, Ternium Argentina's board of directors approved the payment of a dividend in kind in US dollar-denominated Argentine bonds for a total amount of up to \$624 million. On May 4, 2023, Ternium received its share of the dividend in kind. Considering the impact of foreign exchange restrictions in Argentina and based on the value of the bonds in the international market, Ternium recorded in its equity a negative reserve as of the collection date. With the disposal of a portion of these instruments, the Company partially reclassified such reserve to financial results. The equity reserve amounted to approximately \$113 million as of December 31, 2023, and will be reclassified to financial results upon disposal of the remaining bonds.

This context of volatility and uncertainty remains in place as of the issue date of these Consolidated Financial Statements. Management continues to monitor closely the evolution of the main variables affecting its business, identifying the potential impact thereof on its financial and economic situation and determining the appropriate course of action in each case. The Company's Consolidated Financial Statements should be read taking into account these circumstances.

31. TERNIUM TO INTEGRATE OPERATIONS IN THE USMCA

On February 14, 2023, Ternium's Board of Directors approved the construction of a new upstream production capacity project into the company's existing downstream facility in Pesquería, Nuevo León, Mexico. The increased slab production capacity will complement and support the company's new state-of-the-art hot rolling mill, which began operations in mid-2021, as well as the previously announced downstream project in Mexico. Ternium expects to invest approximately \$2.4 billion toward the construction of an electric arc furnace (EAF)-based steel shop with annual capacity of 2.6 million tons, as well as a direct reduced iron (DRI) module with annual capacity of 2.1 million tons. The slab production capacity program will also include the construction of a port facility for raw material handling. Start of operations is anticipated to occur during the first half of 2026.

/s/ Pablo Brizzio
Pablo Brizzio
Chief Financial Officer

Item 19. Exhibits

Exhibit Number	Description
<u>1.1</u>	Consolidated Articles of Association of Ternium S.A., dated as of June 5, 2020*
<u>2.1</u>	Deposit Agreement entered into between Ternium S.A. and The Bank of New York**
<u>2.2</u>	Description of securities***
<u>4.1</u>	Shareholders' Agreement, dated January 9, 2006, between Tenaris S.A. and Inversora Siderurgica Limited****
<u>4.3</u>	Second Amended and Restated Shareholders Agreement, dated July 3, 2023, between Previdência Usiminas, Confab Industrial S.A., Mitsubishi Corporation, Nippon Steel Corporation, Prosid Investments S.A., Ternium Argentina S.A., Ternium Investments S.à r.l., and Usinas Siderúrgicas de Minas Gerais S.A.
<u>8.1</u>	List of subsidiaries of Ternium S.A.
<u>12.1</u>	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>12.2</u>	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>13.1</u>	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<u>13.2</u>	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<u>15.1</u>	Statement explaining alternative performance measures
<u>97.1</u>	Clawback Policy
*	Incorporated by reference to the Annual Report on Form 20-F, filed by Ternium S.A. on March 30, 2022 (File No. 001-32734 22787307).
**	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 Annual Report on Form 20-F, filed by Ternium S.A. on March 30, 2023 (File No. 001-32734 23781454).
****	Incorporated by reference to the Registration Statement on Form F-1, 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 April 24, 2018 (File No. 001-32734 18771303).

SIGNATURE

The registrant hereby certifies that it meets all of 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.

TERNIUM S.A.

/s/ Pablo Brizzio

Name:	<u>Pablo Brizzio</u>
Title:	<u>Chief Financial Officer</u>

Date: March 27, 2024