

Ternium S.A.
Form 20-F
June 30, 2011

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

FORM 20-F

- o **Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934**
or
- o **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
for the fiscal year ended December 31, 2010
or
- o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
or
- o **Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission file number: 001-32734
TERNIUM S.A.
(Exact Name of Registrant as Specified in its Charter)
N/A
(Translation of registrant's name into English)
Grand Duchy of Luxembourg
(Jurisdiction of incorporation or organization)
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(Address of registrant's registered office)
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(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)

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

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

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

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

None

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

None

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated Filer

Non-accelerated filer

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

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

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

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

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CERTAIN DEFINED TERMS

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

References to the Company refer exclusively to Ternium S.A., a Luxembourg public limited liability company (*société anonyme*);

References in this annual report to Ternium, we, us or our refer to Ternium S.A. and its consolidated subsidiaries;

References to the Ternium companies are to the Company's manufacturing subsidiaries, namely Ternium México, S.A. de C.V., a Mexican corporation (Ternium Mexico), Siderar S.A.I.C., an Argentine corporation (Siderar), and Ferrasa S.A.S., a Colombian corporation (Ferrasa), and their respective subsidiaries;

References to Tenaris are to Tenaris S.A., a Luxembourg public limited liability company (*société anonyme*) and a significant shareholder of the Company;

References to San Faustin are to San Faustin S.A., a Luxembourg corporation and the Company's indirect controlling shareholder;

References to the Ternium network or Ternium Internacional are to an international group of companies wholly owned by Ternium that market and provide worldwide distribution services for products offered primarily by Ternium;

References to ADSs are to the American Depositary Shares, which are evidenced by American Depositary Receipts;

References to tons are to metric tons; one metric ton is equal to 1,000 kilograms, 2,204.62 pounds or 1.102 U.S. (short) tons; and

References to billions are to thousands of millions, or 1,000,000,000.

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PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

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

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Currencies

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

dollars , U.S. dollars , USD or US\$ each refers to the United States of America dollar;

Mexican pesos or MXN each refers to the Mexican peso; and

Argentine pesos or ARP each refers to the Argentine peso.

On December 31, 2010, the noon buying rate between the Mexican peso and the U.S. dollar (as published by *Banco de México*, or the Mexican Bank) was MXN12.3496=USD1.0000, and the U.S. dollar sell exchange rate in the Argentine Republic (as published by *Banco Central de la República Argentina*, or the Argentine Central Bank) was ARP3.9760=USD1.0000. Those rates may differ from the actual rates used in preparation of the Company's consolidated financial statements. We do not represent that any of these currencies could have been or could be converted into U.S. dollars or that U.S. dollars could have been or could be converted into any of these currencies.

Rounding; Comparability of Data

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

Our Internet Site is Not Part of this Annual Report

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

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The selected consolidated financial data (or selected combined consolidated financial data, as applicable) set forth below have been derived from our audited consolidated financial statements (or combined consolidated financial statements, as applicable) for each of the years and at the dates indicated. Our consolidated financial statements were prepared in accordance with IFRS, and were audited by Price Waterhouse & Co. S.R.L., Argentina, an independent registered public accounting firm that is a member firm of PricewaterhouseCoopers.

Ternium obtained control over Grupo Imsa, a Mexican steel processor, on July 26, 2007. Accordingly, the audited consolidated financial statements of Ternium as of December 31, 2010, 2009 and 2008, and for the years then ended, included in this annual report consolidate the results and other financial data of Grupo Imsa for the entire year, and the audited consolidated financial statements of Ternium as of December 31, 2007, and for the year then ended, included in this annual report consolidate the results and other financial data of Grupo Imsa beginning on July 26, 2007. As a result, Ternium's results and other financial data for the years ended December 31, 2010, 2009 and 2008 varied significantly from the results and other financial data for the year ended December 31, 2007, and the results and other financial data of each such year varied significantly from the results and other financial data for the year ended December 31, 2006.

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

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	2010	For the year ended December 31,			2006
		2009	2008	2007	
Net sales	7,382,004	4,958,983	8,464,885	5,633,366	4,484,918
Cost of sales	(5,665,254)	(4,110,370)	(6,128,027)	(4,287,671)	(3,107,629)
Gross profit	1,716,750	848,613	2,336,858	1,345,695	1,377,289
Selling, general and administrative expenses	(665,306)	(531,530)	(669,473)	(517,433)	(370,727)
Other operating income (expenses), net	2,493	(20,700)	8,662	8,514	(4,739)
Operating income	1,053,937	296,383	1,676,047	836,776	1,001,823
Interest expense	(72,969)	(105,810)	(136,111)	(133,109)	(96,814)
Interest income	27,347	21,141	32,178	41,613	33,903
Interest income Sidor financial asset	61,012	135,952			
Other financial income (expenses), net	115,112	81,639	(693,192)	(38,498)	(40,432)
Equity in earnings of associated companies	1,688	1,110	1,851	434	671
Income before income tax expense	1,186,127	430,415	880,773	707,216	899,151
Income tax (expense) benefit					
Current and deferred income tax expense	(406,657)	(91,314)	(258,969)	(291,345)	(353,044)
Reversal of deferred statutory profit sharing			96,265		
Income from continuing operations	779,470	339,101	718,069	415,871	546,107
Discontinued operations					
Income from discontinued operations		428,023	157,095	579,925	444,468
Profit for the year (1)	779,470	767,124	875,164	995,796	990,575
Attributable to:					
Equity holders of the Company	622,076	717,400	715,418	784,490	795,424
Non-controlling interest	157,394	49,724	159,746	211,306	195,151
	779,470	767,124	875,164	995,796	990,575
Depreciation and amortization	383,300	385,105	413,541	355,271	251,371

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Weighted average number of shares outstanding	2,004,743,442	2,004,743,442	2,004,743,442	2,004,743,442	1,936,833,060
Basic earnings per share (expressed in USD per share) for profit: (1) (2)					
From continuing operations attributable to the equity holders of the Company	0.31	0.15	0.27	0.15	0.20
From discontinued operations attributable to the equity holders of the Company		0.21	0.09	0.24	0.21
For the year attributable to the equity holders of the Company	0.31	0.36	0.36	0.39	0.41
Dividends per share declared	0.075	0.05		0.05	0.05

- (1) International Accounting Standard N° 1 (IAS 1) (Revised) requires that income for the year as shown in the income statement includes the portion attributable to non-controlling interest. Basic earnings per share, however, continue to be calculated on the basis of income attributable solely to the equity holders of the Company.
- (2) Diluted earnings per share (expressed in USD per share), equals basic earnings per share. Diluted earnings per share have been calculated giving effect to the conversion of certain subordinated convertible loans.

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

	At December 31,				
	2010	2009	2008	2007	2006
Selected consolidated balance sheet data					
Non-current assets	5,579,438	5,250,135	5,491,408	8,553,123	6,029,383
Property, plant and equipment, net	4,262,896	4,040,415	4,212,313	6,776,630	5,335,030
Other non-current assets (1)	1,316,542	1,209,720	1,279,095	1,776,493	694,353
Current assets	5,532,893	5,042,538	5,179,839	5,095,959	2,628,870
Cash and cash equivalents	1,779,416	2,095,798	1,065,552	1,125,830	643,291
Other current assets (2)	3,743,516	2,937,494	4,108,954	3,200,987	1,978,537
Non-current assets classified as held for sale	9,961	9,246	5,333	769,142	7,042
Total assets	11,112,331	10,292,673	10,671,247	13,649,082	8,658,253
Capital and reserves attributable to the Company's equity holders (3)	5,880,740	5,296,342	4,597,370	4,452,680	3,757,558
Non-controlling interest	1,135,361	964,897	964,094	1,805,243	1,626,119
Non-current liabilities	2,540,594	2,872,667	3,374,964	5,401,549	1,867,892
Borrowings	1,426,574	1,787,204	2,325,867	3,676,072	546,601
Deferred income tax	877,742	857,297	810,160	1,327,768	982,091
Other non-current liabilities	236,278	228,166	238,937	397,709	339,200
Current liabilities	1,555,636	1,158,767	1,734,819	1,989,610	1,406,684
Borrowings	513,083	539,525	941,460	406,239	507,241
Other current liabilities	1,042,553	619,242	793,359	1,369,608	899,443
Liabilities directly associated with non-current assets classified as held for sale				213,763	
Total liabilities	4,096,230	4,031,434	5,109,783	7,391,159	3,274,576
Total equity and liabilities	11,112,331	10,292,673	10,671,247	13,649,082	8,658,253
Number of shares outstanding	2,004,743,442	2,004,743,442	2,004,743,442	2,004,743,442	2,004,743,442

(1) As of December 31, 2010, 2009, 2008, 2007 and 2006, includes goodwill mainly related to the acquisition of our Mexican subsidiaries for a total amount of USD750.1, USD708.6, USD683.7, USD850.7 and USD397.9 million, respectively.

(2) As of December 31, 2010, 2009, 2008 and 2007, includes deposits with maturity of more than three months for a total amount of USD848.4, USD46.8, USD90.0 and USD65.3 million, respectively.

(3)

The Company's share capital as of December 31, 2010, 2009, 2008, 2007 and 2006 was represented by 2,004,743,442 shares, par value USD1.00 per share, for a total amount of USD2,004.7 million.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

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Risks Relating to the Steel Industry

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

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

If global macroeconomic conditions deteriorate, the outlook for steel producers would be adversely affected. In particular, a recession or depression in the developed economies, such as the one experienced by the United States and Europe in 2008 and 2009, or slower growth or recessionary conditions in emerging economies that are substantial consumers of steel (such as China and India, as well as emerging Asian markets, the Middle East, Latin America and the Commonwealth of Independent States regions) would exact a heavy toll on the steel industry, and would depress demand for our products and adversely affect our business and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to our Business***If Ternium does not successfully implement its business strategy, its opportunities for growth and its competitive position could be adversely affected.***

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

Recent and future acquisitions, green-field projects, significant investments and strategic alliances could disrupt Ternium's operations and adversely affect its profits. Ternium may not realize the benefits it expects from these business decisions.

A key element of Ternium's business strategy is to identify and pursue growth-enhancing strategic opportunities. As part of this growth strategy, Ternium has acquired interests in various companies, including Hylsamex, one of the main steel producers in Mexico; and Grupo Imsa, a leading steel processor with operations in Mexico, the United States and Guatemala. Additionally, Ternium has recently acquired a 54% ownership interest in Colombia-based Ferrasa and Ferrasa Panamá S.A., a Panamanian corporation (Ferrasa Panamá), and formed the Mexican joint venture company Tenigal S.R.L. de C.V. (Tenigal) with Nippon Steel Corporation, for the manufacturing and sale of hot-dip galvanized and galvanized steel sheets to serve the Mexican automobile market.

We regularly consider capital investments, strategic acquisitions, greenfield projects and alliances and we intend to actively pursue that growth strategy. However, any growth project will depend upon market and financing conditions.

We must necessarily base any assessment of potential capital investments, acquisitions, green-field projects and alliances on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Our recent and future acquisitions, investments and alliances may not perform in accordance with our expectations and could adversely affect our operations and profitability. Furthermore, we may fail to find suitable acquisition targets or fail to consummate our acquisitions under favorable conditions, or could be unable to successfully integrate any acquired businesses into our operations. Moreover, we may also acquire, as part of future acquisitions, assets unrelated to our business, and we may not be able to integrate them or sell them under favorable terms and conditions.

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These risks, and the fact that integration of any acquired businesses will require a significant amount of time and resources of Ternium's management and employees, could disrupt Ternium's ongoing business and could have a material adverse effect on its business, financial condition and results of operations.

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

In accordance with IFRS, management must test all of Ternium's goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use annually for impairment, or more frequently if there are indicators of impairment, and recognize a non-cash charge in an amount equal to any impairment. We recorded goodwill in connection with the acquisition of our Mexican subsidiaries, the balance of which, as of December 31, 2010, amounted to USD744.0 million. If Ternium's management were to determine in the future that the goodwill from the acquisition of our Mexican subsidiaries was impaired, Ternium would be required to recognize a non-cash charge to write down the value of this goodwill, which would adversely affect Ternium's results of operations.

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

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

The various measures that Ternium has taken in order to become more competitive in Mexico, during 2009 and 2010, and in Colombia, during 2010, have not resulted in significant labor unrest. Notwithstanding this, we cannot assure that this situation will remain stable.

In Argentina, in early 2009, following a decrease in the level of activity since the last quarter of 2008 due to the global economic downturn, Siderar downsized contractor and subcontractor activities and temporary personnel, triggering adverse reactions from the construction workers' union and the steelworkers' union. Later in 2009, during the negotiations between Siderar and the steelworkers' union regarding the annual bonuses related to results, the unions called for work stoppages and other measures. During 2010, the various measures that Siderar has taken in order to become more competitive did not result in significant labor unrest. For more information on the collective bargaining agreement applicable to most of Siderar's employees in Argentina, see Item 6. Directors, Senior Management and Employees D. Employees Argentina.

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

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

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

Table of Contents***Following the completion of the Sidor nationalization process, Ternium is exposed to credit concentration risk with Venezuela.***

On May 7, 2009, Ternium completed the transfer of its entire 59.7% interest in Sidor to Corporación Venezolana de Guayana, or CVG, a Venezuelan state-owned entity. Ternium agreed to receive an aggregate amount of USD1.97 billion as compensation for its Sidor shares. Of that amount, CVG paid USD400 million in cash at closing, and the balance was divided in two tranches: the first tranche of USD945 million to be paid in six equal installments beginning in August 2009 until November 2010, and the second tranche due in November 2010 and subject to quarterly mandatory prepayment events based on the increase of the WTI crude oil price over its May 6, 2009 level. CVG made all payments required to be made under the agreements governing the transfer of Sidor to Venezuela except for the final payment due on November 8, 2010. On December 18, 2010, Ternium reached an agreement with CVG on the rescheduling of the unpaid balance, which amounted to USD257 million. As provided in such refinancing agreement, CVG paid USD7 million to Ternium in January 2011, and CVG is required to pay the remainder in five quarterly installments, beginning on February 15, 2011 and ending on February 15, 2012. The first two installments of USD31 million each were paid on February 16 and May 17, 2011. The outstanding principal amount of the receivables with CVG is currently USD187 million. Accordingly, we have significant credit concentration risk with Venezuela.

As security for the payment of the outstanding balance, Ternium received, duly endorsed in its favor, promissory notes issued by Energía Argentina S.A. (Enarsa) and Compañía Administradora del Mercado Mayorista Eléctrico S.A. (Cammesa) (both companies owned by the Argentine government) to PDVSA Petróleo S.A. (a company owned by the Venezuelan government). Under the agreements with CVG and Venezuela, in the event of non-compliance by CVG with its payment obligations, Ternium has reserved the rights and remedies that it had prior to the transfer of the Sidor shares in relation to any claim against Venezuela, subject to certain limitations, including that Ternium may not claim an amount exceeding the outstanding balance due from CVG. For more information on the Sidor nationalization process, see note 29 to our audited consolidated financial statements included elsewhere in this annual report.

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

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

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

Risks Relating to our Mining Activities

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

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

Our mining activities are subject to specific regulations and depend on concessions and authorizations granted by governmental authorities. Amendments to applicable law and regulations may change the terms pursuant to which we are required to pursue our exploration, mining and ore processing activities. Such changes may result in new taxes or royalties or require modifications to the processes and technologies used in our mining activities, leading to unexpected capital expenditures and higher costs. If the relevant government authority determines that we are not in compliance with our obligations as concessionaires, it may terminate our concession. Furthermore, in order to explore or exploit mines it is necessary to obtain the right to occupy and use the land where the mines are situated. Even

though government regulations frequently establish provisions intended to facilitate the establishment of such rights, in some cases it may be difficult to reach and maintain agreements with the owners or such agreements may be excessively onerous. If we are unable to establish use and occupancy rights on acceptable terms, our mining activities may be compromised.

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

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

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

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

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

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

Risks Relating to the Structure of the Company

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

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

Table of Contents***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 June 6, 2011, San Faustin beneficially owned 62.02% and Tenaris, which is also controlled by San Faustin, held 11.46% of our outstanding voting shares. Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin (RP STAK) controls a significant portion of the voting power of San Faustin and has the ability to influence matters affecting, or submitted to a vote of, the shareholders of San Faustin. As a result, RP STAK is indirectly able to elect a substantial majority of the members of the Company's board of directors and has the power to determine the outcome of most actions requiring shareholder approval, including, subject to the requirements of Luxembourg law, the payment of dividends. The decisions of the controlling shareholder may not reflect the will or best interests of other shareholders. For example, the Company's articles of association permit the board of directors to waive, limit or suppress preemptive rights in certain cases. Accordingly, our controlling shareholder may cause our board of directors to approve an issuance of shares for consideration without preemptive rights, thereby diluting the minority interest in the Company. See Risk Factors Risks Relating to our ADSs Holders of our shares and ADSs in the United States may not be able to exercise preemptive rights in certain cases and Item 7. Major Shareholders and Related Party Transactions A. Major Shareholders.

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

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

Approximately 25.97% of Siderar is held by *Administración Nacional de la Seguridad Social* (ANSeS), Argentina's governmental social security agency, approximately 10.53% is publicly held, and approximately 2.56% is held by certain Siderar employees. ANSeS became a significant shareholder of Siderar in the last quarter of 2008 as a result of the nationalization of Argentina's private pension system, which caused assets under administration of Argentina's private pension funds including significant interests in publicly traded companies, such as Siderar, held by such funds to be transferred to ANSeS. For further information on the latest developments involving Siderar following the enactment of Decree 441/2011, see Item 5. Operating and Financial Review and Prospects G. Recent Developments Recent developments involving Siderar.

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

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

Risks Relating to the Countries in Which We Operate***Negative economic, political and regulatory developments in certain markets where Ternium has a significant portion of its operations and assets could hurt Ternium's financial condition, shipments and prices and disrupt its manufacturing operations, thereby adversely affecting its results of operations and financial condition.***

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

Mexico

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

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

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation and other economic problems. Furthermore, the Mexican national economy tends to reflect changes in the economic environment in the United States. If problems such as deterioration in Mexico's economic conditions reemerge, or social instability, political unrest, reduction in government spending or other adverse social developments reemerge in the future, they could lead to continued volatility in the foreign exchange and financial markets, and, depending on their severity and duration, could adversely affect the business, results of operations, financial condition or liquidity of Ternium. Moreover, adverse economic conditions in Mexico could result in, among other things, higher interest rates accompanied by reduced opportunities for refunding or refinancing, reduced domestic consumption of Ternium's products, decreased operating results and delays in capital expenditures. In addition, high incidences of violence and crime in Mexico related to drug trafficking could affect our day-to-day operations and could also result in an economic slowdown, reducing domestic demand for our products and thereby having an adverse effect on our business. A continued deterioration of the security situation may result in significant obstacles or additional costs to the implementation of our growth plans in Mexico.

Mexican peso volatility could have a negative impact on Ternium's financial condition.

Ternium could have, at any given time, a long or short net Mexican peso financial position. The fluctuation of the Mexican peso against the U.S. dollar (whether an appreciation or a devaluation) could result in financial losses. For example, most of Ternium Mexico's trade receivables are Mexican peso-denominated; accordingly, in the event of a Mexican peso devaluation, the financial condition of our Mexican operations, when measured in U.S. dollars, could be adversely affected.

Changes in the Mexican tax system could have an adverse effect on Ternium's Mexican operations.

On September 14, 2007, the Mexican Congress passed a tax reform act, which created a new flat tax (the *impuesto empresarial a tasa única* or IETU) and, effective January 1, 2008, replaced the Mexican assets tax (the *impuesto al activo* or IMPAC). The act also established certain temporary and operational limits for the recoverability of assets tax credits. The IETU works as a corporate income tax supplement and is levied on income received. Ternium Mexico consolidates its various subsidiaries for purposes of determination and payment of Mexican corporate income tax. However, consolidation was not permitted for purposes of determination and payment of the new flat tax, nor was it possible to apply corporate income tax credits against IETU liabilities.

Additionally, on November 5, 2009, the Mexican Congress passed a tax reform modifying the Income Tax Law. As a result, the statutory tax rate was raised from 28% to 30% for the years 2010, 2011 and 2012, and subsequently reduced to 29% for 2013 and to 28% for 2014. The tax consolidation regime was also modified. According to such changes and effective for the fiscal years ending after January 1, 2010, the tax deferred in the sixth preceding fiscal year under the tax consolidation regime has to be paid in five annual installments of 25%, 25%, 20%, 15%, and 15%, respectively, with the first installment being due in 2010.

Future changes in the Mexican tax system may affect our Mexican subsidiaries' tax burden, thereby affecting our financial condition and results of operations.

Argentina

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

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

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

The Argentine economy is currently facing significant challenges. Inflation is high, as further discussed below, and the economy has been affected by supply constraints. Capital investment in general has lagged due to, among other factors, political and economic uncertainties and government actions, including price controls, export taxes, the nationalization of Argentina's private pension system, an increased level of government intervention in, or limitations to, the conduct of business in the private sector, and other measures affecting investor confidence. For example, as price controls are concerned, in February 2011, Argentina's Secretary of Commerce issued Resolution 14/2011 requiring that prices for steel products sold in Argentina, including products sold by Siderar, be limited to those in effect on January 21, 2011, and that sales of steel products be invoiced in Argentine pesos. Although Ternium believes that price controls are illegal under Argentine law and resolution 14/2011 was ultimately revoked, other price control measures could be imposed in the future.

Declining capital investment may affect growth and, accordingly, cause demand for our local subsidiary's products in the domestic market to drop. A lack of financing alternatives could significantly impair Argentina's ability to sustain the economy's activity level, foster economic growth and/or avert a sovereign default.

Economic conditions in Argentina have deteriorated rapidly in the past and may deteriorate rapidly in the future. The Argentine economy may not continue to grow and economic instability may return. In addition, presidential and Congress elections in Argentina will take place in October 2011, and the general uncertainty as to who will win the elections (and, thus, the impact that the outcome of the elections could have on the Argentine economy) could have an adverse effect on Siderar and the Argentine economy as a whole. Our business and results of operations in Argentina could be adversely affected by rapidly changing economic conditions in Argentina or by the Argentine government's policy response to such conditions.

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

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

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

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

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

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The Argentine Central Bank has imposed restrictions on the transfer of funds outside of Argentina and other exchange controls in the past and may do so in the future, which could prevent Ternium from paying dividends or other amounts from cash generated by Siderar's operations.

Since January 2002, the Argentine government and Central Bank have introduced several rules and regulations to reduce volatility in the ARS/USD exchange rate, and has implemented formal and informal restrictions on capital inflows into Argentina and capital outflows from Argentina. In addition, Siderar is currently required to repatriate U.S. dollars collected in connection with exports from Argentina (including U.S. dollars obtained through advance payment and pre-financing facilities) into Argentina and convert them into Argentine pesos at the relevant exchange rate applicable on the date of repatriation. The existing controls and restrictions, and any additional restrictions of this kind that may be imposed in the future, could expose Ternium to the risk of losses arising from fluctuations or affect Ternium's ability to finance its investments and operations in Argentina or impair Ternium's ability to transfer funds generated by Siderar in U.S. dollars outside Argentina, for example, to fund the payment of dividends or to undertake investments and other activities that require payments in U.S. dollars. For additional information on current Argentine exchange controls and restrictions, see Item 10. Additional Information D. Exchange Controls.

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

There has been an insufficient level of investment in natural gas and electricity supply and transport capacity in Argentina in recent years. Over the course of the last several years, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and low prices in comparison with alternative fuel sources. This in turn resulted in shortages of natural gas and electricity to residential and industrial users during periods of high demand. For example, in recent years Siderar's operations experienced constraints in their natural gas supply requirements and interruptions in their electricity supply at peak hours on many occasions. If demand for natural gas and electricity increases and a matching increase in natural gas and electricity supply and transport capacity fails to materialize on a timely basis, Siderar's production in Argentina (or that of its main customers and suppliers) could be curtailed, and Siderar's sales and revenues could decline. Although Siderar could take measures, such as the purchase of alternative fuels such as fuel oil, to limit the effect of supply restrictions on its operations in Argentina, such efforts might not be sufficient to avoid an impact on Siderar's production in Argentina and Siderar might not be able to similarly limit the effect of future supply restrictions. See Risks Relating to the Steel Industry Price fluctuations or shortages in the supply of raw materials, slabs and energy could adversely affect Ternium's profitability above.

Colombia

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

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

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

Table of Contents***Colombian peso volatility could have a negative impact on Ternium's financial condition.***

Ternium could have, at any given time, a long or short net Colombian peso financial position. The fluctuation of the Colombian peso against the U.S. dollar (whether an appreciation or a devaluation) could result in financial losses. For example, most of Ferrasa's trade receivables are Colombian peso-denominated; accordingly, in the event of a Colombian peso devaluation, the financial condition of our Colombian operations, when measured in U.S. dollars, could be adversely affected.

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

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

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

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

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

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

Environmental laws and regulations may, in some cases, impose strict liability rendering a person liable for damages to natural resources or threats to public health and safety without regard to negligence or fault. Some environmental

laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances. These laws and regulations may expose us to liability for the conduct of or conditions caused by others or for acts that were in compliance with all applicable laws at the time they were performed.

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

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

Risks Relating to our ADSs***The market price for our ADSs could be highly volatile.***

Volatility in the price of our ADSs may be caused by factors outside of our control and may be unrelated or disproportionate to Ternium's operating results. In particular, announcements of potentially adverse developments, such as proposed regulatory changes, new government investigations or the commencement or threat of litigation against Ternium, as well as announced changes in Ternium's business plans or those of its competitors could adversely affect the trading price of our ADSs, regardless of the likely outcome of those developments or proceedings. Broad market and industry factors could adversely affect the market price of our ADSs, regardless of its actual operating performance. As an example of this volatility, the price of our ADSs reached USD45.99 on June 6, 2008, before falling to USD4.55 on November 20, 2008, and then recovering to a closing price of USD35.42 on December 31, 2009.

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

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

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

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

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

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

- for, within, in conjunction with or related to, an initial public offering of the shares of the Company on one or more regulated markets (in one or more instances);
- for consideration other than cash;
- upon conversion of convertible bonds or other instruments convertible into shares of the Company;
- provided, however, that the preemptive subscription rights of the then existing shareholders shall apply in connection with any issuance of convertible bonds or other instruments convertible into shares of the Company for cash; or
- subject to a certain maximum percentage, as compensation to directors, officers, agents or employees of the Company, its direct or indirect subsidiaries or its affiliates, including without limitation the direct issuance of shares or the issuance of shares upon exercise of options, rights convertible into shares or similar instruments convertible or exchangeable into shares issued or created to provide compensation or incentives to directors, officers, agents or employees of the Company, its direct or indirect subsidiaries or its affiliates.

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

Furthermore, holders of our shares and ADSs in the United States may, in any event, not be able to exercise any preemptive rights, if granted, for shares unless those shares are registered under the U.S. Securities Act of 1933, as amended (the Securities Act) with respect to those rights or an exemption from registration is available. We intend to evaluate, at the time of any rights offering, the costs and potential liabilities associated with the exercise by holders of shares and ADSs of the preemptive rights for shares, and any other factors we consider appropriate at the time, and then to make a decision as to whether to register additional shares. We may decide not to register any additional shares, requiring a sale by the depositary of the holders' rights and a distribution of the proceeds thereof. Should the

depository not be permitted or otherwise be unable to sell preemptive rights, the rights may be allowed to lapse with no consideration to be received by the holders of the ADSs.

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

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

Item 4. Information on the Company**Overview**

Ternium is a leading steel company in Latin America, manufacturing and processing a wide range of flat and long steel products for customers active in the construction, home appliances, capital goods, container, food, energy and automotive industries. Ternium has a production capacity of finished steel products of approximately 10.4 million tons per year, and shipped approximately 8.1 million tons of steel products in 2010. The Company believes that it is a competitive steel producer due to its proximity to customers and high-quality raw material sources, state-of-the-art and flexible production facilities and downstream integration into value-added steel products.

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

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

In 2010, approximately 57% of Ternium's sales were made to North America, 41% to South and Central America, and 2% to Europe and other markets. In 2010, Ternium's net sales were USD7.4 billion, gross profit was USD1.7 billion, and net income attributable to equity holders was USD622.1 million.

A. History and Development of the Company**The Company**

Our legal and commercial name is Ternium S.A. The Company was organized as a public limited liability company (*société anonyme*) under the laws of the Grand-Duchy of Luxembourg on December 22, 2003. Our Luxembourg office is located at 29, Avenue de la Porte-Neuve 9th floor, L-2227 Luxembourg, telephone number +352 2668 3152. Our agent for U.S. federal securities law purposes is Ternium International U.S.A. Corporation, located at 2200 West Loop South, 8th floor, Houston, TX 77027, United States.

Ternium

Ternium's origins began in September 1961 with the founding of Propulsora Siderúrgica, or Propulsora, by San Faustin's predecessor in Argentina. Propulsora began its operations as a producer of cold-rolled coils in

December 1969 and in the early 1990s began to evolve through a series of strategic investments aimed at transforming Propulsora into an integrated steel producer. In 1993, Propulsora merged with Aceros Parana (a company formed by the Argentine government in connection with the privatization of Somisa, at that time the main integrated producer of flat steel in Argentina), Aceros Parana's subsidiary Sidercrom, a tin plate processing company, and two other steel industry subsidiaries of Propulsora (Aceros Revestidos and Bernal). After the merger, Propulsora changed its name to Siderar S.A.I.C. San Faustin held a controlling interest in Siderar, with the remainder being held mainly by Usinas Siderurgicas de Minas Gerais S/A (a steel company organized under the laws of Brazil) (Usiminas), certain former employees of Somisa, and the public.

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

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

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

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

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

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

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

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

On October 4, 2010 Ternium and Nippon Steel Corporation signed a definitive agreement to form a joint venture in Mexico for the manufacturing and sale of hot-dip galvanized and galvanized steel sheets to serve the Mexican automobile market. The joint venture company, Tenigal, was established in November 2010 with Ternium and Nippon Steel holding 51% and 49% participations, respectively. Tenigal began work for the construction of a hot-dip galvanizing plant in the vicinity of Monterrey City, which is expected to commence production of high-grade and high-quality galvanized and galvanized automotive steel sheets, including outer-panel and high-strength qualities, in 2013. For more information on the Tenigal joint venture, see note 31 to our audited consolidated financial statements included elsewhere in this annual report.

B. Business Overview**Our Business Strategy**

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

The main elements of this strategy are:

Enhance Ternium's position as a low cost steel producer. We are focused on improving utilization levels of our plants, increasing efficiency and further reducing production costs from levels that we already consider to be among the most competitive in the steel industry through, among other measures, capital investments and further integration of our facilities;

Pursue strategic growth opportunities. We have a history of strategically growing our businesses through acquisitions and joint ventures. In addition to strongly pursuing organic growth, we intend to identify and actively pursue growth-enhancing strategic opportunities to consolidate Ternium's presence in its main markets and expand it to the rest of Latin America, gain further access to iron ore and other inputs, expand its offerings of value-added products, increase its steel production, and increase its distribution capabilities. In this regard, our Ferrasa acquisition in Colombia in 2010 allowed Ternium to expand its business and commercial presence in a country that is experiencing significant growth;

Maximize the benefits arising from Ternium's broad distribution network. We intend to maximize the benefits arising from Ternium's broad network of distribution, sales and marketing services to reach customers in major steel markets with a comprehensive range of value-added products and services and to continue to expand its customer base and improve its product mix;

Focus on higher margin value-added products. We intend to continue to shift Ternium's sales mix towards higher margin value-added products, such as cold-rolled sheets and coated and tailor-made products, and services, such as just-in-time delivery and inventory management. In this regard, the pickling, cold-rolling, annealing and tempering lines planned in the vicinity of Monterrey City, will allow Ternium to increase its offering of cold-rolled and galvanized products to meet the demanding requirements of our industrial customers in Mexico; and

Implementing Ternium's best practices. We believe that the implementation of Ternium's managerial, commercial and production best practices in acquired new businesses should generate additional benefits and

savings. For example, the implementation of Ternium's cost control procedures and performance analysis in Ternium Mexico improved control over its production variables and led to cost savings.

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Our Competitive Strengths

We believe that the following competitive strengths distinguish Ternium from its competitors and enhance its leading market position:

State-of-the-art and flexible production system, low cost producer. The combination of a portfolio of state-of-the-art, low cost steel production mills, access to diversified sources of raw materials, including proprietary iron ore mines in Mexico, diversified technology base, including blast furnace based, mini-mill based and non-integrated based steel processing facilities, and cost-competitive labor sources makes Ternium a low-cost producer of steel and a cost-competitive producer of value-added products;

Strong market position and extensive market reach. Ternium has a leading participation in the market for flat steel products in Mexico and Argentina and is a significant supplier of steel products in Colombia and in various other countries in South and Central America. The location of its production facilities gives Ternium favorable access to the most important regional markets in the Americas, including the North American Free Trade Agreement, or NAFTA, and *Mercado Común del Sur*, or Mercosur; and

Experienced and committed management team. Our management team has extensive experience in, and knowledge of, the steel industry, which enhances Ternium's reputation in the global steel markets. A large percentage of our senior managers have spent their entire careers working within the steel businesses of San Faustin and its affiliates. Our management team has substantial experience in increasing productivity and reducing costs, as well as in identifying, evaluating and pursuing growth opportunities and integrating acquisitions.

Our Products

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

Flat steel products

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

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

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

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

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

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

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

Beams: Obtained by roll forming of steel strips, include C and Z section steel profiles (purlings) and tubular section beams, these products have applications in window frames, stilts, mainstays, crossbeams, building structures, supports, guides and crossbars for installing windows, doors, frames and boards.

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

Long steel products

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

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

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

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

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

Other products

Pre-engineered metal building systems: These products are obtained from the mechanical transformation of flat steel. The steel construction systems are destined to low-rise non-residential buildings. Include frames, secondary steel members, roofs and walls panels, as well as finishing and accessories.

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

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

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

Production Facilities and Processes

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

Ternium's aggregate production capacity of steel products as of December 31, 2010, calculated based on management estimates of standard productivity, product mix allocations, the maximum number of possible working shifts and a continued flow of supplies to the production process, was approximately 10.4 million tons, of which 8.7 million tons correspond to flat steel products and 1.7 million tons correspond to long steel products, and of which 7.2 million tons correspond to facilities located in North America and 3.2 million tons correspond to facilities located in South and Central America.

Steel production facilities, service centers and distribution centers

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

Production asset	Quantity	Capacity (thousand tons per year) ¹			Total
		Mexico	Argentina	Other	
Coke Plant	4		1,030		1,030
Sinter Plant	1		1,490		1,490
Direct Reduced Iron Plant	3	2,690			2,690
Blast Furnace	2		3,890		3,890
Electric Arc Furnace	5	3,770		160	3,930
Basic Oxygen Furnace	3		5,000		5,000
Thin Slab Continuous Caster	1	2,050			2,050
Slab Continuous Caster	1		2,880		2,880
Billet Continuous Caster	3	1,660		150	1,810
Slab Rolling Mill	4	5,700	2,790		8,490
Skin Pass Mill	4	2,130	940		3,070
Billet Rolling Mill	4	1,080		160	1,240
Pickling Line	8	3,500	1,790		5,290
Cold-Rolling Mill (Tandem or Reversing)	9	2,540	1,770		4,310
Electrolytic Cleaning	4	1,220	200		1,420
Annealing Line	4	1,240	1,240		2,480
Temper Mill	6	1,320	1,770		3,090
Tension-Leveling / Inspection Line	7	800	980		1,780
Electro-tin plating line	1		160		160
Hot Dip Galvanizing Line	12	1,430	550	390	2,370
Electro-galvanizing Line	1		120		120
Color Coating Line	8	660	110	180	950
Slitter	37	1,960	450	280	2,690
Cut to length	37	550	860	130	1,540
Roll forming Line	35	490	410	280	1,180

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Panel Line	4	80		80
Profile Line	16	190		270
Tube Line	23	500	200	750
Structural beams Lines	1			50
Wire drawing Lines	15			110
Wire Mesh Lines	2			30
Rebar Processing Lines ²	35			100

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

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

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

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

Unit	Country	Integrated	Type of Plant		Distribution Center	Location	Products
			Downstream	Service Center			
Guerrero ¹	Mexico	X		X		San Nicolás d.I.G., Nuevo León	Flat
Norte ²	Mexico	X				Apodaca, Nuevo León	Long
Puebla ³	Mexico	X				Puebla, Puebla	Long
Juventud ⁴	Mexico		X	X		San Nicolás d.I.G., Nuevo León	Flat
Churubusco ⁵	Mexico		X	X		Monterrey, Nuevo León	Flat
Monclova ⁶	Mexico		X			Monclova, Coahuila	Flat
Universidad ⁷	Mexico		X			San Nicolás d.I.G., Nuevo León	Flat
Apodaca Industrial ⁸	Mexico			X		Apodaca, Nuevo León	Flat
Apodaca Comercial ⁹	Mexico			X		Apodaca, Nuevo León	Flat
Varco-Pruden ¹⁰	Mexico			X		Ciénaga de Flores, Nuevo León	Metal buildings
San Luis ¹¹	Mexico			X		San Luis, San Luis Potosí	Flat
DC Chihuahua	Mexico				X	Chihuahua, Chihuahua	Flat
DC BC	Mexico				X	Tijuana, Baja California	Flat
DC MTY	Mexico				X	Monterrey, Nuevo León	Flat
DC Puebla	Mexico				X	Puebla, Puebla	Flat
DC Guadalajara	Mexico				X	Guadalajara, Jalisco	Flat
DC Mexico	Mexico				X	Naucalpan, Estado De México	Flat
DC Culiacán	Mexico				X	Culiacán, Sinaloa	Flat
DC Veracruz	Mexico				X	Veracruz, Veracruz	Flat
DC Mérida	Mexico				X	Mérida, Yucatán	Flat
DC Tuxtla	Mexico				X		Flat

Shreveport ¹²	USA	X	Tuxtla Gtz, Chiapas Shreveport, Louisiana	Flat
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- 1 The Guerrero unit, located in the metropolitan area of Monterrey, Nuevo León, Mexico, produces hot-rolled and cold-rolled coils for the industrial, construction and home appliance sectors and for further processing in other Ternium Mexico's units. It also produces slitted and cut-to-length products for the industrial sector, and profiles and tubes for the industrial and construction sectors. This unit includes two steel service centers, a slab-rolling mill, and an integrated facility based on direct reduced iron, mini-mill steelmaking and thin-slab casting/rolling mill technologies that uses iron ore pellets and steel scrap as main raw materials. The facility sources all of the iron ore from Ternium Mexico's mining operations and the electricity and natural gas from the Mexican grid. In addition, the facility sources its net requirements of slabs from Mexican and international producers. Ternium's procurement policy for these products is described in greater depth in Item 4. Information on the Company B. Business Overview. Raw Materials, Energy and Other Inputs.
- 2 The Norte unit in Nuevo León, Mexico, produces billets and rebar for the construction industry. It is an integrated facility based on mini-mill steelmaking technology that uses steel scrap as its main raw material. The facility sources electricity from the Mexican grid. Ternium's procurement policy for these products is described in greater depth in Item 4. Information on the Company B. Business Overview. Raw Materials, Energy and Other Inputs.
- 3 The Puebla unit in Puebla, Mexico, produces rebar and wire rod mainly for the construction and industrial sectors, including high-carbon, low-carbon and micro-alloyed wire rod. It is an integrated facility based on direct reduced iron and mini-mill steelmaking technologies that uses iron ore pellets and steel scrap as main raw materials. The facility sources all of the iron ore from Ternium Mexico's mining operations and the electricity and natural gas from the Mexican grid. Ternium's procurement policy for these products is described in greater depth in Item 4. Information on the Company B. Business Overview. Raw Materials, Energy and Other Inputs.
- 4 The Juventud unit in Nuevo León, Mexico, produces galvanized and color coated coils for the construction, home appliance and other industries and has a steel service center that produces slitted and roll-formed products, panels and tubes for the construction and industrial sectors. This plant processes hot-rolled and cold-rolled coils received from Ternium Mexico's units in Nuevo León.
- 5 The Churubusco unit in Nuevo León, Mexico, produces hot-rolled and cold-rolled coils for industrial, construction and home appliance sectors and for further processing in other Ternium Mexico's units. It also produces slitted and cut-to-length products for the industrial sector. The facility sources its requirements of slabs from other Mexican producers and from the international markets. Ternium's procurement policy for slabs is described in greater depth in Item 4. Information on the Company B. Business Overview. Raw Materials, Energy and Other Inputs.
- 6 The Monclova unit in Coahuila, Mexico, produces galvanized and color coated sheets for the home appliance industry. This plant processes cold-rolled coils mainly received from Ternium Mexico's units in Nuevo León.
- 7 The Universidad unit in Nuevo León, Mexico, located across the street from the Guerrero unit, produces galvanized and color coated coils for the construction, home appliance and industrial sectors. This plant, which also has a cold-rolling mill, processes hot-rolled coils received from Ternium Mexico's units in Nuevo León.
- 8 The Apodaca Industrial unit in Nuevo León, Mexico, is a steel service center that produces slitted and cut-to-length products for industrial customers. This plant processes coated coils mainly received from Ternium Mexico's units in Nuevo León.
- 9 The Apodaca Comercial unit in Nuevo León, Mexico, is a steel service center that produces slitted and roll-formed products, profiles and tubes for the construction industry. This plant processes coated coils mainly

received from Ternium Mexico s units in Nuevo León.

- ¹⁰ The Varco-Pruden unit in Nuevo León, Mexico, produces metal buildings systems for commercial construction. This plant processes heavy plates procured from the local and international markets and coils received from Ternium Mexico s units in Nuevo León.
- ¹¹ The San Luis unit in San Luis Potosí, Mexico, is a steel service center that produces slitted and cut-to-length products for the home appliance and other industries. This plant processes coated coils received from Ternium Mexico s units in Nuevo León.
- ¹² The Shreveport unit in Lousiana, US, produces galvanized and color coated sheets. It processes cold-rolled coils procured in the international markets.

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On October 4, 2010 Ternium and Nippon Steel Corporation signed a definitive agreement to form a joint venture in Mexico for the manufacturing and sale of hot-dip galvanized and galvanized steel sheets to serve the Mexican automobile market. The joint venture company, Tenigal, was established in November 2010 with Ternium and Nippon Steel holding 51% and 49% participations, respectively. Tenigal began work for the construction of a hot-dip galvanizing plant in the vicinity of Monterrey City (equivalent to the state-of-the art equipment now in operation at Nippon Steel's steelworks in Japan) with a production capacity of 400,000 metric tons per year. The plant is expected to commence production of high-grade and high-quality galvanized and galvanized automotive steel sheets, including outer-panel and high-strength qualities, in 2013. Tenigal is expected to serve the requirements of the growing automotive industry in Mexico, including those of the Japanese car makers. In addition, Ternium Mexico plans to construct new pickling, cold-rolling, annealing and tempering lines at the same site. Part of the output from these lines will be used to supply the Tenigal plant. For more information on the Tenigal joint venture, see note 31 to our audited consolidated financial statements included elsewhere in this annual report.

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

Unit	Country	Integrated	Type of Plant			Location	Products
			Downstream	Service Center	Distribution Center		
San Nicolás ¹³	Argentina	X				Ramallo, Buenos Aires	Flat
Canning ¹⁴	Argentina		X	X		Canning, Buenos Aires	Flat
Haedo ¹⁴	Argentina		X	X		Haedo, Buenos Aires	Flat
Florencio Varela ¹⁵	Argentina		X	X		Florencio Varela, Buenos Aires	Flat
Ensenada ¹⁶	Argentina		X			Ensenada, Buenos Aires	Flat
Rosario ¹⁷	Argentina			X		Rosario, Santa Fe	Flat
San Luis ¹⁷	Argentina			X		San Luis, San Luis	Flat
Serviacero III ¹⁸	Argentina			X		Ramallo, Buenos Aires	Flat
Sidercrom ¹⁹	Argentina			X		Ramallo, Buenos Aires	Flat
Manizales Acasa ²⁰	Colombia	X				Manizales, Caldas	Long
Barranquilla ²¹	Colombia			X		Malambo, Atlántico	Flat
Itagüí ²²	Colombia			X		Itagüí, Antioquía	Long
Calí Perfilamos ²³	Colombia			X		Puerto Tejada, Cauca	Flat
Medellín ²⁴	Colombia			X		Medellín, Antioquía	Flat and long
Bogotá ²⁴	Colombia			X		Bogotá, Cundinamarca	Flat and long

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Calí Ferrasa ²⁴	Colombia		X		Calí, Valle del Cauca	Flat and long
Montería ²⁴	Colombia		X		Montería, Córdoba	Flat and long
Manizales Ferrasa ²⁴	Colombia		X		Manizales, Caldas	Flat and long
Villa Nueva ²⁵	Guatemala	X	X		Villa Nueva, Guatemala	Flat
DC Norte	Guatemala			X	Guatemala, Guatemala	Flat
DC Occidente	Guatemala			X	Mazatenango, Suchitepéquez	Flat
Tegucigalpa ²⁶	Honduras		X		San Pedro Sula, Cortés	Flat
DC Tegucigalpa	Honduras			X	Tegucigalpa, Distrito Central	Flat
San Salvador ²⁶	El Salvador		X		San Salvador, San Salvador	Flat
DC San Miguel	El Salvador			X	San Miguel, San Miguel	Flat
Managua ²⁶	Nicaragua		X		Managua, Managua	Flat
Heredia ²⁷	Costa Rica		X		Heredia, Heredia	Flat
Panamá ²⁴	Panama		X		Panama, Panama	Long

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- 13 The San Nicolás unit in the Province of Buenos Aires, Argentina, produces hot-rolled, cold-rolled and tinplate coils for the construction, industrial and packaging sectors and for further processing in other Siderar s units. San Nicolás includes an integrated facility based on blast furnace and basic oxygen furnace technologies, supplemented with a sinter plant, coking batteries, a by-product plant and a power plant. It uses metallurgical coal and iron ore lumps, pellets and fines as main raw materials. The facility sources all of its coal and iron ore needs from the international markets, shipped to its own port on the banks of the Paraná river. It sources the natural gas from the Argentine grid, produces most of its electricity needs in its own power plant and sources its net requirements of electricity from the Argentine grid. Ternium s procurement policy for these products is described in greater depth in Item 4. Information on the Company B. Business Overview. Raw Materials, Energy and Other Inputs.
- 14 The Canning and Haedo units in the Province of Buenos Aires, Argentina, produce galvanized sheets, slitted and roll-formed products and profiles for the construction and home appliance sectors. In addition, the Canning facility produces color coated sheets for such markets. Both plants process cold-rolled coils received from Siderar s San Nicolás and Ensenada units.
- 15 The Florencio Varela unit in the Province of Buenos Aires, Argentina, produces electro-galvanized sheets, blanks and slitted products for the automotive, construction and other industries. This plant processes cold-rolled coils received from Siderar s San Nicolás and Ensenada units.
- 16 The Ensenada unit in the Province of Buenos Aires, Argentina, produces cold-rolled coils for the construction and industrial sectors and for further processing in Siderar s own facilities. This plant processes hot-rolled coils received from Siderar s San Nicolás unit.
- 17 The Rosario unit in the Province of Santa Fe, Argentina, and the San Luis unit in the Province of San Luis, Argentina, are steel service centers that produce tubes for the construction industry. These plants process hot-rolled coils received from Siderar s San Nicolás unit.
- 18 The Serviacero III unit in the Province of Buenos Aires, Argentina, is a steel service center that produces cut-to-length products for the construction and industrial sectors. This plant processes hot-rolled coils received from Siderar s San Nicolás unit.
- 19 The Sidercrom unit in the Province of Buenos Aires, Argentina, is a steel service center that produces cut-to-length and slitted products for the packaging sector. This plant processes tinplate coils received from Siderar s San Nicolás unit.
- 20 The Manizales Acasa unit in Caldas, Colombia, produces billets and rebar for the construction industry. It is an integrated facility based on mini-mill steelmaking technology that uses steel scrap as its main raw material. The facility sources all of its scrap and electricity needs from local suppliers. Ternium s procurement policy for these products is described in greater depth in Item 4. Information on the Company B. Business Overview Raw Materials, Energy and Other Inputs.
- 21 The Barranquilla unit in Atlántico, Colombia, is a steel service center that produces slitted, cut-to-length, drawn wire, wire mesh and customized rebar-based products for the construction industry. This plant processes wire rod purchased in the international market and rebar received from Ferrasa s Manizales unit and rebar purchased in the international markets. Hot-rolled and cold-rolled coils are received mainly from Ternium Mexico s units in Nuevo León.

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- 22 The Itaguaí unit in Antioquía, Colombia, is a steel service center that produces drawn wire, wire mesh and customized rebar-based products for the construction industry. This plant processes wire rod purchased in the international markets and rebar received from Ferrasa's Manizales unit and rebar purchased in the international markets.
- 23 The Calí Perfilamos unit in Cauca, Colombia, is a steel service center that produces profiles, tubes and structural beams for the construction industry. This plant processes hot-rolled and cold-rolled coils received mainly from Ternium Mexico's units in Nuevo León and purchased in the international markets.
- 24 The Medellín unit in Antioquía, Colombia, the Bogotá unit in Cundinamarca, Colombia, the Calí Ferrasa unit in Valle del Cauca, Colombia, the Montería unit in Córdoba, Colombia, the Manizales Ferrasa unit in Caldas, Colombia and the Panamá unit in Panama, Panama, are steel services centers that produce customized rebar-based products for the construction industry. These plants process rebar received from Ferrasa's Manizales unit and rebar purchased in the international markets.
- 25 The Villa Nueva unit in Guatemala, Guatemala, produces galvanized sheets for the construction industry and for further processing in other Ternium Mexico's units in Central America. It also has a steel service center that produces slitted, roll-formed and cut-to-length products, and profiles for the construction industry. This plant processes hot-rolled, cold-rolled and coated coils received from Ternium Mexico's units in the Nuevo León area and from the international markets.
- 26 The Tegucigalpa unit in Cortés, Honduras, the San Salvador unit in San Salvador, El Salvador, and the Managua unit in Managua, Nicaragua, are steel service centers that produce roll-formed products for the construction industry. These plants process coated coils received mainly from Ternium Mexico's Villa Nueva unit.
- 27 The Heredia unit in Heredia, Costa Rica, is a steel service center that produces roll-formed products and profiles for the construction industry. This plant processes hot-rolled, cold-rolled and coated coils received from Ternium Mexico's units in Nuevo León and from the Villa Nueva unit.

Iron ore mining facilities

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

Production asset	Quantity	Capacity (thousands of tons per year)		
		Las Encinas	Peña Colorada	Total
Crushing Plant	3	5,300	9,000	14,300
Beneficiation Plant	2	2,000	4,400	6,400
Pelletizing Line	3	1,900	4,000	5,900

Las Encinas operates the Aquila open pit mine located in Michoacán, Mexico, and the El Encino underground mine located in Jalisco, Mexico. Las Encinas produces iron ore pellets. The facilities include crushing and beneficiation plants located close to the mines and beneficiation and pelletizing plants located near Alzada in Colima, Mexico, approximately 160 kilometers from Aquila. The iron ore pellets are shipped by rail to Ternium Mexico's integrated facilities.

Peña Colorada operates the Minatitlán open pit mine located in Colima, Mexico. Peña Colorada produces iron ore pellets and magnetite concentrate. The facilities include crushing and beneficiation plants located close to the mine, near Minatitlán, and a pelletizing plant, including two pelletizing lines, located near the Manzanillo Port in the Pacific coast in Colima, Mexico, 50 kilometers from Minatitlán. Ternium and ArcelorMittal each own 50% of Peña Colorada.

Under the existing arrangements, Peña Colorada is required to sell half of the mine's production to each of Ternium and ArcelorMittal. See Item 4. Information on the Company B. Business Overview Raw Materials, Energy and Other Inputs Mexico Iron Ore. Both iron ore pellets and magnetite concentrates are shipped by rail or from the Manzanillo Port to Ternium's facilities, to ArcelorMittal's facilities and abroad.

Table of Contents***Production process***

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

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

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

Steel production. Ternium produces semi-finished steel in the form of thin slabs, slabs, billets and round bars through the electric arc furnace and the blast furnace methods. Under the electric arc furnace method, which is used in Mexico and Colombia, the iron metal charge is heated with other elements to obtain molten steel. The molten steel is then cast using the continuous casting method into billets and thin slabs. The iron metal charge in the Norte and Manizales plants is steel scrap, and the iron metal charge in the Monterrey and Puebla Plants is a mix of direct reduced iron (DRI) and steel scrap. The direct reduced iron (DRI) results from the conversion of pellets in the DRI modules. One of Monterrey's DRI plants includes the latest DRI HYI® technological advances, such as Hytemp®, which permits the hot discharge of the DRI to the electric arc furnace generating significant energy savings and improving productivity. Under the blast furnace method, which is used in Argentina, iron ore pellets, lumps, sinter (a mixture of iron ore fines and limestone produced in our sinter plant) and coke (a solid residue obtained from the distillation of coal produced in our coking batteries) are mixed in the blast furnaces in a process that melts and reduces the iron ore, obtaining pig iron. The molten pig iron is then mixed with steel scrap and other products in a basic oxygen furnace through a process that removes impurities from the pig iron by injecting pure oxygen at high pressure into the molten metal, burning-off carbon and other elements. The molten steel is then cast using the continuous casting method into slabs.

Steel processing. Semi-finished steel is then processed into finished products using hot-rolling, cold-rolling, coating, tubing, paneling, slitting and cut-to-length facilities among other processes. Ternium purchases semi-finished steel in the marketplace in the form of slabs, as its slabs processing capacity in Mexico is higher than its slabs production capacity in the country. It may purchase hot-rolled and cold-rolled coils as well for further processing in its lines. Slabs and billets are processed in the hot-rolling mills in Mexico, Argentina and Colombia to obtain hot-rolled products using different technologies. In the case of flat products, hot-rolled coils are obtained from thin or conventional slabs. Thin slab hot-rolling, a technology Ternium uses only in Mexico, requires less energy than conventional slab hot-rolling, as it does not require a roughing section at the mill and does not need to be reheated from room temperature to reach rolling temperature. In the production of long products, which is carried out in Mexico and Colombia, billets are reheated and taken to rolling temperature. The softened steel is processed in the rolling trains to obtain wire rods and rebars as finished long products and, depending on its final use, rebars can be further processed into stirrups and other customized shapes in our service centers in Colombia and Panama. Depending on its final use, the hot-rolled coils are then tempered and/or pickled, both in Mexico and Argentina, before being sent for sale as coils or cut into steel sheets. Alternatively, the hot-rolled coils may be sent to a cold-rolling mill where they are put under a deformation process at room temperature to reduce their thickness and obtain cold-rolled coils. Cold-rolled coils can be sold in crude form to the market (full hard) or processed in the reheating ovens, annealing bays and tempers lines to modify their metallurgic and physical characteristics. The tempered products can be sold as coils or sheets or further processed by adding coatings.

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

Sales and Marketing*Net Sales*

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

Our total net sales amounted to USD7.4 billion in 2010, USD5.0 billion in 2009 and USD8.5 billion in 2008. For further information on our net sales see Item 5. Operating and Financial Review and Prospects A. Results of Operations.

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

<i>In millions of U.S. dollars</i>	For the year ended December 31,		
	2010	2009	2008
Flat Steel Product Sales			
North America	3,464.9	2,371.9	4,294.7
South and Central America	2,886.2	1,717.1	2,782.5
Europe and Other	25.3	161.0	47.5
Total Flat Steel Products Sales	6,376.4	4,250.0	7,124.7
Long Steel Product Sales			
North America	640.7	512.0	791.8
South and Central America	163.9	57.3	274.2
Europe and Other	28.6	3.5	8.9
Total Long Steel Product Sales	833.1	572.9	1,075.1
Total Other Sales (1)	172.5	136.1	265.1
Total Sales	7,382.0	4,959.0	8,464.9

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

<i>In thousands of tons</i> (unaudited)	For the year ended December 31,		
	2010	2009	2008
Flat Steel Product Sales Volume			
North America	3,852.1	3,114.5	3,666.1

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South and Central America	2,877.0	1,903.6	2,604.2
Europe and Other	42.6	287.0	55.2
Total Flat Steel Product Sales Volume	6,771.7	5,305.2	6,325.5
Long Steel Product Sales Volume			
North America	974.2	931.2	901.3
South and Central America	258.7	118.4	302.5
Europe and Other	50.0	6.1	13.3
Total Long Steel Product Sales Volume	1,282.9	1,055.6	1,217.2
Total Sales Volume (1)	8,054.6	6,360.8	7,542.7

(1) The Total Sales Volume does not include the tons of Other sales.

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North America Region

Sales to customers in the North America Region accounted for 57.0% of Ternium's consolidated sales during 2010, 60.0% during 2009 and 61.8% during 2008. See Item 5. Operating and Financial Review and Prospects A. Results of Operations Fiscal Year Ended December 31, 2010 compared to Fiscal Year Ended December 31, 2009 Net Sales and Fiscal Year Ended December 31, 2009 compared to Fiscal Year Ended December 31, 2008 Net Sales.

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

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

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

South and Central America Region

Sales to customers in the South and Central America Region accounted for 41.4% of Ternium's consolidated sales during 2010, 35.9% during 2009 and 36.7% during 2008. See Item 5. Operating and Financial Review and Prospects A. Results of Operations Fiscal Year Ended December 31, 2010 compared to Fiscal Year Ended December 31, 2009 Net Sales and Fiscal Year Ended December 31, 2009 compared to Fiscal Year Ended December 31, 2008 Net Sales.

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

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

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

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Europe and Other

Sales to customers in Europe and other regions, which are generally made on a spot basis, accounted for 1.6% of Ternium's consolidated sales during 2010, 4.0% during 2009 and 1.5% during 2008. See Item 5. Operating and Financial Review and Prospects A. Results of Operations Fiscal Year Ended December 31, 2010 compared to Fiscal Year Ended December 31, 2009 Net Sales and Fiscal Year Ended December 31, 2009 compared to Fiscal Year Ended December 31, 2008 Net Sales.

Ternium's sales in Europe and other regions are carried out through the Ternium commercial network and in 2010 were mainly destined for Vietnam, Italy, Pakistan and Australia.

Pricing

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

Marketing

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

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

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

North America Region

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

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

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

Ternium Mexico has a department focused on the development of small- and medium-sized companies in Mexico under a program created by the Techint group for the development of its customers and the local industry (Propymes).

The objective of the program is to improve the competitiveness of customers and suppliers, to increase their exports and allow them to substitute imports with local products. Approximately 150 companies are part of this program in Mexico, which provides support for industrial, training, and institutional requirements of the participating companies.

Several Mexican steel producers compete with us in the flat and long steel markets, as discussed below in Competition .

Ternium's experienced sales force specializes in the needs of each market sector and focuses on value-added products and services. In this competitive and end-user oriented market, the extensive use of well-known commercial brands allows customers to clearly recognize Ternium's products. Ternium seeks to increase its competitive advantage by providing value-added services, including the technical assistance related to steel use and production, and developing new steel products.

Table of Contents***South and Central America Region***

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

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

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

Ternium has commercial offices in Argentina, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Uruguay. These offices provide services such as market development, analysis of businesses opportunities, and customer support in their respective countries. Propymes was implemented in Argentina in 2002, with the objective of promoting the local industry. Approximately 490 companies are part of this program, which provides support for industrial, training, commercial, financial and institutional requirements of the participating companies.

Europe and Other

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

Competition***Global Market***

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

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

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

June 2006: Mittal Steel and Arcelor merge to create ArcelorMittal, the world's largest steel company.

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March 2007: Votorantim acquires Colombia's Aceria Paz del Rio.

April 2007: Tata Steel completes the acquisition of Corus.

July 2007: Gerdau acquires Chaparral Steel.

August 2007: US Steel acquires Stelco.

March 2008 to May 2008: Severstal acquires Sparrows Point, WCI Steel and Esmark (subsequently during 2011 it divested Sparrows Point, Warren and Wheeling).

February 2011: Nippon Steel and Sumitomo announce a merger plan.

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

Steel prices in general, including both flat and long products, have exhibited significant volatility in recent years. From 2000 to 2002, the industry, especially in North America, experienced fluctuating capacity utilization, low demand growth levels and other adverse conditions, which led to depressed steel prices, adversely impacting many steel producers' profitability. In 2003 and 2004, steel prices increased worldwide, due to higher economic growth in most regions, particularly China and other developing countries, as well as higher raw material prices (iron ore, ferroalloys and energy). During the first quarter of 2008, steel prices went up significantly due to higher demand for steel products and higher input costs resulting from constraints in the availability of raw materials. However, this trend reversed beginning in the second half of 2008 due to a global economic downturn, with prices and costs declining steeply. In the second half of 2009 and first half of 2010, steel prices recovered, reflecting the improving conditions in steel markets worldwide and higher raw material costs, but gradually declined during most of the second half of the year as steel demand was not strong enough to digest capacity restarts and additions mainly in the United States. Finally, steel prices rebounded by year-end 2010 supported by an increase in apparent steel demand, but decreased during the second quarter of 2011.

North America Region

Mexico. Ternium has strong domestic competitors in the Mexican steel market and faces significant competition from imports. According to Canacero, the Mexican chamber of the iron and steel industry, imports of hot-rolled, cold-rolled and galvanized steel products in Mexico accounted for approximately 31%, 27% and 33% of the Mexican market in 2010, 2009 and 2008, respectively, as steel consumption in Mexico is higher than the installed steel capacity in the country.

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

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

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

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

Table of Contents***South and Central America Region***

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

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

Although Siderar has been the principal flat steel provider in Argentina since its foundation, foreign competition has challenged its market positioning in the country. For example, during the 1990s, Siderar's market share in Argentina decreased as a result of imports of steel products at very low prices. See Regulations Trade regulations.

Colombia. On August 25, 2010, Ternium completed the acquisition of a 54% ownership interest in Ferrasa. Ferrasa has a 100% ownership interest in Sidecaldas S.A.S., Figuraciones S.A.S. and Perfilamos del Cauca S.A.S., all of which are also Colombian companies. For more information on the Ferrasa acquisition, see note 3 to our audited consolidated financial statements included elsewhere in this annual report.

Ferrasa is the main flat steel processor in Colombia and a long steel producer. Its main competitors in the Colombian steel market are Acerías de Colombia, Acerías Paz del Río and Diaco. Through the acquisition of Ferrasa, Ternium intends to increase its market share in Colombia, the third largest Latin American steel market in 2010.

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

Capital Expenditure Program

Capital expenditures in Ternium's facilities during 2010 amounted to approximately USD350 million. In light of the global economic downturn, in 2009 we delayed, reassessed or canceled a significant part of previously announced capital expenditure plans and projects. We subsequently resumed our activities with a reassessed plan and currently expect that our capital expenditures for 2011 will amount to approximately USD700 million and that such amount will be financed mainly with cash from operations.

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

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

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

Table of Contents***North America Region***

During 2010, Ternium's capital expenditures in the region amounted to USD161 million. We carried out a basic capital expenditure plan in order to maintain our equipment's operating performance and to improve logistics, and at the same time we continued with some projects of which the most significant were:

Revamping of a cold-rolling mill in Mexico. This mill is part of the Churubusco unit of Ternium Mexico's operations. This improvement involves an investment of approximately USD60 million and is expected to provide an additional annual rolling capacity of 380 thousand tons.

Revamping of a grinding plant. This plant is part of the Las Encinas mining operations in Mexico. The project is aimed at expanding the facility's iron ore processing capacity and is expected to be completed during 2011.

In 2008, Ternium announced a greenfield project to build a flat steel plant in Mexico, which was aimed at expanding its production capacity. In its initial phase, the project would involve the design and construction of a mini-mill and a hot-rolling mill in the Monterrey area, while its second phase would involve the construction of a cold-rolled and galvanizing plant, including a pickling line and a cold-rolled tandem mill, and a hot-dipped galvanizing line, to serve the industrial and commercial markets. Subsequently, Ternium changed the sequence of the project, and resolved to build the cold-rolling and galvanizing facilities first, thereby changing the second phase to first phase. As part of this project, in October 2010, Ternium and Nippon Steel Corporation signed a definitive agreement to form a joint venture in Mexico for the manufacturing and sale of hot-dip galvanized and galvanized steel sheets to serve the Mexican automobile market. The joint venture company, Tenigal, was established in November 2010 with Ternium and Nippon Steel holding 51% and 49% participations, respectively. Ternium expects that construction of the facility would require a total investment of approximately USD350 million. Tenigal began work for the construction of a hot-dip galvanizing plant in the vicinity of Monterrey City, which is expected to commence production of high-grade and high-quality galvanized and galvanized automotive steel sheets, including outer-panel and high-strength qualities, in 2013. In addition, Ternium Mexico plans to construct new pickling, cold-rolling, annealing and tempering lines at the same site. Part of the output from these lines will be used to supply the Tenigal plant. Ternium expects that construction of these lines would require a total investment of approximately USD700 million and commence production in 2013. For more information on the Tenigal joint venture, see note 31 to our audited consolidated financial statements included elsewhere in this annual report.

South and Central America Region

During 2010, Ternium's capital expenditures in the region amounted to USD189 million. We carried out a basic capital expenditure plan to maintain our equipment's operating performance and continued with some projects, of which the most significant were carried out in Argentina:

Relining of blast furnace No. 1. This mill is part of the San Nicolás unit of Siderar's operations. The preparatory works for this project began in 2007, and the relining work commenced in October 2008. The project was completed in the first half of 2010.

Progress in the expansion of hot rolling mill capacity. This mill is part of the San Nicolás unit of Siderar's operations. The expansion entails the installation of an additional coiler and exit, enabling an increase in the mill's annual processing capacity of approximately 100,000 tons of slabs. The project is expected to be completed during 2012.

Revamping and expansion of the by-products plant at Siderar's coking facilities. These facilities are part of the San Nicolás unit of Siderar's operations. The project is expected to be completed during 2012.

Progress in repairs and enhancements at Siderar's coking facilities. Works included repairs in one chimney (expected to be completed during 2011), in coke oven battery #2 (completed during 2010) and in coke oven battery #4 (expected to be completed during 2012).

Construction of a river port for barges. This facility, which is part of the San Nicolás unit of Siderar's operations, is designed for unloading barged iron ore, which represents approximately half of the total iron ore volume received in Siderar's ports. Construction of this port was completed in the first half of 2011.

Expansion of service center processing capacity. These projects involved the installation of new slitters at the Florencio Varela and Rosario units and a new roll forming line at the Canning unit of Siderar s operations.

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In 2011, Ternium intends to further develop its ongoing projects, to start new ones aimed at fulfilling its main objectives, and to continue evaluating growth opportunities in the region. Accordingly, we continue making progress in the projects describe above and, in addition, we are advancing the following projects:

Revamping of Siderar s continuous caster in the steel shop. The revamping is expected to increase the operating reliability of the equipment.

Construction of a vacuum degassing in the steel shop. This equipment will enable the production of interstitial-free steel for certain applications in the automobile industry.

Replacement of staves in blast furnace No. 2 in Argentina. This is expected to increase the operating reliability of the equipment and is expected to be completed during 2012.

Expansion of processing capacity in Argentina. Works include the revamping and expansion of a hot-dip galvanizing mill, a new slitter and the expansion of warehouse capacity.

In addition, our subsidiary Ternium Brasil S.A. is currently assessing expansion opportunities in Brazil. As part of this evaluation, Ternium Brasil has taken (and may continue to take) several preparatory steps and has engaged (and may continue to engage) in negotiations with third parties. Ternium, however, has not made any final decision in connection with any of these expansion opportunities.

Information technology investments

We spent an aggregate of approximately USD20 million in information technology during 2010, mainly for the integration of our Mexican facilities into Ternium s core business administration system.

Raw Materials, Energy and Other Inputs

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

Mexico

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

Slabs. Ternium s Mexican subsidiary has some non-integrated facilities that consume large quantities of slabs purchased from third-party steel suppliers. Currently, slabs are purchased both in Mexico (primarily from ArcelorMittal) and in the international markets. In addition, in the past Siderar supplied slabs from time to time to our Mexican operations. Slab consumption varies significantly year to year in accordance with market conditions. Our Mexican subsidiary purchased 2.6 million, 1.7 million and 2.4 million tons of slabs in 2010, 2009 and 2008, respectively. Slab purchase prices are market-based.

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Iron ore. As described under Production Facilities and Processes Iron ore mining facilities above, Ternium's subsidiaries own interests in two mining companies in Mexico: 100% of the equity of the Las Encinas and a 50% equity stake in Peña Colorada. In 2010, Ternium's Mexican facilities sourced 100% of their iron ore requirements from the mines operated by these two companies. Under our arrangement with Peña Colorada's other shareholder, an ArcelorMittal subsidiary, we are committed to off-take 50% of the annual production of the Peña Colorada mine. In 2010, approximately 88% of the iron ore production available to Ternium went to our own direct reduction plants and the remaining 12% was sold in the international markets. Most of the iron ore exports during 2010 were made on a spot price basis.

Scrap. In 2010, approximately 83% of Ternium's scrap requirements were obtained in the Mexican market through its own steel scrap collecting and processing operations and approximately 17% was purchased in the United States. Scrap is purchased at market prices.

Electricity. Electric arc furnaces consume large quantities of electricity. During 2010, 59% of Ternium Mexico's total consumption was supplied by the *Comisión Federal de Electricidad* or CFE, Mexico's state-owned electricity company. The remainder was mostly purchased under long-term contracts from two other suppliers with power plants in the Monterrey area, Iberdrola Energía Monterrey, S.A. de C.V. (Iberdrola), a subsidiary of a Spanish utility company, and Tractebel Energía de Monterrey, S. de R.L. de C.V. (Tractebel), a subsidiary of a U.S. utility company. We have a long-term contract with Iberdrola for approximately 111 MW power capacity and a long-term contract with Tractebel for approximately 90 MW power capacity. Electricity purchases under these contracts are made at prices linked to prevailing market conditions.

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

Argentina

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

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

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

Electricity. Siderar consumes large quantities of electricity for its manufacturing activities, particularly in its San Nicolás and Ensenada facilities. The electricity required to cover most of our facilities needs is self-generated by a wholly-owned thermoelectric plant with an installed power capacity of 110 MW located at the San Nicolás facility. Most of the energy requirements of the thermoelectric plant are obtained from blast furnace and coke oven gases and from steam that is purchased at market prices from a power plant located at the San Nicolás facility owned by Siderca

S.A.I.C., a subsidiary of Tenaris, under a long-term steam sales agreement. The rest of the requirements are covered through the purchase of natural gas from different market vendors, or with alternative sources of energy such as fuel oil. Siderar covers electricity shortfalls or sells excesses, as the case may be, at spot prices in the wholesale market. In order to mitigate these shortfalls, it entered into electricity supply contracts with the Central Puerto and Genelba power plants, both owned by Petrobras. Over the course of the last several years, demand for electricity has increased substantially, resulting in shortages of electricity to residential and industrial users during periods of high demand. Accordingly, in 2008 certain Siderar facilities suffered interruptions in their electricity supply at peak hours.

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Natural gas. Siderar also consumes substantial volumes of natural gas, particularly to operate its blast furnace and power generation facilities. Siderar purchases natural gas at market prices mainly from Pan American Energy, Total Austral, Tecpetrol S.A., a company controlled by San Faustin, and natural gas traders, including MetroEnergía, Albanesi, Gas Patagonia and Energy Traders. As is the case with electricity, natural gas demand has increased significantly, and supply to industrial users (including Siderar) has often been restricted during the Argentine winter. Siderar has separate transportation agreements with Transportadora de Gas del Norte S.A. (TGN), Transportadora de Gas del Sur S.A. (TGS), Camuzzi Gas Pampeana S.A. (Camuzzi), Gas Natural Ban S.A. (Gasban) and Metrogas. The main transportation contract is with TGN, a company partially owned by San Faustin, which expires in April 2013. For the final distribution phase, Siderar has several distribution contracts with Litoral Gas (a company partially owned by San Faustin), Camuzzi, Gasban and Metrogas. The principal contract is with Litoral Gas, which expires in December 2011.

Other inputs. Siderar has on-site oxygen, nitrogen and argon separation plants in order to extract these gases for use in the steelmaking process. Siderar's separation plants are being managed by Air Liquide Argentina S.A. (Air Liquide). Siderar is a party to a long-term contract with Air Liquide for the supply of oxygen, nitrogen and argon. The agreement requires Siderar to take or pay minimum daily amounts of these gases for an aggregate amount of USD62.9 million to satisfy Siderar's current production needs through 2021, and to make incremental purchases of these gases for an aggregate amount of USD113.5 million to satisfy the requirements through 2025 of a new separation facility to be constructed as part of Siderar's expansion plan. As a result of the severe global crisis that began in 2008 and the uncertainties surrounding the evolution of steel demand in the domestic and global markets, the parties engaged in discussions for the renegotiation of the contract. In February 2011, Siderar and Air Liquide reached agreement on the terms of the renegotiation; the obligations of the parties under the agreement related to the new separation facility were suspended through March 31, 2012, and Siderar agreed to purchase from Air Liquide certain equipment for an aggregate amount of approximately USD22.3 million. If Siderar was to resume its expansion plan on or prior to March 31, 2012, Air Liquide would be required to repurchase that equipment, and all of the parties' obligations under the contract would be reinstated; otherwise, all rights and obligations relating to the new separation plant and the related supply of gases would terminate automatically on March 31, 2012, and Siderar would be required to pay to Air Liquide an aggregate amount currently estimated at USD12 million.

Colombia

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

Steel products. Ternium's operations in Colombia include non-integrated facilities that process steel supplied by Ternium's overseas subsidiaries at market prices and also process steel purchased from third-party suppliers. The majority of third-party purchased steel is procured in the local market consisting mainly of long products. Steel products consumption varies significantly year to year in accordance with market conditions. From August 25, 2010, when we acquired our Colombian subsidiary, until year-end 2010, our subsidiary purchased more than 50,000 tons of steel products from third parties.

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.

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

Table of Contents**Product Quality Standards**

Ternium develops its products and services with a philosophy of continuous improvement and seeks to excel in its internal quality control of its products and processes. Ternium's products are manufactured in accordance with proprietary standards and the requirements of customers, and within the specifications of recognized international standardization entities including the International Organization for Standardization, or ISO, the American Society for Testing and Materials, or ASTM, the European Standards, or EN, the Japanese Industrial Standards, or JIS, the Society of Automotive Engineers, or SAE, and the standards of the American Petroleum Institute, or API. Ternium established and implemented a Quality Management System (QMS) and continuously improves its effectiveness in compliance with the requirements of the applicable ISO 9001:2008 and ISO / TS 16949:2009, intended for production to automotive supplies, and other specific requirements. Ternium's QMS operates with aligned strategies, objectives and criteria throughout Ternium's subsidiaries. To keep its ISO multisite certification, the QMS is yearly audited by Lloyd's Register Quality Assurance. In 2010, our Mexican and Guatemalan facilities, as well as Siderar's ones, were recertified as part of the multisite certification scheme.

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

Research and Development; Product Development

Product research and development activities at Ternium are conducted through a central Product Development Department in coordination with local teams that operate in several of our facilities. Applied research efforts are carried out in-house and in conjunction with universities and research centers, as well as through the participation in international consortia. Ternium also develops new products and processes in cooperation with its industrial customers.

In 2010, Ternium's product research and development activities focused on increasing the industrial integration of its newly acquired facilities in Colombia and on the development of products aimed at increasing market share and adding value to our products. Ternium continued carrying out its medium-term product research and development plan, encompassing foreseen product requirements and associated new equipment, which it considers a key input for the design of Ternium's capital expenditure projects and differentiating strategies.

In 2010, Ternium continued the development of processing routes aimed at integrating and increasing utilization rates at its production units and, ultimately, at replacing steel products procured from third parties with products manufactured in-house and developing new markets. For example, hot-rolled, cold-rolled and coated coils manufactured in our production units in Mexico were further processed in our recently acquired facilities in Colombia, targeting the Andean steel market for structural products, pressure vessels, white goods and enameled products. In addition, billets manufactured in our production units in Mexico were further processed in our hot-rolling mill in Colombia to supply the local construction steel market.

During 2010, Ternium developed new products for certain construction steel markets in Central America, including various types of reinforcing bars and billets. In addition, Ternium developed large diameter bars for the Andean market for use in mountain road infrastructure development. Ternium expanded the product range of pre-engineered metal buildings through the development of manufacturing processes of heavy structures used in large industrial buildings. In addition, Ternium developed structural high-toughness hot-rolled steel for use in a mining project in Argentina, and developed new panels in compliance with the Montreal Protocol regulations and is now able, ahead of its schedules, to manufacture panels without using foaming agents that could potentially damage the ozone layer. In 2010 we continued certifying our products with existing customers in the automotive industry in Mexico and Argentina, related to newly defined standards and new car models to be produced in these countries. In this regard, Ternium gained market share upon receiving customer approval of our electro-galvanized products for exposed surface and hot-rolled and cold-rolled low-carbon drawing grade steels. We also received customer approval for hot-rolled pickled and oiled structural grades for use in the wheel and hydro-formed tubes market segments. Other products we developed in 2010 included novel silicon-killed wire rod steel grades with enhanced toughness for the manufacturing of high resistance springs used in light and heavy vehicles, hot-rolled grades for welded pipes applied in boilers and heat exchangers, painted galvanized steel sheets for air conditioners, and high strength painted

cold-rolled steel for lighting fixtures.

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Ternium's medium-term product research and development plans are based on a continuing assessment of steel product performance and the emerging requirements of the industry, carried out in close collaboration with leading steel customers. Based on customer needs, we improve, adapt and create new applications and define future technology requirements at our facilities. With the aim at further developing our metallurgical knowledge and its applications, we continued participating in various medium-term projects, including those relating to high-quality low-inclusion steel in association with Cinvestav (a Mexican research center); applications for the automotive industry through consortiums associated with Canadian McMaster University and the International Zinc Association, as well as in association with the University of Pittsburgh and the Argentine Steel Institute; applications for buildings through a consortia associated with the French Corrosion Institute; and applications for the canning industry through a consortia associated with the International Tin Research Institute.

In 2011, Ternium plans to expand its product range for the automotive, pressure vessels, heavy machinery and agricultural sectors through the development of high-strength steel grades, mainly to increase market share and the value added to our products. In addition, Ternium expects to complete an ongoing project aimed at manufacturing high-quality low-inclusion bars for the oil and gas industry, a new product family for seamless pipe manufacturing, and expects to explore product development opportunities for application in oil and gas wells aimed at participating in the high-end coiled tubing market. In addition, Ternium expects to implement an IT system in Mexico fully integrating product and processing route specifications among its plants. This effort should enable significant optimization in our processes and products, including increasing opportunities for productivity enhancement, cost reduction and inventory optimization. In applied research, Ternium intends to continue developing ongoing projects with focus on several developments for the automobile and electric motor sectors, and plans to launch projects aimed at developing continuous casting processes for ultra-low carbon steel grades for application in the automobile sector. These developments should allow us to assess future technology requirements as well as to incorporate, within its product range, a new family of high-end finished steel products.

We spent an aggregate of USD5.7 million for research and development in 2010, compared to USD6.0 million in 2009 and USD7.0 million in 2008.

Regulations***Environmental Regulation***

Ternium's operations (including mining activities in Mexico) are subject to a broad range of environmental laws, regulations, permit requirements and decrees relating to the protection of human health and environment, including laws and regulations relating to land use; air emissions; wastewater treatment and discharges; the use, handling and disposal of hazardous or toxic materials and the handling and disposal of solid wastes. Laws and regulations protecting the environment have become increasingly complex and more stringent and expensive to implement in recent years. International environmental requirements vary.

Ternium's revised corporate environmental policy commits each of its business units to comply with all applicable environmental laws and regulations and aims to achieve the highest standards of environmental performance as a basis to enhance sustainable development. Compliance with environmental laws and regulations, and monitoring regulatory changes, is addressed primarily at the regional level.

Ternium reports to the World Steel Association eleven sustainability indicators, among which carbon dioxide emissions data is being reported on an annual basis as part of the association's initiative to collect emissions data from member companies. We support the steel industry's ongoing effort to develop innovative solutions to reduce greenhouse gas (GHG) emissions over the life cycle of steel products. According to the Intergovernmental Panel on Climate Change (IPCC), the steel industry accounts for approximately 3% to 4% of total world GHG emissions. Our steel production facilities in Mexico have achieved GHG-specific emission levels that are close to the theoretical minimum. In Argentina, Siderar's GHG-specific emission levels are close to the industry average for blast furnace technology.

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

Ternium has not been subject to any material penalty for any environmental violations in 2010, and we are not aware of any current material legal or administrative proceedings pending against Ternium with respect to environmental matters which could have an adverse material impact on Ternium's financial condition or results of operations.

Mining regulations in Mexico

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

A mining concession allows its holder to perform both exploration works (including identifying mineral deposits and quantifying and evaluating economically minable reserves), and exploitation works (including detaching and extracting mineral products from such deposits). Mining concessions have a 50-year duration from the date of their recording in the Public Mining Registry and may be extended for an equal term, provided certain requirements are met.

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

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

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

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

Trade regulations

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

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

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

Mexico.

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

Hot-rolled products: On March 28, 2000, the Mexican government imposed antidumping duties on the Russian Federation and Ukraine of 30.31% and 46.66%, respectively. On March 25, 2005, the first sunset review was initiated by the Mexican authorities, and on March 17, 2006 a final resolution was issued, extending the antidumping duties for an additional five-year period. A second sunset review was initiated on March 16, 2010 which is still underway.

Furthermore, since September 2005, Mexico has imposed antidumping duties against Ukraine (60.1%), Romania (67.60%) and Russia (36.80%) on cut-to-length plate in coils. Mexican authorities are currently conducting a sunset review procedure which was initiated on September 21, 2010. A final result is expected during September 2011.

In March 2008, the Mexican government imposed a provisional antidumping duty on cut-to-length plate imports from China. The measure was lifted in October 6, 2008, as the Mexican authorities concluded that their domestic industry was not suffering injury as a result of such imports and thus decided not to conduct any further investigations thereon.

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

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

Long products: Brazilian imports of reinforcing bars are currently subject to an antidumping duty of 57.69%. In June 2006, the second sunset review resolution determined the continuation of antidumping duties for an additional five-year period. On August 9, 2010, a third sunset review was initiated. Wire rod imports from Ukraine are subject to a duty of 30.52% since September 2000. In June 2006, the first sunset review resolution determined the continuation of antidumping duties for an additional five-year period. On September 7, 2010, a second sunset review was initiated which is still underway.

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

Ternium Mexico's wire rod exports are subject to an antidumping duty of 17.94% pursuant to an antidumping duty order on carbon and certain alloy steel wire rod from Mexico. Following the most recent sunset review, such duty was extended for five more years beginning in June 2008.

During 2007, the Department of Commerce (DoC) initiated an antidumping investigation of light-walled rectangular pipe and tube (LWRPT) from, among other countries, Mexico. On June 13, 2008, the DoC made a final determination of sales at less than fair value in the investigation of LWRPT from Mexico and, consequently LWRPT from Mexico is subject to antidumping duties. On February 18, 2011, the DoC published the final results of the first administrative review by which Ternium Mexico's LWRPT exports are now subject to an antidumping duty of 6.13%.

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Since 1992, pursuant to an antidumping duty order on circular welded non-alloy steel pipe -or standard pipe- from various countries, including Mexico, standard pipes manufactured by Hylsamex and Grupo Imsa were subject to antidumping duties. In 2007, such measures were extended for five more years. In August 2009, the DoC published the final results of a changed circumstances review, concluding that Ternium Mexico is the successor-in-interest to Hylsamex for purposes of determining antidumping duty liability. As of June 2011, in accordance with the latest administrative review, the applicable duty for Ternium Mexico is 48.33%.

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

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

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

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

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

Argentina.

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

Hot-rolled products: Since December 1999, the Argentine government has imposed antidumping measures requiring a minimum import price for hot-rolled steel imports from Brazil, the Russian Federation and Ukraine. Argentina accepted a price undertaking agreement from Brazilian exporters. In 2006 Argentine authorities conducted a sunset review of these measures and decided to continue them for five more years. In its decision, the Argentine government determined antidumping duties for Russian, Ukrainian and Brazilian hot-rolled steel exports to Argentina. A price undertaking for Brazilian exports was also accepted by Argentine authorities. These measures expired in June 2011 as a result of an Argentine government resolution that denied Siderar's request for the government to initiate a new investigation for an extension of these antidumping measures before their expiration. Siderar has appealed this resolution.

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

Cold-rolled products: Since January 2003, Argentina has also imposed antidumping measures on cold-rolled steel imports from Korea (60.46%), South Africa (83.07%), Kazakhstan (80.61%) and Ukraine (71.22%). In July 2009, following completion of a sunset review initiated in January 2008, the Argentine authorities decided to continue these antidumping measures for one year. A new sunset review is under way.

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

U.S. authorities had imposed a number of measures on steel import products from Argentina, thereby restricting Ternium's exports to that country in the past. Such measures were revoked and, accordingly, none of them are currently in effect.

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

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

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

In November 1993, Argentina and Mexico signed an Economic Complementation Agreement, or ACE 6. See Item 4.

Information on the Company B. Business Overview Regulations Trade Regulations Mexico.

Colombia.

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

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

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

Colombia has also signed a free trade agreement with Chile in effect since May 2009, and has signed free trade agreements still not effective with Canada, the United States of America and the European Union.

Insurance

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

C. Organizational Structure

Below is a simplified diagram of Ternium's corporate structure.

Table of Contents**Subsidiaries**

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

Ternium Mexico. Ternium Mexico was formed, as result of the merger of Grupo Imsa, Hylsamex and Hylsamex's major shareholder in March 2008. Ternium Mexico and its subsidiaries operate all of Ternium's mining and steel production activities in Mexico, the United States, Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica. Ternium Mexico and its subsidiaries produce flat and long steel products, including value-added finished steel products for use mainly in the construction and industrial sectors. Ternium Mexico has a finished steel annual production capacity of 7.4 million tons.

Siderar. Siderar is the main integrated manufacturer of flat steel products in Argentina with total annual finished steel production capacity of 2.6 million tons. The shareholders of Siderar as of March 31, 2011 are set out in the following table, together with the share percentage owned by each such shareholder as of that date:

Siderar Shareholders	Number	Percent
Ternium	211,754,474	60.94%
ANSeS	90,225,841	25.97%
Inversora Siderurgia Argentina S.A. (employees)	8,912,146	2.56%
Public	36,576,310	10.53%
Total	347,468,771	100.00%

Siderar's shares are listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), or BASE, under the symbol ERAR. The Buenos Aires Stock Market (*Mercado de Valores de Buenos Aires*), which is affiliated with the BASE, is the largest stock market in Argentina. On June 16, 2011, the closing price of the Siderar shares on the BASE was ARP29.00 per share (approximately USD7.02 per share). For further information on the latest developments involving Siderar following the enactment of Decree 441/2011, see Item 5. Operating and Financial Review and Prospects G. Recent Developments Recent Developments involving Siderar.

Ferrasa. Ferrasa is a significant flat steel products processor and distributor in Colombia and a scrap-based long steel manufacturer, with annual shipments of approximately 400,000 tons and annual billet production capacity of approximately 140,000 tons. Ternium holds, since August 25, 2010, a 54% ownership interest in Ferrasa and in Ferrasa Panamá. The former controlling shareholders have an option to sell to Ternium, at any time, all or part of their remaining 46% interest in each of Ferrasa and Ferrasa Panamá, and Ternium will have an option to purchase all or part of that remaining interest from the former controlling shareholders, at any time after August 25, 2012.

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

Ternium Brasil. Ternium Brasil was formed for the purpose of assessing expansion opportunities in that country.

Ternium Internacional. Ternium Internacional comprises a network of companies in Spain, Uruguay, the Netherlands and the United States that market and provide services in relation to the sales of Ternium's products to several markets other than Ternium's main markets. The headquarters of the network are located in Uruguay. Ternium Internacional's services include sales and trading, offices and human resources dedicated to export trading, technical assistance, commercial back office and credit analysis.

Other Investments

Exiros. Exiros provides our subsidiaries with purchase agency services in connection with purchases of raw materials and other products or services. Exiros's objectives are to procure better purchase conditions and prices by exercising

the improved bargaining power that results from combining the demand of products and services by both Ternium and Tenaris. We have a 50% share ownership and Tenaris has the remaining 50% share ownership in Exiros. Exiros offices are strategically located in nine countries: Argentina, Brazil, Canada, China, Colombia, Italy, Mexico, Romania and the United States.

Table of Contents**D. Property, Plants and Equipment**

See B. Business Overview Production Facilities and Processes.

Item 4A. Unresolved Staff Comments

None

Item 5. Operating and Financial Review and Prospects

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

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

Overview

Ternium is a leading steel company in Latin America, manufacturing and processing a wide range of flat and long steel products for customers active in the construction, home appliances, capital goods, container, food, energy and automotive industries. Ternium has production facilities in Mexico, Argentina, Colombia, the United States and Guatemala, as well as a network of service centers which provide it with a strong position from which to serve its core markets.

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

Ternium's revenues are affected by general global trends in the steel industry and more specifically by the economic conditions in the countries in which it has manufacturing operations and where its customers are located. Ternium's revenues are also impacted by events that affect the price and availability of raw materials, energy and other inputs needed for its operations. Furthermore, due to the highly cyclical nature of the steel industry, recent results may not be indicative of future performance, and historical results may not be comparable to future results. Investors should not rely on the results of a single period, particularly a period of peak prices, as an indication of Ternium's annual results or future performance. The variables and trends mentioned below could also affect the results of its investments in steel related companies. See Item 4. Information on the Company B. Business Overview Our Business Strategy. ***Ternium's primary source of revenue is the sale of flat and long steel products.*** Management expects sales of flat and long steel products to continue to be Ternium's primary source of revenue. The global market for such steel products is highly competitive, with the primary competitive factors being price, cost, product quality and customer service. The majority of Ternium's sales are concentrated in the Americas. Specifically, Ternium's largest markets are Mexico, Argentina and Colombia, where its main manufacturing facilities are located.

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Ternium's results are sensitive to economic activity and steel consumption. Ternium's results of operations primarily depend on economic conditions in Mexico and Argentina and, to a lesser extent, on economic conditions in international and regional markets such as NAFTA, Mercosur and the Andean Community. Historically, annual steel consumption in the countries where Ternium operates has varied at a rate that is linked to the annual change in each country's gross domestic product and per capita disposable income. The 2008-2009 global economic downturn resulted in an overall decreased demand for Ternium's products. For example, apparent consumption of finished steel products in Mexico decreased by 1% during 2007 and 4% during 2008, due to subdued industrial activity in the NAFTA region, while in Argentina it increased 3% during 2007 and 4% during 2008, reflecting a sustained activity in the construction and industrial sectors. During the fourth quarter of 2008, following a steep downturn in the global economy, apparent demand for steel products fell sharply. As a result, apparent consumption of finished steel products decreased in 2009 by 15% in Mexico and 33% in Argentina. This economic downturn had a pronounced negative effect on Ternium's business and results of operations. In 2010, apparent steel consumption increased by 13% in Mexico, due mainly to the recovery of the industrial sector, and by 43% in Argentina, due to a broad recovery of economic activity. A protracted global recession or a depression would have a material adverse effect on the steel industry and Ternium.

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

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

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

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

Prevailing exchange rates have had an impact on Ternium's results in the past and could impact results again in the future. In accordance with IFRS, Ternium's subsidiaries in Mexico, Argentina and Colombia prepare financial statements in their local currencies and record foreign exchange results on their net non-local currency positions when their local currencies revalue or devalue to other currencies. Accordingly, fluctuations in the local currencies against the U.S. dollar have had, and may also have in the future, an impact on Ternium's results. In 2008, net foreign exchange result was a loss of USD632.7 million, which was primarily due to the impact of the Mexican peso's 25% devaluation on Ternium Mexico's U.S. dollar denominated debt. This non-cash result when measured in U.S. dollars was offset by changes in Ternium's net equity position in the currency translation adjustment, or CTA, line, as the value of Ternium Mexico's U.S. dollar-denominated debt was not affected by the Mexican peso fluctuation when stated in U.S. dollar terms in Ternium's consolidated financial statements.

Ternium's cash flows for 2009 and 2010 were strongly affected by the non-recurring payments received in connection with the transfer of our interest in Sidor to Venezuela. On May 7, 2009, we completed the transfer of our entire 59.7% interest in Sidor to CVG. Ternium agreed to receive an aggregate amount of USD1.97 billion as compensation for its Sidor shares. Of that amount, CVG paid USD400 million in cash at closing, and the balance was divided in two tranches: the first tranche of USD945 million to be paid in six equal installments beginning in August 2009 until November 2010, and the second tranche due in November 2010 and subject to quarterly mandatory prepayment events based on the increase of the WTI crude oil price over its May 6, 2009 level. CVG made all payments required to be made under the agreements governing the transfer of Sidor to Venezuela except for the final payment due on November 8, 2010. On December 18, 2010, Ternium reached an agreement with CVG on the rescheduling of the unpaid balance, which amounted to USD257 million. As provided in the refinancing agreement, CVG paid USD7 million to Ternium in January 2011, and CVG is required to pay the remainder in five quarterly installments, beginning on February 15, 2011 and ending on February 15, 2012. The first two installments of USD31 million each were paid on February 16 and May 17, 2011. Following the receipt of USD1,790 million in cash payments in the aggregate, the outstanding principal amount of the receivables with CVG is currently USD187 million. Accordingly, we have significant credit concentration risk with Venezuela.

Critical Accounting Estimates

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

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its accounting estimates and assumptions, including those related to doubtful accounts, obsolescence of inventory, impairment of long-term investments, goodwill, and other assets and contingencies, and revises them when appropriate. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Although management believes that its estimates and assumptions are reasonable, they are based upon information

available when the estimates and assumptions are made. Actual results may differ significantly from these estimates under different assumptions or conditions.

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

Table of Contents**Useful Lives and Impairment of Property, Plant and Equipment and Other Long-lived Assets**

As permitted under IFRS 1 First Time Adoption of IFRS, management has elected to use the fair value of its property, plant and equipment as at January 1, 2003, as its deemed cost. 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. Management also believes that this accounting policy involves a critical accounting estimate because it is subject to change from period to period as a result of variations in economic conditions and business performance.

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

- whether significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- whether market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- whether the carrying amount of the net assets of the entity is more than its market capitalization;
- whether evidence is available of obsolescence or physical damage of an asset.
- whether significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and
- whether evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Management identified the presence of impairment indicators in certain CGUs at December 31, 2008 and, accordingly, carried out impairment tests. These impairment indicators arose mainly due to recessionary environment and the abrupt decline of demand and prices of steel products.

For the Mexico CGU, management carried out an impairment test for Property, Plant and Equipment and for other long-lived assets with finite useful lives at December 31, 2008, and concluded that no impairment was needed. The Company estimated the recoverable amount as the value in use and compared it to the carrying amount of the corresponding assets (USD3.2 billion at that date). The discount rates used were based on the Mexico CGU's weighted average cost of capital (WACC), which was 13.4%. Variables considered in forecasts included Mexican GDP growth rates and correlation with steel demand, level of steel prices, and estimated raw material costs as observed in industry reports.

For the Argentina CGU, management carried out an impairment test for Property, Plant and Equipment and for other long-lived assets with finite useful lives at December 31, 2008, and also concluded that no impairments were required. The Company estimated the recoverable amount as the value in use and compared it to the carrying amount of the corresponding assets (USD1.3 billion at that date). The discount rates used were based on the Argentina CGU's WACC, which was 18.3%. Variables considered in forecasts included Argentinean GDP growth rates and correlation with steel demand, level of steel prices, and estimated raw material costs as observed in industry reports.

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None of Ternium's CGUs were tested for impairment in 2010 and 2009, as no impairment indicators were identified. Furthermore, based on information currently available, management believes that the recognition of a future impairment charge is not reasonably possible.

Any such impairment charges could have a material adverse effect on Ternium's results of operations, financial condition and net worth.

Under IFRS, assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. 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. For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

At December 31, 2009, an impairment loss over the intangible asset booked in connection with the slab purchase agreement with Corus was recorded for the amount of USD27 million. For more information see Item 8. Financial Information A. Consolidated Statements and Other Financial Information Legal Proceedings Previously Reported Legal Proceedings and note 27 to our consolidated financial statements included elsewhere in this annual report. No other impairment losses were recorded from the impairment tests performed.

Impairment and recoverability of goodwill and other assets, including identifiable intangible assets

Assessment of the recoverability of the carrying value of goodwill and other assets, including identifiable intangible assets, require significant judgment. We evaluate goodwill allocated to the operating units for impairment on an annual basis.

Goodwill is tested at the level of the cash generating units, or CGU. Impairment testing of the CGU is carried out and the value in use determined in accordance with the discounted cash flow method. In order to perform the test, we use projections for the next five years based on past performance and expectations of market development. After the fifth year a perpetuity rate with no growth increase is utilized. The discount rates used for these tests are based on our weighted average cost of capital adjusted for specific country and currency risks associated with the cash flow projections. As of December 31, 2010, the discount rate used to test goodwill allocated to the Mexico CGU for impairment was 11.4%.

The impairment tests performed as of December 31, 2010, resulted in no impairment charge.

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

Allowances for Doubtful Accounts

Management makes estimates of the uncollectibility of our accounts receivable. Management analyzes our trade accounts receivable on a regular basis and, when aware of a third party's inability to meet its financial commitments to us, management impairs the amounts due by means of a charge to the allowance for doubtful accounts.

Management specifically analyzes accounts receivable and historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Allowances for doubtful accounts are adjusted periodically in accordance with the aging of overdue accounts. For this purpose, trade accounts receivable overdue by more than 90 days, and which are not covered by a credit collateral, guarantee or similar surety, are fully provisioned. As of December 31, 2010 and 2009, the allowance for doubtful accounts totaled USD17.2 million and USD16.7 million, respectively.

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

Allowance for Obsolescence of Supplies and Spare Parts, Inventory's Net Realizable Value and Slow-Moving Inventory

Management assesses the recoverability of its inventories considering their selling prices, if the inventories are damaged, or if they have become wholly or partially obsolete. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

There was no allowance for net realizable value as of December 31, 2010 and December 31, 2009. The allowance for obsolescence as of December 31, 2010 and December 31, 2009 amounted to USD68.2 million and USD58.2 million, respectively.

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

During 2010, no charges were recorded to the net realizable value allowance. Charges to mark the inventory to net realizable value in 2009 and 2008 were USD127.6 million and USD200.0 million, respectively. Of these amounts, USD82.8 million in 2009 and USD179.6 million in 2008 corresponded to inventories for shipments to North America region, while USD44.8 million in 2009 and USD20.4 million in 2008 corresponded to inventories for exports within the South and Central America region.

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

Loss Contingencies

We are subject to various claims, lawsuits and other legal proceedings that arise in the ordinary course of our business, including customer claims in which a third party is seeking reimbursement or indemnity. Our liability with respect to such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Periodically, management reviews the status of each significant matter and assesses potential financial exposure. If the potential loss from the claim or proceeding is considered probable and the amount can be reasonably estimated, a liability is recorded.

Management estimates the amount of such liability based on the information available and the assumptions and methods it has concluded are appropriate, in accordance with the provisions of IFRS. Accruals for such contingencies reflect a reasonable estimate of the losses to be incurred based on information available, including the relevant litigation or settlement strategy, as of the date of preparation of the applicable financial statement. As additional information becomes available, management will reassess its evaluation of the pending claims, lawsuits and other proceedings and revise its estimates.

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With respect to the loss contingencies described in our financial statements, we do not expect to incur any losses exceeding the amounts accrued as of December 31, 2010, that would be material relative to our consolidated financial position, results of operations or liquidity as of such date. However, if reserves prove to be inadequate and we incur a charge to earnings, such charge could have a material adverse effect on our results of operations, financial condition and net worth.

The loss contingencies provision amounts to USD16.1 million and USD18.9 million as of December 31, 2010 and 2009, respectively.

Valuation Allowance of Deferred Tax Assets

Management calculates current and deferred income taxes according to the tax laws applicable to our subsidiaries in the countries in which such subsidiaries operate. However, certain adjustments necessary to determine the income tax provision are finalized only after the financial statements are issued. In cases in which the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. When assessing the recoverability of deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. As of December 31, 2010, the recognized tax losses amounted to USD22.2 million and the net unrecognized deferred tax assets amounted to USD22.3 million. According to the tax law in force in the jurisdictions in which the tax losses are generated, these amounts do not have a certain expiration date.

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

Sidor Financial Asset

As further described in note 29 to our audited consolidated financial statements included elsewhere in this annual report, on May 7, 2009, Ternium reached an agreement with CVG for the transfer of its entire 59.7% interest in Sidor in exchange for an aggregate amount of USD1.97 billion, out of which USD400 million were paid in cash on that date. The initial measurement of the receivable and its subsequent measurements until November 8, 2010, were performed on the basis of its discounted amount using an annual discount rate of 14.4%. This discount rate was estimated on the basis of the yield (13.3%) of Venezuelan sovereign debt with maturities similar to that of the receivable held by Ternium against CVG; however, as the Venezuelan sovereign debt with similar maturities was governed by New York law, while the receivable with CVG was governed by Venezuelan law, the discount rate was further adjusted to adequately reflect the specific risk of Ternium's receivable. After the rescheduling of the last unpaid installment agreed on December 18, 2010, the annual discount rate used to measure the receivable was estimated at 6.3%, on the basis of the specific risks associated to the third-party promissory notes received as guarantee for full payment of CVG obligations.

Table of Contents**A. Results of Operations**

The following discussion and analysis of our financial condition and results of operations are based on our audited consolidated financial statements included elsewhere in this annual report. Accordingly, this discussion and analysis present our financial condition and results of operations on a consolidated basis. See

Presentation of Certain Financial and Other Information Accounting Principles and notes 2 and 4 to our audited consolidated financial statements included elsewhere in this annual report. The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this annual report.

<i>In thousands of U.S. dollars</i> (except number of shares and per share data)	For the year ended December 31,				
	2010	2009	2008	2007	2006
Selected consolidated income statement data					
Continuing operations					
Net sales	7,382,004	4,958,983	8,464,885	5,633,366	4,484,918
Cost of sales	(5,665,254)	(4,110,370)	(6,128,027)	(4,287,671)	(3,107,629)
Gross profit	1,716,750	848,613	2,336,858	1,345,695	1,377,289
Selling, general and administrative expenses	(665,306)	(531,530)	(669,473)	(517,433)	(370,727)
Other operating income (expenses), net	2,493	(20,700)	8,662	8,514	(4,739)
Operating income	1,053,937	296,383	1,676,047	836,776	1,001,823
Interest expense	(72,969)	(105,810)	(136,111)	(133,109)	(96,814)
Interest income	27,347	21,141	32,178	41,613	33,903
Interest income Sidor financial asset	61,012	135,952			
Other financial income (expenses), net	115,112	81,639	(693,192)	(38,498)	(40,432)
Equity in earnings of associated companies	1,688	1,110	1,851	434	671
Income before income tax expense	1,186,127	430,415	880,773	707,216	899,151
Income tax (expense) benefit					
Current and deferred income tax expense	(406,657)	(91,314)	(258,969)	(291,345)	(353,044)
Reversal of deferred statutory profit sharing			96,265		
Income from continuing operations	779,470	339,101	718,069	415,871	546,107
Discontinued operations					
Income from discontinued operations		428,023	157,095	579,925	444,468
Profit for the year (1)	779,470	767,124	875,164	995,796	990,575

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Attributable to:					
Equity holders of the Company	622,076	717,400	715,418	784,490	795,424
Non-controlling interest	157,394	49,724	159,746	211,306	195,151
	779,470	767,124	875,164	995,796	990,575
Depreciation and amortization	383,300	385,105	413,541	355,271	251,371
Weighted average number of shares outstanding	2,004,743,442	2,004,743,442	2,004,743,442	2,004,743,442	1,936,833,060
Basic earnings per share (expressed in USD per share) for profit: (1) (2)					
From continuing operations attributable to the equity holders of the Company	0.31	0.15	0.27	0.15	0.20
From discontinued operations attributable to the equity holders of the Company		0.21	0.09	0.24	0.21
For the year attributable to the equity holders of the Company	0.31	0.36	0.36	0.39	0.41
Dividends per share declared	0.075	0.05		0.05	0.05

- (1) International Accounting Standard N° 1 (IAS 1) (Revised) requires that income for the year as shown in the income statement includes the portion attributable to non-controlling interest. Basic earnings per share, however, continue to be calculated on the basis of income attributable solely to the equity holders of the Company.
- (2) Diluted earnings per share (expressed in USD per share), equals basic earnings per share. Diluted earnings per share have been calculated giving effect to the conversion of certain subordinated convertible loans.

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

	At December 31,				
	2010	2009	2008	2007	2006
Selected consolidated balance sheet data					
Non-current assets	5,579,438	5,250,135	5,491,408	8,553,123	6,029,383
Property, plant and equipment, net	4,262,896	4,040,415	4,212,313	6,776,630	5,335,030
Other non-current assets (1)	1,316,542	1,209,720	1,279,095	1,776,493	694,353
Current assets	5,532,893	5,042,538	5,179,839	5,095,959	2,628,870
Cash and cash equivalents	1,779,416	2,095,798	1,065,552	1,125,830	643,291
Other current assets (2)	3,743,516	2,937,494	4,108,954	3,200,987	1,978,537
Non-current assets classified as held for sale	9,961	9,246	5,333	769,142	7,042
Total assets	11,112,331	10,292,673	10,671,247	13,649,082	8,658,253
Capital and reserves attributable to the Company's equity holders (3)	5,880,740	5,296,342	4,597,370	4,452,680	3,757,558
Non-controlling interest	1,135,361	964,897	964,094	1,805,243	1,626,119
Non-current liabilities	2,540,594	2,872,667	3,374,964	5,401,549	1,867,892
Borrowings	1,426,574	1,787,204	2,325,867	3,676,072	546,601
Deferred income tax	877,742	857,297	810,160	1,327,768	982,091
Other non-current liabilities	236,278	228,166	238,937	397,709	339,200
Current liabilities	1,555,636	1,158,767	1,734,819	1,989,610	1,406,684
Borrowings	513,083	539,525	941,460	406,239	507,241
Other current liabilities	1,042,553	619,242	793,359	1,369,608	899,443
Liabilities directly associated with non-current assets classified as held for sale				213,763	
Total liabilities	4,096,230	4,031,434	5,109,783	7,391,159	3,274,576
Total equity and liabilities	11,112,331	10,292,673	10,671,247	13,649,082	8,658,253
Number of shares outstanding	2,004,743,442	2,004,743,442	2,004,743,442	2,004,743,442	2,004,743,442

(1) As of December 31, 2010, 2009, 2008, 2007 and 2006, includes goodwill mainly related to the acquisition of our Mexican subsidiaries for a total amount of USD750.1, USD708.6, USD683.7, USD850.7 and USD397.9 million, respectively.

(2) As of December 31, 2010, 2009, 2008 and 2007, includes deposits with maturity of more than three months for a total amount of USD848.4, USD46.8, USD90.0 and USD65.3 million, respectively.

(3)

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The Company's share capital as of December 31, 2010, 2009, 2008, 2007 and 2006 was represented by 2,004,743,442 shares, par value USD1.00 per share, for a total amount of USD2,004.7 million.

The following table sets forth our operating and other costs and expenses as a percentage of net sales for the years indicated:

<i>Percentage of net sales</i>	For the year ended December 31,				
	2010	2009	2008	2007	2006
Continuing operations					
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	(76.7)%	(82.9)%	(72.4)%	(76.1)%	(69.3)%
Gross profit	23.3%	17.1%	27.6%	23.9%	30.7%
Selling, general and administrative expenses	(9.0)%	(10.7)%	(7.9)%	(9.2)%	(8.3)%
Other operating income (expenses), net	0.0%	(0.4)%	0.1%	0.2%	(0.1)%
Operating income	14.3%	6.0%	19.8%	14.9%	22.3%
Interest expense	(1.0)%	(2.1)%	(1.6)%	(2.4)%	(2.2)%
Interest income	0.4%	0.4%	0.4%	0.7%	0.8%
Interest income - Sidor financial asset	0.8%	2.7%			
Other financial income (expense), net	1.6%	1.6%	(8.2)%	(0.7)%	(0.9)%
Equity in earnings of associated companies	0.0%	0.0%	0.0%	0.0%	0.0%
Income before income tax expense	16.1%	8.7%	10.4%	12.6%	20.0%
Income tax expense	(5.5)%	(1.8)%	(1.9)%	(5.3)%	(7.8)%
Income from continuing operations	10.6%	6.8%	8.5%	7.4%	12.2%
Discontinued Operations					
Income from discontinued operations		8.6%	1.9%	10.3%	9.9%
Profit for the year	10.6%	15.5%	10.3%	17.7%	22.1%
Attributable to:					
Equity holders of the Company	8.4%	14.5%	8.5%	13.9%	17.7%
Non-controlling interest	2.1%	1.0%	1.9%	3.8%	4.4%

Table of Contents***Fiscal Year Ended December 31, 2010 compared to Fiscal Year Ended December 31, 2009******Overview***

Ternium's operating income in 2010 was USD1.1 billion, compared to USD296.4 million in 2009, and shows a recovery from the 2009 global economic downturn, with higher sales volumes and improved margins. The improvement was mainly due to a USD137 increase in revenue per ton and a 1.7 million ton increase in shipments, partially offset by a USD57 increase in operating cost per ton¹. Net income was USD779.5 million in 2010, compared to USD767.1 million in 2009. Although the net income variation was slight in nominal terms, the drivers for net income in each of these years were significantly different. There were no discontinued operations results in 2010, whereas there was a USD428.0 million discontinued operations gain in 2009 related to the transfer of the Sidor shares to Venezuela. The year-over-year change in net income also included the above mentioned USD757.6 million increase in operating income and a USD315.3 million increase in income tax expense.

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

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

Net Sales

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

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

	Net Sales (million USD)			Shipments (thousand tons)			Revenue / ton (USD/ton)		
	2010	2009	Dif.	2010	2009	Dif.	2010	2009	Dif.
North America	3,464.9	2,371.9	46%	3,852.1	3,114.5	24%	899	762	18%
South & Central America	2,886.2	1,717.1	68%	2,877.0	1,903.6	51%	1,003	902	11%
Europe & other	25.3	161.0		42.6	287.0		594	561	
Total flat products	6,376.4	4,250.0	50%	6,771.7	5,305.2	28%	942	801	18%
North America	640.7	512.0	25%	974.2	931.2	5%	658	550	20%
South & Central America	163.9	57.3	186%	258.7	118.4	118%	634	484	31%
Europe & other	28.6	3.5		50.0	6.1		571	583	
Total long products	833.1	572.9	45%	1,282.9	1,055.6	22%	649	543	20%
Total flat and long products	7,209.5	4,822.9	49%	8,054.6	6,360.8	27%	895	758	18%
Other products (¹)	172.5	136.1	27%						
Total Net Sales	7,382.0	4,959.0	49%						

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

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

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Sales of flat products in 2010 totaled USD6.4 billion, a 50% increase compared to 2009. Net sales increased as a result of higher shipments and revenue per ton. Shipments of flat products totaled 6.8 million tons in 2010, an increase of 28% compared to 2009 mainly due to a recovery from the 2009 global economic downturn. Revenue per ton shipped increased 18% to USD942 in 2010 compared with 2009, mainly due to higher steel prices in Ternium's main steel markets.

Sales of long products were USD833.1 million in 2010, an increase of 45% compared to 2009, mainly due to higher volumes and prices. Shipments of long products totaled 1.3 million tons in 2010, a 22% increase versus 2009. Revenue per ton shipped was USD649 in 2010, an increase of 20% compared to 2009 due to higher prices.

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

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

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

Cost of sales

Cost of sales was USD5.7 billion in 2010 compared to USD4.1 billion in 2009. Cost of sales increased mainly as a result of higher shipments and higher cost per ton. Cost per ton in 2010 increased compared to 2009 mainly due to higher raw material and purchased slab prices, as well as higher labor, services and maintenance costs.

Selling, general and administrative expenses

Selling, General and Administrative (SG&A) expenses in 2010 were USD665.3 million, or 9% of net sales, compared with USD531.5 million, or 11% of net sales, in 2009. The USD133.8 million increase in SG&A was mainly due to higher freight expenses and taxes related to higher activity levels, higher labor costs and the impact of the consolidation of Ferrasa on August 25, 2010, partially offset by lower personnel reduction charges.

Other operating income (expenses), net

Net other operating income in 2010 was USD2.5 million, compared with net other operating expenses of USD20.7 million in 2009. The year-over-year difference was mainly due to a USD27.0 million full impairment in 2009 of the remaining intangible asset value of a contract related to the purchase of steel slabs from Corus Teeside facility. For more information, see note 27 to our audited consolidated financial statements included elsewhere in this annual report and Item 8. Financial Information A. Consolidated Statements and Other Financial Information Legal Proceedings Previously Reported Legal Proceedings.

Operating income

Operating income in 2010 was USD1.1 billion, or 14% of net sales, compared to an operating income of USD296.4 million, or 6% of net sales, in 2009.

Net financial results

Net financial results were a USD130.5 million gain in 2010, compared with a USD132.9 million gain in 2009. In 2010, Ternium's net interest expenses were USD45.6 million, compared to a net interest expense of USD84.7 million in 2009, mainly as a result of lower net indebtedness and cost of debt.

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

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

Equity in earnings (losses) of associated companies

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

Income tax expense

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

Net result of discontinued operations

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

Net income attributable to non-controlling interest

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

Fiscal Year Ended December 31, 2009 compared to Fiscal Year Ended December 31, 2008***Overview***

Ternium's operating income in 2009 was USD296.4 million, an 82% decrease compared to operating income in 2008. The 2008-2009 global economic downturn resulted in a sharp decline in demand in the main steel consumer sectors of Ternium's core markets during the second half of 2008 and led to subdued shipments levels in 2009. Shipments began to improve gradually only in the second half of 2009. As a result, Ternium's shipments in 2009 decreased by 1.2 million tons year-over-year and revenue per ton decreased USD329, leading to a 41% drop in net sales that was partially offset by a USD164 decrease in operating cost per ton.

Net income during 2009 decreased to USD767.1 million, from USD875.2 million in 2008, mainly as a result of a USD1.4 billion decrease in operating income, partially offset by a USD715.8 million increase in non-cash net foreign exchange results (offset by changes in Ternium's net equity position in the currency translation adjustments line) and a USD564.0 million gain related to the transfer of the Sidor shares to Venezuela.

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During 2009 steel consumption in the North American market decreased 37% year-over-year. The economies in the North America Region contracted in 2009, particularly the Mexican economy which, in addition to the downturn in the United States, was affected by a sharp depreciation of the Mexican Peso vis-à-vis other currencies during 2008. The entire NAFTA region suffered a reduction in steel consumption rates that not only reflected a decrease in end user demand from steel consuming sectors but also a significant de-stocking process in the steel value chain, particularly during the first half of the year. Likewise, the steel markets in Central and South America showed an estimated 24% decrease in apparent steel use during 2009, well above the decrease recorded by key steel consuming sectors, an evidence of the size of the de-stocking in the steel industry's value chain. Countries neighboring Argentina, the natural export markets for Ternium in that geographic area, stagnated or contracted in 2009, recording GDP growth rates of between 1% and minus 3% year-over-year. Argentina, the main market for Ternium in South America, showed an estimated 33% decrease in steel consumption, due to the combination of lower economic activity and relatively high inventories in the steel industry's value chain early in 2009. The markets in Central and South America experienced the effects of the global slowdown with some delay.

Net Sales

Net sales for 2009 decreased 41% to USD5.0 billion, compared to 2008. Net sales decreased due to lower shipments and lower revenue per ton. Shipments of flat and long products were 6.4 million tons during 2009, a decrease of 16% compared to 2008, due to lower shipments in Ternium's core markets as a result of the effects of the global economic downturn. Revenue per ton shipped was USD758 in 2009, a decrease of 30% when compared to 2008, mainly as a result of lower prices in all of Ternium's markets.

The following table shows Ternium's total consolidated net sales, shipments and revenue by product and geographical region for the years ended December 31, 2009 and 2008:

	Net Sales (million US\$)			Shipments (thousand tons)			Revenue / ton (US\$/ton)		
	Year 2009	Year 2008	Dif.	Year 2009	Year 2008	Dif.	Year 2009	Year 2008	Dif.
North America	2,371.9	4,294.7	-45%	3,114.5	3,666.1	-15%	762	1,171	-35%
South & Central America	1,717.1	2,782.5	-38%	1,903.6	2,604.2	-27%	902	1,068	-16%
Europe & other	161.0	47.5		287.0	55.2		561	860	
Total flat products	4,250.0	7,124.7	-40%	5,305.2	6,325.5	-16%	801	1,126	-29%
North America	512.0	791.8	-35%	931.2	901.3	3%	550	878	-37%
South & Central America	57.3	274.4	-79%	118.4	302.5	-61%	484	907	-47%
Europe & other	3.5	8.9		6.1	13.3		583	669	
Total long products	572.9	1,075.1	-47%	1,055.6	1,217.2	-13%	543	883	-39%
Total flat and long products	4,822.9	8,199.8	-41%	6,360.8	7,542.7	-16%	758	1,087	-30%
Other products (1)	136.1	265.1	-49%						
Total Net Sales	4,959.0	8,464.9	-41%						

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

Sales of flat products during 2009 were USD4.3 billion, a decrease of 40% compared to 2008. Net sales decreased as a result of lower shipments and revenue per ton. Shipments of flat products were 5.3 million tons in 2009, a decrease of

16% compared with 2008, mainly due to lower shipments in the South & Central America and the North America regions, partially offset by higher shipments in the Europe and other Region. Revenue per ton decreased 29% to USD801 in 2009 compared to 2008, as a result of lower steel prices.

Sales of long products were USD572.9 million during 2009, a decrease of 47% compared to 2008 due to lower revenue per ton and shipments. Revenue per ton was USD543 in 2009, a decrease of 39% compared to 2008 as a result of lower prices. Shipments of long products were 1.1 million tons in 2009, a 13% decrease versus 2008, mainly due to lower billet shipments in the South & Central America Region partially offset by higher bar shipments in the North America Region.

Sales of other products were USD136.1 million during 2009, compared to USD265.1 million during 2008. The decrease was mainly driven by lower iron ore shipments and prices and lower sales of pre-engineered metal buildings. Sales of flat and long products in the North America Region totaled USD2.9 billion in 2009, a decrease of 43% versus 2008, mainly due to the effect of lower shipments and prices. Shipments in the region totaled 4.0 million tons during 2009, or 11% lower than during 2008. Revenue per ton shipped was USD713 in 2009, a decrease of 36% compared to 2008, as a result of lower prices.

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Flat and long product sales in the South & Central America Region were USD1.8 billion during 2009, a decrease of 42% versus 2008. This decrease was due to lower volumes and revenue per ton. Shipments in the region totaled 2.0 million tons during 2009, or 30% lower than in 2008. Revenue per ton shipped in the South & Central America Region was USD878 in 2009, a decrease of 17% compared to 2008, mainly due to lower prices.

Cost of sales

Cost of sales was USD4.1 billion in 2009 compared to USD6.1 billion in 2008. Cost of sales decreased as a result of lower shipments and lower cost per ton. Cost per ton decreased year-over-year mainly as a result of lower costs for third party steel, raw materials, energy, labor and services, as well as on account of the impact on costs of the Mexican Peso and Argentine Peso devaluation versus the U.S. dollar and the initiatives Ternium launched to mitigate the global economic downturn.

Selling, general and administrative expenses

SG&A expenses in 2009 were USD531.5 million, or 11% of net sales, compared with USD669.5 million, or 8% of net sales, in 2008. The decrease in SG&A was due mainly to Ternium's efforts to reduce headcount and services costs in response to the economic downturn, as well as on account of lower freight volumes, tax charges and the impact on costs of the Mexican Peso and Argentine Peso devaluation versus the U.S. dollar.

Other operating (expenses) income, net

Net other operating expenses in 2009 were USD20.7 million, compared with net other operating income of USD8.7 million in 2008. The year-over-year difference was mainly due to a USD27.0 million full impairment of the remaining intangible asset value of a contract related to the purchase of steel slabs from Corus Teeside facility. For more information, see note 27 to our audited consolidated financial statements included elsewhere in this annual report and Item 8. Financial Information A. Consolidated Statements and Other Financial Information Legal Proceedings Previously Reported Legal Proceedings.

Operating income

Operating income in 2009 was USD296.4 million, or 6% of net sales, compared with USD1.7 billion, or 20% of net sales, in 2008.

Net financial results

Net financial income was USD132.9 million in 2009, compared with a net financial expense of USD797.1 million in 2008. During 2009, Ternium's net interest expense was USD84.7 million, a decrease of USD19.3 million compared to 2008 due to lower indebtedness as a result of amortizations of debt and lower interest rates.

Net foreign exchange result was a gain of USD83.1 million in 2009, compared to a loss of USD632.7 million in 2008. These results were primarily due to the impact of the Mexican Peso's 4% revaluation in 2009 and 25% devaluation in 2008, respectively, on Ternium's Mexican subsidiary's U.S. dollar denominated debt. These results are non-cash when measured in U.S. dollars and are offset by changes in Ternium's net equity position in the currency translation adjustments line, as the value of Ternium Mexico's U.S. dollar denominated debt is not altered by the Mexican Peso fluctuations when stated in U.S. dollars in Ternium's consolidated financial statements. In accordance with IFRS, Ternium Mexico prepares its financial statements in Mexican Pesos and registers foreign exchange results on its net non-Mexican Pesos positions when the Mexican Peso revaluates or devaluates to other currencies.

Interest income on the Sidor financial asset was USD136.0 million in 2009. This result is attributable to the Sidor financial asset in connection with the transfer of the Sidor shares to Venezuela on May 7, 2009.

Fair value of derivatives was a gain of USD10.6 million in 2009, compared to a loss of USD32.5 million in 2008. The result was related to certain derivative instruments entered into primarily to mitigate the effect of interest rate and currency fluctuations.

Table of Contents***Equity in earnings (losses) of associated companies***

Ternium's share in the results of associated companies (mainly Exiros) during 2009 was a gain of USD1.1 million, compared to a gain of USD1.9 million in 2008.

Income tax expense

Income tax expense in 2009 was USD91.3 million or 21% of income before income tax, discontinued operations and minority interest, compared with USD162.7 million, or 18% of income before income tax, discontinued operations and minority interest, in 2008. The income tax expense in 2008 included a non-recurring gain of USD96.3 million on account of Hylsa's reversal of deferred statutory profit sharing that reduced its effective tax rate for the year (see note 4.M to our audited consolidated financial statements included in this annual report).

Net result of discontinued operations

Net result of discontinued operations in 2009 was a gain of USD428.0 million, related to the transfer of the Sidor shares to Venezuela on May 7, 2009. In 2008, the net result of discontinued operations comprised an after-tax gain of USD59.6 million related to Sidor and an after-tax gain of USD97.5 million from the sale of non-core US assets during the first quarter of 2008.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest for the fiscal year ended December 31, 2009 was USD49.7 million, compared to USD159.7 million in 2008. The decrease was mainly attributable to Siderar's lower net income.

Foreign Currency Fluctuations

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

Governmental Economic, Fiscal, Monetary or Political Policies or Factors

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

B. Liquidity and Capital Resources

We obtain funds from our operations and from short-term as well as long-term borrowings from financial institutions. These funds are primarily used to finance our working capital and capital expenditures requirements and acquisitions (for further information on capital expenditures see Item 4. Information on the Company B. Business Overview Capital Expenditure Program). Also, during fiscal years 2009 and 2010, we had cash inflows of USD1.7 billion in connection with compensation payments for the nationalization of our participation in Sidor. For more information on the Sidor nationalization process, see note 29 to our audited consolidated financial statements included elsewhere in this annual report. We hold money market investments, time deposits and variable-rate or fixed-rate securities from investment grade issuers. During 2009 and 2010, we significantly decreased our financial indebtedness, from USD3.3 billion at the end of 2008 to USD1.9 billion at the end of 2010, using primarily cash provided by operating activities. For a description of the refinancing of Ternium Mexico's 2007 syndicated loan facility, see Item 5. Operating and Financial Review and Prospects G. Recent Developments Debt Refinancing in Ternium Mexico.

Management believes that funds from operations will be sufficient to satisfy our current working capital needs and service our debt in the foreseeable future. Although Ternium believes it has access to the credit markets, it has not negotiated additional credit facilities. 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.

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

<i>In thousands of U.S. dollars</i>	For the year ended December 31,		
	2010	2009	2008
Net cash provided by operating activities	806,825	1,161,758	517,513
Net cash (used in) provided by investing activities	(470,128)	791,233	350,530
Net cash used in financing activities	(654,118)	(922,588)	(752,909)
(Decrease) increase in cash and cash equivalents	(317,421)	1,030,403	115,134
Effect of exchange rate changes	1,039	(157)	(17,518)
Cash and cash equivalents at the beginning of the year	2,095,798	1,065,552	1,125,830
Cash and cash equivalents of discontinued operations at March 31, 2008			(157,894)
Cash and cash equivalents at the end of the year (1)	1,779,416	2,095,798	1,065,552

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

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

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

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

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

Operating activities

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

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

an increase in net income from continuing operations of USD440.4 million; and

a positive income tax accruals less payments adjustment of USD226.8 million in 2010, compared to a negative income tax accruals less payments adjustment of USD49.3 million in 2009.

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

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

Change in inventory Dec 10 / Dec 09

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

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

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

Investing activities

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

an increase in net cash used in other investing activities, net, of USD933.6 million, consisting mainly of financial investments with maturity of more than three months, which increased USD801.6 million in 2010 (compared to a decrease of USD43.2 million in 2009);

a decrease of USD186.2 million in the proceeds from the Sidor financial asset (from USD953.6 million in 2009 to USD767.4 million in 2010); and

an increase of USD141.5 million in capital expenditures (from USD208.6 million in 2009 to USD350.1 million in 2010).

Financing activities

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

Fiscal Year Ended December 31, 2009 compared to Fiscal Year Ended December 31, 2008

Overview

During 2009, Ternium's primary source of funding was net cash provided by operating and investing activities. Cash and cash equivalents as of December 31, 2009 were USD2.1 billion, a USD1.0 billion (96.7%) increase from USD1.1 billion at the end of the previous year. This increase is mainly attributable to net cash provided by operating activities of USD1.2 billion and net cash provided by investing activities of USD791.2 million, partially offset by cash used in financing activities.

In addition to cash and cash equivalents, as of December 31, 2009, we held other current investments totaling USD46.8 million.

Operating activities

Net cash provided by operating activities was USD1.2 billion in 2009 compared to USD517.5 million in 2008, an increase of USD644.2 million year-over-year. The main reasons for the variation in operating cash flow were:

a decrease in working capital of USD635.2 million in 2009 as a result of the global economic downturn, compared to an increase in working capital of USD1.1 billion in 2008 (see below);

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partially offset by

a decrease in net income from continuing operations of USD379.0 million;

adjustments for net foreign exchange results and others gain of USD53.6 million in 2009, compared to net foreign exchange results and others loss of USD629.5 million in 2008; and

adjustments for net interest income related to the Sidor financial asset of USD136 million in 2009.

The significant decrease in working capital during 2009, as indicated above, was attributable to:

a decrease in trade and other receivables of USD308.9 million in 2009, mainly due to lower export volumes and steel prices during the fourth quarter of 2009 compared to the fourth quarter of 2008; and

a decrease of USD429.1 million in inventory, mainly as a result of lower costs as well as a lower volume of finished goods, goods in process and raw materials (as shown in the table below).

	Change in inventory (Dec 09/Dec 08) (in millions of USD)		
	Price(1)	Volume	Total
Finished goods	(65.0)	(43.6)	(108.6)
Goods in process	(156.9)	74.4	(82.5)
Raw materials, supplies and allowances	(213.9)	(24.0)	(238.0)
Total	(435.9)	6.8	(429.1)(1)

(1) This amount was partially offset by a USD158.0 million write-down for net realizable value of inventory. The above was partially offset by an aggregate decrease in accounts payable and other liabilities of USD102.9 million, mainly due to lower social security and other labor related debts and lower capital expenditures during the fourth quarter of 2009 compared to the fourth quarter of 2008.

Lower costs and inventory volume of finished goods, goods in process and raw materials in 2009 were primarily attributable to lower input prices and decreased demand during the year. In particular, in the last quarter of 2008, generally as a result of the global crisis, demand decreased substantially in Ternium's markets. In that context, Ternium began to implement a de-stocking process, with inventory levels decreasing mainly during the first half of 2009.

Investing activities

Net cash provided by investing activities in 2009 was USD791.2 million, compared to USD350.5 million in 2008.

This variation was primarily attributable to the following events and factors:

the proceeds from the Sidor financial asset of USD953.6 million in 2009;

a decrease of USD379.3 million in capital expenditures (from USD587.9 million in 2008 to USD208.6 million in 2009);

the proceeds from the sale of certain non-core U.S. assets in 2008, amounting to USD718.6 million; and

the cash generated by discontinued operations, mainly Sidor, of USD242.4 million in 2008.

Financing activities

Net cash used in financing activities was USD922.6 million in 2009, compared to USD752.9 million in 2008. The variation was mainly due to a higher net repayment of borrowings of USD289.5 million in 2009, partially offset by lower dividend payments of USD119.8 million in the same year (in each case, such borrowings were mostly related to

the Grupo Imsa transaction in 2007).

Table of Contents**Principal Sources of Funding***Funding Policies*

Management's policy is to maintain a high degree of flexibility in operating and investment activities by maintaining adequate liquidity levels and ensuring access to readily available sources of financing. While Ternium currently does not have committed credit facilities available for borrowing, management believes that Ternium could have access to external borrowing in case of any shortfalls. We obtain financing primarily in U.S. dollars. Whenever feasible, management bases its financing decisions, including the election of term and type of the facility, on the intended use of proceeds for the proposed financing.

Financial Liabilities

Our financial liabilities currently consist of loans with financial institutions and minor overdrafts transactions. These facilities are mainly denominated in U.S. dollars. As of December 31, 2010, U.S. dollar-denominated financial liabilities represented 92.1% of total financial liabilities. Total financial debt decreased from USD2.3 billion as of December 31, 2009, to USD1.9 billion as of December 31, 2010. During 2010, Ternium's bank borrowings (inclusive of principal and interest accrued thereon) decreased by USD387.1 million, principally due to the repayment of a significant portion of principal and interest on borrowings related to prior acquisitions. As of December 2010, current borrowings were 26.5% of total borrowings, none of which corresponded to borrowings with related parties.

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

<i>In thousands of U.S. dollars</i>	2010	2009	2008
Borrowings with related parties			
Bank borrowings (1)	1,939,657	2,326,729	3,267,327
Total borrowings	1,939,657	2,326,729	3,267,327

(1) Net of debt issuance costs

The weighted average interest rates at December 31, 2010, 2009 and 2008 shown below were calculated using the rates set for each instrument in its corresponding currency and weighted using the U.S. dollar-equivalent outstanding principal amount of those instruments at December 31, 2010, 2009 and 2008, respectively, after giving effect to any derivative financial instruments used to mitigate interest rate risk.

	2010	2009	2008
Bank borrowings	3.29%	3.04%	2.79%

As of December 31, 2010, the maturity of our financial liabilities was as follows:

In thousands of U.S.

<i>dollars</i>	1 year Or less	1 - 2 years	2 - 3 Years	3 - 4 Years	4 - 5 Years	Over 5 Years	Total
At December 31, 2010							
Borrowings (1)(2)	513,083	1,289,445	12,726	24,873	24,874	74,656	1,939,657
Total borrowings	513,083	1,289,445	12,726	24,873	24,874	74,656	1,939,657

(1) Borrowings are bank borrowings with third parties. See B. Liquidity and Capital Resources Principal Sources of Funding Financial Liabilities .

(2) Net of debt issuance costs.

For a description of the refinancing of Ternium Mexico's 2007 syndicated loan facility, see Item 5. Operating and Financial Review and Prospects G. Recent Developments Debt Refinancing in Ternium Mexico.

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For information on our derivative financial instruments, please see Item 11. Quantitative and Qualitative Disclosures About Market Risk and note 25 to our audited consolidated financial statements included in this annual report.

Most Significant Borrowings

Our most significant borrowings as of December 31, 2010, were those incurred under Ternium Mexico's syndicated loan facility in relation to the Grupo Imsa transaction in July 2007.

<i>In Millions of U.S. dollars</i>			Original principal amount	Outstanding principal amount as of December 31, 2010	Maturity
Date	Borrower	Type			
July 2007	Ternium Mexico	Syndicated loan	3,485.0	1,789.7(1)	July 2012 (2)

(1) On February 1, 2008, we completed the sale of our interests in Steelscape, Inc., ASC Profiles Inc., Varco Pruden Buildings Inc. and Metl-Span LLC to BlueScope Steel North America Corporation, a subsidiary of BlueScope Steel Limited, for a total consideration of USD727 million. On February 28, 2008, we applied USD700.0 million of the proceeds of such sale to partially prepay loans under the syndicated loan agreement. Beginning in January 26, 2009 and until December 31, 2010 we paid four semi-annual installments of USD249 million each.

(2) In April 2011, Ternium Mexico extended the maturities under its 2007 syndicated loan facility. See Item 5. Operating and Financial Review and Prospects G. Recent Developments Debt Refinancing in Ternium Mexico. The main covenants in our syndicated loan agreement are limitations on liens and encumbrances, limitations on the sale or other dispositions of certain material assets, and compliance with financial ratios (*e.g.*, leverage ratio and interest coverage ratio).

As of December 31, 2010, we were in compliance with all covenants under our loan agreements. For further information on our financial liabilities, borrowings and commitments please see notes 26 and 27(ii) to our audited consolidated financial statements included in this annual report.

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

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

D. Trend Information

See Overview.

E. Off-Balance Sheet Arrangements

Ternium does not use off-balance sheet arrangements as such term is defined by applicable SEC rules. However, as described above, Ternium has various off-balance sheet commitments to purchase raw materials, energy (electricity, steam for the production of electricity, natural gas and natural gas transportation), supplies (oxygen, nitrogen and argon) and production equipment. Off-balance sheet commitments are discussed in note 27(ii) to our audited consolidated financial statements included in this annual report.

F. Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2010, and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

<i>In millions of U.S. dollars</i>	Contractual Obligations	Payments Due by Period as of December 31, 2010				
		Total	Less than 1 Year	1-3 years	4-5 years	After 5 Years
Borrowings (1)	1,939.7	513.1	1,302.2	49.7	74.7	

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Estimated interest payments (2)	70.7	26.6	27.1	13.5	3.5
Purchase Obligations (3)	2,444.3	424.2	458.6	361.2	1,200.3
Total Contractual Obligations	4,454.7	963.9	1787.9	424.4	1,278.5

(1) Borrowings are bank borrowings with third parties. See B. Liquidity and Capital Resources Principal Sources of Funding Financial Liabilities.

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- (2) Variable rates used in the projection are the ones settled in the current interest period and are considered to be fixed over the years. In April 2011, we successfully negotiated an extension of maturities under Ternium Mexico 2007 syndicated loan facility. Pursuant to this agreement, USD803 million originally maturing in July 2012 will be paid by Ternium Mexico in four equal semiannual installments commencing on January 2013 and ending on July 2014, and estimated interest payments have increased approximately USD21.8 million.
- (3) Purchase obligations include mainly electric power, raw materials, oxygen, equipment and steam. Some of these purchase obligations are currently under re-negotiation.

G. Recent Developments***Repurchase of shares from Usiminas concurrently with secondary public offering***

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

On February 9, 2011, Ternium and Techint, following the pricing of the underwritten public offering mentioned above, entered into purchase agreements with Usiminas relating to their concurrent purchase transactions of Ternium shares. Under these agreements, on February 15, 2011, Ternium and Techint purchased from Usiminas 41,666,666 and 27,777,780 Ternium shares for a total consideration of USD150 million and USD100 million, respectively. In connection with the sale of Ternium s shares by Usiminas, Ternium collected a USD10.2 million fee and was reimbursed of all expenses relating to the offering and concurrent purchase.

Following consummation of these transactions, Techint owns directly 62.02% of the Company s share capital and Tenaris holds directly 11.46% of the Company s share capital (both including treasury shares) and Usiminas no longer owns any Ternium shares. Also, upon completion of the transaction, the two members of Company s board of directors nominated by Usiminas resigned from Company s board.

Debt refinancing in Ternium Mexico

On April 6, 2011, Ternium Mexico, Crédit Agricole Corporate and Investment Bank, acting as Administrative Agent, and certain banks parties to a loan agreement dated as of July 12, 2007, partially refinanced a syndicated loan facility that had been incurred to finance Ternium s 2007 acquisition of Grupo Imsa. The outstanding balance of the facility so refinanced amounted to USD1.0 billion. As part of the refinancing, the final maturity date of bank loans in a principal amount of USD0.8 billion was extended to July 23, 2014 (with the extended loans being payable in four consecutive and equal semi-annual installments commencing on January 26, 2013), and the applicable margin structure for the extended loans was amended. On July 26, 2012, Ternium Mexico will repay the remaining USD0.2 billion principal amount of the loans that were not so refinanced.

Recent developments involving Siderar

As of March 31, 2011 25.97% of Siderar s equity is held by the ANSeS, Argentina s governmental social security agency. ANSeS became a significant shareholder of Siderar in the last quarter of 2008 as a result of the nationalization of Argentina s private pension system. Investments held by the private pension funds were subject to certain restrictions, including a cap preventing them to exercise more than 5% of any company s voting rights (regardless of their share participation in any such company), and the act of Congress ordering the transfer of assets from the private pension funds to ANSeS provided that all limitations applicable to the pension funds would continue to apply to ANSeS. However, on April 13, 2011, the Argentine Executive Branch issued Decree 441/2011, which purports to abrogate the 5% cap on voting rights. If ANSeS were to exercise its voting rights in excess of the 5% cap, ANSeS may appoint up to three out of eleven members of Siderar s board of directors and one out of three members of Siderar s surveillance committee, thereby allowing the government to have an active role in the governance of Siderar and ultimately influence its business policies. Ternium believes that Decree 441/2011 is unconstitutional based on,

among other reasons, the absence of the urgency grounds that must be met for an act of Congress to be amended by a decree of the Executive Branch.

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

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

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

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

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

In addition, on June 2, 2011, the CNV instituted administrative proceedings against the members of Siderar's board of directors and supervisory committee. These proceedings are intended to determine if these persons breached their legal duties by preventing ANSeS from exercising its voting rights in excess of the 5% cap at the April 15, 2011 shareholders' meeting. These proceedings are currently ongoing.

While Ternium believes that Siderar and the members of its board of directors and surveillance committee acted at all times in accordance with applicable law, Ternium cannot give any assurance as to the ultimate outcome of the above described legal actions and proceedings.

Settlement of arbitration proceedings

The disclosure below should be read in conjunction with Item 8. Financial Information A. Consolidated Statements and Other Financial Information Legal Proceedings Previously Reported Legal Proceedings.

On April 15, 2011, the arbitration tribunal issued a second partial final award where it held that the off-takers should pay to the claimant GBP 1.6 million for its reasonable legal and other costs incurred before the first partial final award. The off-takers paid that amount around mid May. In addition, on May 27, 2011, the off-takers paid to Tata an aggregate amount of USD16.3 million (of which Ternium Procurement paid USD 3.2 million) as indemnification for one of its claims under the arbitration proceedings.

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On June 16, 2011, Tata, the off-takers and Ternium Mexico settled the dispute, and the off-takers, in exchange for a full release and discharge of each of them and their respective representatives and affiliates, from all claims and disputes that Tata may have against any of them in relation to the off-take framework agreement and its related agreements, agreed to pay to Tata an aggregate amount of USD124 million (including the USD16.3 million previously paid) and authorized their agent under the off-take agreements to transfer to Tata UK£1.8 million and 0.5 million which had been received by the agent from the off-takers under the off-take framework agreement before the early termination of such agreement. Ternium Procurement paid to Tata its share of the settlement amount (i.e., USD21.3 million) on June 17, 2011. On June 21, 2011, Tata notified the arbitration tribunal that the arbitration proceedings were withdrawn. For more information, see Item 8. Financial Information A. Consolidated Statements and Other Financial Information Legal Proceedings Previously Reported Legal Proceedings.

Annual General Meeting and Extraordinary General Meeting of Shareholders

On June 1, 2011, the annual general meeting of shareholders of the Company approved all resolutions on its agenda. Among other resolutions adopted at the meeting, the shareholders approved the consolidated financial statements and annual accounts for the year ended December 31, 2010, as well as the payment of an annual dividend of USD0.075 per share (USD0.75 per ADS), or an aggregate amount of approximately USD150.4 million. The Company paid such dividend on June 9, 2011. For further information about payment of dividends, see Item 8. Financial Information Consolidated Statements and Other Financial Information Dividend Policy.

The shareholders' meeting also re-elected Ubaldo Aguirre, Roberto Bonatti, Carlos Condorelli, Pedro Pablo Kuczynski, Adrian Lajous, Bruno Marchettini, Gianfelice Mario Rocca, Paolo Rocca and Daniel Agustín Novegil as members of the board of directors to serve until the next annual shareholders' meeting that will be convened to decide on the 2011 accounts, and appointed PricewaterhouseCoopers S.à.r.l., *Réviseur d'entreprises agréé*, as our independent auditors for the year ending December 31, 2011.

The board of directors subsequently re-appointed Paolo Rocca as its chairman and Daniel Novegil as Ternium's chief executive officer, and confirmed Ubaldo Aguirre, Pedro Pablo Kuczynski and Adrián Lajous as members of the board's audit committee, with Mr. Aguirre to continue chairing that committee. All three members of the audit committee qualify as independent directors under our articles of association.

On June 1, 2011, the extraordinary general meeting of shareholders also approved, among other amendments to the articles of association, amendment to Article 15 of the articles of association regarding the date of the annual general meetings of shareholders so that in the future they are held on the first Wednesday of May of each year. Additionally, such meeting also approved the amendment of Article 2 of the articles of association in order to adapt it to the abolishment of Luxembourg law of July 31, 1929.

Item 6. Directors, Senior Management and Employees**A. Directors and Senior Management****Board of Directors**

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

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

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

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

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

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

Name	Position	Principal Occupation	Years as director	Age at May 5, 2011
Paolo Rocca (1)	Chairman	Chairman and CEO of Tenaris, director and vice president of San Faustin	6	58
Ubaldo Jose Aguirre	Director	Managing director of AGM/R S.A. and Aguirre y Gonzalez S.A.	5	62
Roberto Bonatti (1)	Director	Director and president of San Faustin and director of Tenaris	6	61
Carlos Condorelli	Director	Director of Tenaris	6	60
Adrián Lajous Vargas	Director	Senior energy advisor at McKinsey & Company and president of Petrométrica, S.C.	5	67
Bruno Marchettini	Director	Director of San Faustin and senior advisor in technological matters for the Techint group	5	69
Daniel Agustín Novegil	Director	CEO of the Company	6	58
Gianfelice Mario Rocca (1)	Director	Chairman of the board of directors of San Faustin, director of Tenaris and president of Humanitas Group	5	63
Pedro Pablo Kuczynski	Director	Senior advisor of The Rohatyn Group	4	72

(1) Paolo Rocca and Gianfelice Rocca are brothers, and Roberto Bonatti is Paolo and Gianfelice Rocca's first cousin. **Paolo Rocca.** Mr. Rocca has served as chairman of the Board since 2005. He is a grandson of Agostino Rocca. He is also chairman and chief executive officer of Tenaris and chairman of the board of directors of Tamsa S.A. In addition, he is a member of the board of directors and vice president of San Faustin and a director of Techint Financial Corporation N.V. Mr. Rocca is vice-chairman of the World Steel Association and a member of the International Advisory Committee of NYSE Euronext (New York Stock Exchange). Mr. Rocca is an Italian citizen.

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

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

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

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

Bruno Marchettini. Mr. Marchettini has served on the Board since 2006. Mr. Marchettini is senior advisor in technological matters for the Techint group. Mr. Marchettini has retired from executive positions and is presently engaged as a consultant by Siderar. Mr. Marchettini is a director of San Faustin. Mr. Marchettini is an Italian citizen.

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

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

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

Director Liability

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

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

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

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

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

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

Auditors

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

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Our independent auditors for the fiscal year ended December 31, 2010 were PricewaterhouseCoopers (acting, in connection with our annual accounts and annual consolidated financial statements required under Luxembourg law, through PricewaterhouseCoopers S.à.r.l., *Réviseur d'entreprises agréé*, and in connection with our annual and interim consolidated financial statements required under the laws of any other relevant jurisdiction, through Price Waterhouse & Co. S.R.L.). Our independent auditors are appointed annually for one-year terms. Following our recent corporate reorganization (see Item 10. Additional Information E. Taxation Grand Duchy of Luxembourg Corporate Reorganization), our audit committee recommended, and the annual shareholders' meeting approved at a meeting held on June 1, 2011, that PricewaterhouseCoopers S.à.r.l., *Réviseur d'entreprises agréé*, be appointed as independent auditors for the year ending December 31, 2011, in connection with all of our annual accounts and financial statements.

Senior Management

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

Name	Age at December 31, 2010	Position
Daniel Novegil	58	Chief Executive Officer; Director
Pablo Brizzio	40	Chief Financial Officer
Julián Eguren	47	North Region Area Manager
Martín Berardi	53	Siderar Executive Vice President
Oscar Montero Martínez	50	Planning and Operations General Director
Paolo Bassetti	46	Brazil General Director
Luis Andreozzi	60	Engineering and Environment Director
Miguel Punte	63	Human Resources Director
Roberto Demidchuk	49	Chief Information Officer
Rubén Herrera	53	Quality and Product Director

Daniel A. Novegil. See Board of Directors .

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

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

Julián Eguren. Mr. Eguren is our North Region Area Manager. Since January 2008, he is chief executive officer of Ternium Mexico. Prior to that, he served as chief executive officer of Sidor. He has held several other executive positions since joining the Techint group in 1987, such as commercial director of Sidor, chief executive officer of Tavsá, Tubos de Acero de Venezuela S.A., general manager of Socominter (Venezuela), economic planning manager and treasurer of Tamsa and commercial planning manager of Siderca. He was also a director of IVES, ILAFA and Matesi, Materiales Siderúrgicos S.A. (Matesi), and president of CAVEARG (Venezuelan Argentinean Chamber). Mr. Eguren is an Argentine citizen.

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

Sidor. Since 2005, he serves as planning and operations general director of the Company. Mr. Montero is an Argentine citizen.

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Paolo Bassetti. Mr. Bassetti currently serves as our Brazil General Director. He began his career with the Techint group in 1991 as an analyst. Since then, he has held several positions within the Techint group in the commercial and procurement areas. In 2004 he assumed the position of managing director of TenarisSilcotub (2004 – 2008). Since 2009 he serves as Brazil General Director of the Company. Mr. Bassetti is an Italian citizen.

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

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

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

Rubén Herrera. Mr. Herrera is our Quality and Product Director since July 1, 2008. He is also Quality and Product Director of Ternium Mexico since 2007. Since joining the Techint group in 1990, he has held several other executive positions, including Mechanical Metallurgical Department Chief in Siderca's Industrial Research Center, Product Manager of Siderar, and Quality and Product Director of Sidor. Mr. Herrera is an Argentine citizen.

B. Compensation

The compensation of the members of the Company's board of directors is determined at the annual ordinary general shareholders' meeting. Each member of the board of directors received for the year 2010 a fee of USD70,000, and the chairman of the board of directors received an additional fee of USD280,000. The chairman of the audit committee received as additional compensation a fee of USD60,000, while the other members of the audit committee received an additional fee of USD50,000. Under the Company's articles of association the members of the audit committee are not eligible to participate in any incentive compensation plan for employees of the Company or any of its subsidiaries. The aggregate cash compensation received by directors and senior management for the year 2010 amounted to approximately USD13.3 million. In addition, directors and senior management received for the year 2010 1,170,415 units for a total amount of USD3.4 million, in connection with the employee incentive retention program described in note 4.N.3 Employee liabilities Other compensation obligations to our audited consolidated financial statements included in this annual report.

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

C. Board Practices

See A. Directors and Senior Management.

Audit Committee

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

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

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

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

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

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

a Material Transaction is (i) any transaction with or involving a Related Party (x) with an individual value equal to or greater than ten million U.S. dollars or (y) with an individual value lower than ten million U.S. dollars, when the aggregate sum of any series of transactions reflected in the financial statements of the four fiscal quarters of the Company preceding the date of determination (excluding any transactions that were reviewed and approved by any of the audit committee of the Company, or any of its subsidiaries, the board of directors of the Company, the independent members of the board of directors or other governing body of any subsidiary of the Company, or a majority of the members of the board of directors or similar governing body of any subsidiary of the Company that were not nominated by or at the request of the Company or any entity that directly or indirectly controls or is

under common control with the Company) exceeds 1.5% of the Company's consolidated net sales made in the fiscal year preceding the year on which the determination is made; or (ii) any corporate reorganization transaction (including a merger, spin-off or bulk transfer of a business) involving the Company or any of its direct or indirect subsidiaries for the benefit of or involving a Related Party; and

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a Related Party is, in relation to the Company or its direct or indirect subsidiaries, any of the following persons: (i) a member of the board of directors of the Company or of the board of directors or other governing body of any of the Company's subsidiaries; (ii) any member of the board of directors or other governing body of an entity that directly or indirectly controls the Company; (iii) any entity that directly or indirectly controls or is under common control with the Company (other than the Company's subsidiaries); (iv) any entity controlled directly or indirectly by any member of the board of directors of the Company, or of the board of directors or other governing body of any subsidiary of the Company; and (v) any spouses, parents, siblings or relatives up to the third degree of, and any person that shares a home with, any person referred to in (i) or (ii).

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

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

D. Employees

The following table shows the number of persons employed by Ternium and its consolidated subsidiaries and does not include the number of persons employed at its held-for-sale subsidiaries as at the end of each of the past three financial years:

	At December 31,		
	2010	2009	2008
Mexico	8,575	8,051	8,597
Argentina	5,416	5,281	5,609
Colombia	1,375		
Other	562	547	586
Total employees (1)	15,928	13,879	14,792

(1) It does not include 2,137 employees of contractors who performed services at Ternium's facilities at year-end 2010, 2,092 employees at year-end 2009 and 1,241 employees at year-end 2008. Personnel of contractors who performed services at Ternium's facilities at year-end 2010 and 2009 increased compared to such personnel at year-end 2008 as a result of the normalization of production at Ternium's facilities, following the downturn that began in the fourth quarter 2008.

At December 31, 2010, the number of persons employed by Ternium was 15,928. During 2010, the aggregate number of employees increased compared to year-end 2009, mainly due to the acquisition of Ferrasa and higher activity levels. During 2009, the aggregate number of employees decreased compared to year-end 2008, mainly due to the initiatives that Ternium launched to mitigate the economic downturn.

Table of Contents**Mexico**

In Mexico, approximately 64% of Ternium employees are unionized. Of these, approximately, 53% of Mexico's unionized workers are members of FENASA (*Federación Nacional de Asociaciones Sindicales Autónomas*), the national federation of autonomous union associations, and 47% are members of FNSI (*Federación Nacional de Sindicatos Independientes*), the national federation of independent unions. The unionized employees of Peña Colorada, however, are members of *Sindicato de Trabajadores Mineros, Metalúrgicos y Similares de la República Mexicana* (Union of Mexican Republic mine, metal and similar workers). The applicable collective bargaining agreements are negotiated every two years and salary adjustments are made on an annual basis. During 2010 and the beginning of 2011, Ternium's subsidiaries and the unions reached agreements regulating safety, operating flexibility, as required at some production lines, transparency and conduct. Despite some minor social and union conflicts, Ternium's Mexican subsidiaries maintain good relations with their labor force in Mexico and have never experienced a strike or work stoppage.

Under Mexican law, companies are required to pay to their employees an annual benefit of 10% of their taxable income (profit sharing program), calculated similarly to income tax.

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

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

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

Argentina

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

As part of the privatization process in 1992, 20% of Siderar's shares were sold to former employees of the acquired state-owned company Somisa under the Programa de Propiedad Participada (the Employee Stock Ownership Plan). For further information see Item 4. Information on the Company C. Organizational Structure Subsidiaries Siderar.

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

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In the last five years, nominal salaries in local currency increased substantially, reflecting the economic situation of the country and inflation, and were the result of collective agreements entered into with the labor authorities involvement. On March 31, 2011, agreement on salaries between the employers' entity representing steel companies in the collective bargaining including Siderar and the steelworkers unions expired. Recently, an agreement was reached on salaries between the employers' entity representing steel companies in the collective bargaining including Siderar and the steelworkers unions, for the period April 2011 – March 2012.

We believe that Siderar maintains good relations with its unions, and the measures that it has taken in order to make Siderar more competitive have not resulted in significant labor unrest. In early 2009, following a decrease in the level of activity since the last quarter of 2008 due to the global economic downturn, Siderar downsized contractor and subcontractor activities and temporary personnel, triggering adverse reactions from the construction workers' union and the steelworkers' union. Later in 2009, during the negotiations between Siderar and the steelworkers' union regarding the annual bonuses related to results, the unions called for work stoppages and other measures. These events have not had a significant impact on Siderar's operations. During 2010, the various measures that Siderar has taken in order to become more competitive did not result in significant labor unrest.

Under Argentine law, Siderar is required to pay an amount equal to up to 23% of its employees' base salaries towards the social security system. Siderar must also withhold an additional percentage from salaries for contribution to such funds up to a certain amount. As of March 2011, the maximum monthly amount from which social security contributions are withheld is AR\$13,879.33 (Law n° 26417 and its regulations). Part of those contributions finances a state-controlled pension system. There are no mandatory company-supported pension plans.

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

Colombia

Presently, Ferrasa's employees are non-unionized workers. We believe that Ferrasa maintains good relations with its employees. The measures that Ferrasa has taken in 2010 in order to make it more competitive have not resulted in significant labor unrest.

Under Colombian labor laws, employers are required to pay its workers a monthly minimum wage, which is increased by the government on an annual basis depending on the inflation rate in the country during the previous year. In addition, labor laws provide for the payment of transportation assistance and the supply of uniforms to those employees earning less than two minimum monthly salaries. The minimum wage has increased, on average, 6.2% per year in the period 2006-2010.

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

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

Table of Contents**E. Share Ownership**

To our knowledge, the total number of shares of the Company (including in the form of ADSs) owned by our directors and executive officers as of March 31, 2011 was 1,097,560, which represents 0.05% of our issued and outstanding shares. The following table provides information regarding share ownership by our officers and directors.

Director or Officer	Number of Shares Held
Adrián Lajous	740,560
Daniel Novogil	243,000
Paolo Bassetti	67,000
Martín Berardi	47,000
Total	1,097,560

Item 7. Major Shareholders and Related Party Transactions**A. Major Shareholders**

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

Identity of Person or Group	Number	Percent
Techint Holdings S.à r.l. (1)	1,243,433,012	62.02%
Tenaris (2)	229,713,194	11.46%
Ternium (3)	41,666,666	2.08%
Directors and Senior Management as a group	1,097,560	0.05%
Public	488,833,010	24.38%

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

(2) Tenaris is controlled by Techint, which is controlled by San Faustin. RP STAK controls a significant portion of the voting power of San Faustin and has the ability to influence matters affecting, or submitted to a vote of, the shareholders of San Faustin.

(3) Ternium holds its shares through its wholly-owned subsidiary Ternium International Inc Panamá. On January 31, 2011, Ternium entered into a transaction and registration rights agreement with its former shareholder Usiminas and Techint. The transaction and registration rights agreement provided, among other things, for a SEC-registered underwritten public offering of up to all of Ternium shares held by Usiminas (less the number of shares that Ternium and Techint agreed to purchase as discussed below) in the form of ADSs listed on the New York Stock Exchange. Neither Ternium nor Techint offered to sell any Ternium shares or ADSs in the public offering.

On February 9, 2011, Ternium and Techint, following the pricing of the underwritten public offering mentioned above, entered into purchase agreements with Usiminas relating to their concurrent purchase transactions of Ternium shares. Under these agreements, on February 15, 2011, Ternium and Techint purchased from Usiminas 41,666,666 and 27,777,780 Ternium shares for a total consideration of USD150 million and USD100 million, respectively. In connection with the sale of Ternium's shares by Usiminas, Ternium collected a USD10.2 million fee and was reimbursed of all expenses relating to the offering and concurrent purchase.

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Following consummation of these transactions, Techint owns directly 62.02% of the Company's share capital and Tenaris holds directly 11.46% of the Company's share capital (both including treasury shares) and Usiminas no longer owns any Ternium shares. Also, upon completion of the transaction, the two members of Company's board of directors nominated by Usiminas resigned from Company's board.

As of May 31, 2011, 48,993,047 ADSs (representing 489,930,470 shares, or 24% of all outstanding shares of the Company) were registered in the name of three record holders resident in the United States, as informed by The Bank of New York Mellon.

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

B. Related Party Transactions

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

As discussed elsewhere in this annual report, as from April 1, 2008, the Company ceased consolidating Sidor's results of operations and cash flows, with Sidor's results and cash flows during each period prior to April 1, 2008 being presented as discontinued operations. The transactions between Sidor and related parties for periods prior to April 1, 2008 are shown separately. For more information, see note 29 to our audited consolidated financial statements included elsewhere in this annual report.

Purchases of Raw Materials

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

- purchase of ferrous scrap and other raw material, which amounted to USD29.5 million in 2010, USD14.3 million in 2009 and USD28.8 million in 2008; and
- purchase of steam and operational services from the Argentine electric power generating facility of Siderca for Siderar in San Nicolás. These purchases amounted to USD14.1 million in 2010, USD13.6 million in 2009 and USD22.3 million in 2008.

Sales of Steel Products and Raw Materials

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

- sales of flat steel products to be used in the production of welded pipes and accessories, which amounted to USD126.5 million in 2010, USD24.7 million in 2009 and USD91.6 million in 2008;
- sales of metal building components for a new rolling mill, which amounted to USD18.7 million in 2010 and USD4.4 million in 2009; and
- sales of pig iron, DRI, scrap, pellets and other raw materials to be used in the production of seamless pipes, which amounted to USD20.1 million in 2010, USD8.9 million in 2009 and USD16.8 million in 2008.

In certain circumstances, Ternium sells steel products to other companies in the Techint group. These sales amounted to USD2.5 million in 2010, USD1.0 million in 2009 and USD100,000 in 2008.

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

Table of Contents**Purchase Agency Services**

Exiros, in which the Company has a 50% share ownership and Tenaris has the remaining 50% share ownership, provides purchase agency services to us, and to Tenaris' subsidiaries. In connection with Exiros' services, Ternium paid fees amounting to USD28.9 million in 2010, USD23.6 million in 2009 and USD24.2 million in 2008.

Supply of Natural Gas

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

Tecpetrol supplies natural gas at prices and on terms and conditions that are equivalent to those charged by Siderar's other suppliers of natural gas. Tecpetrol's sales to Siderar amounted to USD4.3 million in 2010, USD2.4 million in 2009 and USD1.3 million in 2008.

TGN charges Siderar a price to transport its natural gas supplies that is equivalent, on a comparable basis, to prices paid by other industrial users. The Argentine government regulates the general framework under which TGN operates and prices its services. TGN's sales to Ternium amounted to USD1.8 million in 2010, USD2.0 million in 2009 and USD9.6 million in 2008.

Litoral Gas distributes gas to Siderar's northern plants. Litoral Gas' sales to Ternium totaled USD1.1 million in 2010, USD1.3 million in 2009 and USD600,000 in 2008.

Energy Consulting Services provides Siderar with natural gas. Energy Consulting Services sales amounted to USD3.0 million in 2009 and USD30,000 in 2008.

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 USD104.5 million in 2010, USD87.1 million in 2009 and USD162.1 million in 2008.

Sales and Purchases of Other Products and Services

Ternium entered into other transactions with companies controlled by San Faustin. The most important ones include purchase of plant equipment and spare parts from Tenova S.p.A. (formerly Techint Compagnia Tecnica Internazionale) and other related companies, which amounted to USD6.5 million in 2010, USD300,000 in 2009 and USD5.2 million in 2008.

Administrative Services

Finma S.A., a company owned by various Techint group companies, provides administrative and legal support services to Techint group companies, including Siderar. Siderar has a 33.33% participation in Finma S.A.'s share capital. Fees accrued by Finma S.A. amounted to USD10.0 million in 2010, USD7.8 million in 2009 and USD8.6 million in 2008.

Other Transactions

Ternium sold welded steel pipes to Tenaris as part of orders to a Tenaris customer for an amount of USD4.5 million in 2010, USD1.9 million in 2009 and USD500,000 in 2008. In the ordinary course of business, from time to time, Ternium carries out other transactions and enters into other arrangements with Techint group companies, none of which are believed to be material.

Table of Contents**Transactions between Sidor and related parties prior to April 1, 2008**

As from April 1, 2008, the Company ceased consolidating Sidor's results of operations and cash flows, with Sidor's results and cash flows during each period prior to April 1, 2008 being presented as discontinued operations. The transactions between Sidor and related parties during the first quarter of 2008 are shown below:

Purchases of Raw Materials. Sidor bought ferrous scrap from a subsidiary of Tenaris in Venezuela for an amount of USD0.5 million in the first quarter of 2008.

Sales of Steel Products and Raw Materials. Sidor sold flat steel products, steel bars and raw materials to subsidiaries of Tenaris. These transactions included:

- sales of flat steel products to be used in the production of welded pipes and accessories, which amounted to USD10.0 million in the first quarter of 2008; and
- sales of steel bars to be used in the production of seamless pipes, which amounted to USD4.6 million in the first quarter of 2008.

Transactions with Matesi. Sidor established Matesi jointly with a subsidiary of Tenaris to operate an HBI production facility in Venezuela. As of March 31, 2008, Sidor held 49.8% of Matesi, while Tenaris held the remaining 50.2%.

Transactions associated with this operation included:

- purchases of HBI pursuant to an off-take agreement, which amounted to USD7.9 million in the first quarter of 2008. The agreement established that Matesi was required to sell to Sidor, on a take-or-pay basis, 29.9% of Matesi's HBI production, or up to 49.8% at the election of Sidor;
- during 2004, Sidor entered into a management assistance agreement with Matesi. As part of this agreement, Sidor received fees from Matesi totaling USD0.1 million in the first quarter of 2008, related to the provision of managerial services;
- as part of the investment agreement to finance the acquisition of Matesi's assets and its start-up, in July 2004 Sidor granted a loan to Matesi for an outstanding amount at March 31, 2008, of USD26.8 million. This loan bore interest at a rate of LIBOR plus 2%. Interest earned on this loan amounted to USD0.5 million during the first quarter of 2008;
- during 2007, Sidor entered into a Service Agreement with Matesi under which Matesi recycled pellets from Sidor into HBI. Sidor paid USD4.5 million in the first quarter of 2008 pursuant to this agreement.

Provision of Engineering and Labor Services. Sidor contracted with certain Techint group companies engineering services, construction services, specialized 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 USD10.7 million in the first quarter of 2008.

Sales and Purchases of Other Products and Services. Sidor entered into other transactions with Techint group companies, the most important of which was the purchase of plant equipment and spare parts from Tenova S.p.A. (formerly Techint Compagnia Tecnica Internazionale) and other related companies, which amounted to USD5.9 million in the first quarter of 2008. In the ordinary course of business, from time to time prior to April 1, 2008, Sidor carried out other transactions and entered into other arrangements with Techint group companies, none of which are believed to have been material.

C. Interest of Experts and Counsel

Not applicable.

Table of Contents**Item 8. Financial Information****A. Consolidated Statements and Other Financial Information**

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

Legal Proceedings***Outstanding Legal Proceedings***

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

Tax matters relating to Siderar

The *Administración Federal de Ingresos Públicos* (AFIP), the Argentine tax authority, has challenged the charge to income of certain disbursements that Siderar has treated as expenses necessary to maintain industrial installations, which as such should be deducted in the year in which they take place. The AFIP asserts that these are investments or improvements that must be capitalized and, therefore, it made a jeopardy assessment income tax due on a nominal tax basis plus fines and interest in fiscal years 1995 to 1999 amounting to approximately USD19.2 million as of December 31, 2010. Siderar appealed these assessments before the National Tax Court. On April 13, 2005, Siderar was notified of a ruling issued by the National Tax Court reducing the assessments made by the AFIP for fiscal years 1995 and 1996. The ruling was appealed both by Siderar and the AFIP. On June 10, 2010, the Company was notified of a ruling issued by the Court of Appeals in federal administrative law which mainly resulted in favor of Siderar. The ruling was appealed both by Siderar and the AFIP. Based on the above, Siderar recognized a provision amounting to USD2.1 million as of December 31, 2010 as management considers there could be a potential cash outflow.

Previously Reported Legal Proceedings

The following previously reported legal proceedings were terminated, settled or otherwise disposed of during the year covered by this report or during 2011 through the date of this annual report:

Corus arbitration proceedings

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

In addition, the off-takers were required to make, in the aggregate and according to their respective pro rata shares, significant payments to Corus to finance capital expenditures. In December 2007, all of Grupo Imsa's rights and obligations under this contract were assigned to Ternium Procurement S.A. (formerly known as Alvory S.A.).

On April 7, 2009, Ternium Procurement S.A., together with the other off-takers, declared the early termination of the off-take framework agreement and their respective off-take agreements with Corus pursuant to a provision allowing the off-takers to terminate the agreements upon the occurrence of certain events specified in the off-take framework agreement. Corus initially denied the occurrence of the alleged termination event, stated that it would pursue specific performance and initiated an arbitration proceeding against the off-takers and Ternium Mexico (as guarantor of Ternium Procurement's obligations) seeking damages arising out of the alleged wrongful termination of the off-take agreements, which damages Corus did not quantify but stated that would exceed USD150 million (approximately USD29.7 million in the case of Ternium Procurement), the maximum aggregate cap on liability that the off-takers would have under the off-take framework agreement (a limitation that Corus disputed). In addition, Corus threatened to submit to arbitration further claims in tort against the off-takers, and also threatened to submit such claims against certain third-parties to such agreements, including the Company. The off-takers and Ternium Mexico, in turn, denied Corus' claims and brought counterclaims against Corus which, in the aggregate, would also be greater than USD150 million.

On May 12, 2009, Corus, by a letter from its lawyers, alleged that the off-takers' termination notice amounted to a repudiatory breach of the agreements and stated that it accepted that the agreements had come to an end and that it would no longer pursue a claim for specific performance in the arbitration; the claim for damages, for all losses caused by the alleged off-takers' wrongful repudiation of the agreements, however, would be maintained. On July 9, 2009, Corus submitted an amended request for arbitration adding tortious claims against the off-takers and adding to its

claims the payment of punitive or exemplary damages.

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On December 21, 2010, the arbitration tribunal issued a partial final award where it held that the off-takers had invalidly terminated the off-take agreements. The tribunal also held that the maximum aggregate USD150 million liability cap (out of which approximately USD29.7 million corresponds to Ternium Procurement) provided in the off-take framework agreement applied to all of Corus' claims against the off-takers, including tort as well as contract claims. The tribunal formally admitted new claims and counterclaims into the arbitration proceedings on April 10, 2011.

On April 15, 2011, the arbitration tribunal issued a second partial final award where it held that the off-takers should pay to the claimant GBP 1.6 million for its reasonable legal and other costs incurred before the first partial final award. The off-takers paid that amount around mid May. In addition, on May 27, 2011, the off-takers paid to Tata an aggregate amount of USD16.3 million (of which Ternium Procurement paid USD 3.2 million) as indemnification for one of its claims under the arbitration proceedings.

On June 16, 2011, Tata, the off-takers and Ternium Mexico settled the dispute, and the off-takers, in exchange for a full release and discharge of each of them and their respective representatives and affiliates, from all claims and disputes that Tata may have against any of them in relation to the off-take framework agreement and its related agreements, agreed to pay to Tata an aggregate amount of USD124 million (including the USD16.3 million previously paid) and authorized their agent under the off-take agreements to transfer to Tata UK£1.8 million and 0.5 million which had been received by the agent from the off-takers under the off-take framework agreement before the early termination of such agreement. Ternium Procurement paid to Tata its share of the settlement amount (i.e., USD21.3 million) on June 17, 2011. On June 21, 2011, Tata notified the arbitration tribunal that the arbitration proceedings were withdrawn. See note 37 to our audited consolidated financial statements included elsewhere in this annual report.

Dividend Policy

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

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

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

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

if our net profits and distributable reserves are sufficient under Luxembourg law.

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Under Luxembourg law, at least 5% of our net profits per year must be allocated to the creation of a legal reserve until such reserve has reached an amount equal to 10% of our issued share capital. If the legal reserve later falls below the 10% threshold, at least 5% of net profits again must be allocated toward the reserve. The Company's legal reserve represented 10% of its share capital as of December 31, 2010. The legal reserve is not available for distribution.

B. Significant Changes

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

Item 9. The Offer and Listing**A. Offer and Listing Details**

The Company's ADSs are listed on the NYSE under the symbol TX. Trading on the NYSE began on February 1, 2006.

As of June 6, 2011, a total of 2,004,743,442 shares were registered in the Company's shareholder register.

As of May 31, 2011, a total of 489,930,470 shares were registered in the name of the depository for the Company's ADR program. On June 16, 2011, the closing price for the Company's ADSs reported by the NYSE was USD28.46.

New York Stock Exchange

As of May 31, 2011, a total of 48,993,047 ADSs were registered of record. Each ADS represents 10 shares of the Company's share capital. The Bank of New York Mellon acts as the Company's depository for issuing ADRs evidencing the ADSs. The following tables set forth, for the periods indicated, the high and low daily quoted prices for the Company's shares, in the form of ADSs, as reported by NYSE.

Full Financial Years Since Listing	Price per ADS	
	High	Low
2006	30.00	20.15
2007	41.23	24.01
2008	45.18	4.65
2009	35.61	5.76
2010	43.07	29.16

Full Financial Quarters in 2009	Price per ADS	
	High	Low
First quarter	11.14	5.76
Second quarter	18.64	7.05
Third quarter	27.71	17.24
Fourth quarter	35.61	23.63

Full Financial Quarters in 2010	Price per ADS	
	High	Low
First quarter	41.34	29.16
Second quarter	43.05	29.78
Third quarter	37.94	30.87
Fourth quarter	43.07	32.55

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	Price per ADS	
	High	Low
Last Six Months		
January 2011	43.26	38.30
February 2011	40.01	35.21
March 2011	36.93	33.78
April 2011	36.61	32.55
May 2011	33.56	30.53
June 1 to June 16, 2011	30.55	28.46

B. Plan of Distribution

Not applicable.

C. Markets

See A. Offer and Listing Details.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information**A. Share Capital**

Not applicable.

B. Memorandum and Articles of Association**General**

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

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

The Company's authorized share capital is fixed by the Company's articles of association, as amended from time to time, with the approval of shareholders at an extraordinary general shareholders' meeting. The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. The general extraordinary meeting of shareholders held on June 2, 2010, renewed the validity of the Company's authorized share capital until July 15, 2015. As of June 6, 2011, there were 2,004,743,442 shares issued. All issued shares are fully paid.

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

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

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

Dividends

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

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

Pursuant to Luxembourg law, at least 5% of our net profits per year must be allocated to the creation of a legal reserve until such reserve has reached an amount equal to 10% of our issued share capital. If the legal reserve later falls below the 10% threshold, at least 5% (or such lower amount required to reach the 10% threshold) of net profits again must be allocated toward the reserve. The Company's legal reserve represented 10% of its share capital as of December 31, 2010. The legal reserve is not available for distribution.

Table of Contents**Voting Rights; Shareholders Meetings; Election of Directors**

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

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

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

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

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

Holders of ADSs only have those rights that are expressly granted to them in the deposit agreement dated as of January 31, 2006 among the Company, The Bank of New York Mellon (formerly The Bank of New York), as

depository, and all owners and beneficial owners from time to time of ADRs of the Company. ADS holders may not attend or directly exercise voting rights in shareholders' meetings, but may instruct the depository how to exercise the voting rights for the shares which underlie their ADSs.

Access to Corporate Records

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

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Appraisal Rights

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

the delisting of the Company's shares from all regulated markets where the Company's shares are listed at that time, excluding a delisting made pursuant to an offer to all of the Company's shareholders made by a business entity subject to common control with the Company, whereby such business entity offers to issue, in exchange for the Company's shares, shares to be listed on the same regulated market(s) on which the Company's shares are listed;

a merger in which the Company is not the surviving entity (unless the shares or other equity securities of such entity are listed on the New York or London stock exchanges);

a sale, lease, exchange or other disposition of all or substantially all of the Company's assets;

an amendment to the Company's articles of association that has the effect of materially changing its corporate purpose;

the relocation of the Company's domicile outside the Grand Duchy of Luxembourg; or

amendments to the Company's articles of association that restrict the rights of its shareholders (excluding any amendments in relation with, or to, the authorized share capital and/or the waiver or suppression of any preferential subscription rights relating thereto);

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

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

they held the shares as of the date of the announcement by the Company of its intention to delist or as of the date of publication of the first convening notice for the general shareholders' meeting that approved the delisting;

they present their claim within one month following the date of the general shareholders' meeting and supply evidence of their shareholding as of the date of the Company's announcement or the publication of the first convening notice to the meeting; and

the delisting is not being made pursuant to an offer to all of the Company's shareholders made by a business entity subject to common control with the Company, whereby such business entity offers to issue, in exchange for the Company's shares, shares to be listed on the same regulated market(s) on which such dissenting or absent shareholders hold their shares through participants in the local clearing system for that market or markets.

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

Table of Contents**Distribution of Assets on Winding-up**

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

Transferability and Form

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

Pursuant to the Company's articles of association, the ownership of registered shares is evidenced by the inscription of the name of the shareholder, the number of shares held by such shareholder and the amount paid on each share in the Company's shareholders' register. In addition, the Company's articles of association provide that shares may be held through fungible securities accounts with financial institutions or other professional 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 shareholders' register. The transfer of shares may also be made in accordance with the provisions of Article 1690 of the Luxembourg Civil Code. As evidence of the transfer of registered shares, the Company may also accept any correspondence or other documents evidencing the agreement between transferor and transferee as to the transfer of registered shares.

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

Repurchase of Company Shares

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

Limitation on Securities Ownership

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

Change in Control

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

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

C. Material Contracts

For a summary of any material contract entered into by us outside of the ordinary course of business during the last two years, see Item 4. Information on the Company's B. Business Overview Raw Materials, Energy and Other Inputs. For a summary of the notes evidencing CVG's indebtedness to the Company in connection with the Sidor nationalization process, see note 29 to our audited consolidated financial statements included elsewhere in this annual report.

Table of Contents**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, Argentina and Colombia. Currently, only Argentina has exchange controls or limitations on capital flows including requirements for the repatriation of export proceeds in place.

Mexico

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

Historically, the Mexican economy has suffered balance of payment deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert Mexican pesos to U.S. dollars and the terms of NAFTA to which Mexico is a signatory generally prohibit exchange controls, the Mexican government could institute a restrictive exchange control policy in the future. For additional information regarding factors affecting the value of the Mexican peso, see Item 3. Key Information D. Risk Factors Risks Relating to the Countries in Which We Operate Mexico.

Argentina

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

the proceeds of certain foreign financial debt incurred by Argentine residents (including private Argentine entities) as well as certain inflows for the purpose of investments in the capital markets must remain in Argentina for at least 365 calendar days and, with certain exceptions, 30% of the amount of off-shore proceeds must be deposited in a non-transferable, non-interest bearing account with an Argentine bank. This deposit must be held for a period of 365 calendar days and may not be used as collateral in any credit transaction;

outflows from proceeds of investments in capital markets are restricted and subject to certain requirements, such as, in certain cases, the maintenance of the investment for a specific period of time; inflows and outflows of foreign currency through the local exchange market, and indebtedness transactions by local residents that may result in a foreign currency payment to non-residents, must be registered with the Argentine Central Bank; and

funds from export revenues or financial loans received that are credited in foreign currency overseas must be converted into local currency and credited to a local banking account within a specific period of

time.

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

Increasingly during 2008 and 2009, the Argentine government has imposed new restrictions on foreign exchange outflows, including through certain transactions on securities traded locally. Also, in October 2008, the time periods for the repatriation of export revenues credited in foreign currency overseas were, in practice, substantially shortened. For additional information regarding factors affecting the value of the Argentine peso, see Item 3. Key Information D. Risk Factors Risks Relating to the Countries in Which We Operate Argentina.

The market exchange rate of the Argentine peso against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market, although the Argentine government, acting through the Argentine Central Bank, has a number of means by which it may act to maintain exchange rate stability. See Item 3. Key Information D. Risk Factors Risks Relating to our Business Changes in exchange rates or any limitation in the Ternium companies ability to hedge against exchange rate fluctuations could adversely affect Ternium s business and results.

E. Taxation

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

Grand Duchy of Luxembourg

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

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

As used herein, a Luxembourg individual means an individual resident in Luxembourg who is subject to personal income tax (impôt sur le revenu) on his or her worldwide income from Luxembourg or foreign sources, and a

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

Corporate reorganization

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

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

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

Following the completion of the corporate reorganization, and upon its conversion into an ordinary Luxembourg holding company, the Company recorded a special reserve for tax purposes in a significant amount. The Company expects that, as a result of its corporate reorganization, its current overall tax burden will not increase, as all or substantially all of its dividend income will come from high income tax jurisdictions. In addition, the Company expects that dividend distributions for the foreseeable future will be imputed to the special reserve and therefore should be exempt from Luxembourg withholding tax under current Luxembourg law.

Tax regime applicable to realized capital gains***Luxembourg Holders******Luxembourg resident individual holders***

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

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

Capital gains realized by Luxembourg resident individuals holding (together with his/her spouse and underage children) directly or indirectly more than 10% of the capital of the Company will be taxable at a special rate, regardless of the holding period.

Luxembourg resident corporate holders

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

Non-Luxembourg Holders

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

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

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

Tax regime applicable to distributions***Withholding tax***

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

No withholding tax applies if the distribution is made to (i) a Luxembourg resident corporate holder (that is, a fully taxable collectivité within the meaning of Article 159 of the Luxembourg Income Tax Law), (ii) an undertaking of collective character which is resident of a Member State of the European Union and is referred to by article 2 of the Council Directive of 23rd July, 1990 concerning the common fiscal regime applicable to parent and subsidiary companies of different member states (90/435/EEC), (iii) a corporation or a cooperative company resident in Norway, Iceland or Liechtenstein and subject to a tax comparable to corporate income tax as provided by the Luxembourg Income Tax Law, (iv) a company resident in Switzerland which is subject to corporate income tax in Switzerland without benefiting from an exemption, (v) an undertaking with a collective character subject to a tax comparable to corporate income tax as provided by the Luxembourg Income Tax Law which is resident in a country that has concluded a tax treaty with Luxembourg and (vi) a Luxembourg permanent establishment of one of the above-mentioned categories, provided each time that at the date of payment, the holder holds directly or through a tax transparent vehicle, during an uninterrupted period of at least twelve months, ADSs representing at least 10% of the share capital of the Company or acquired for an acquisition price of at least EUR 1,200,000.

Luxembourg Holders

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

Net wealth tax***Luxembourg Holders***

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

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

Non-Luxembourg Holders

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

Stamp and registration taxes

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

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Estate and gift taxes

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

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

United States federal income taxation

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

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

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

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

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

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

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

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

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

Taxation of dividends

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

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

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

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

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

Taxation of capital gains

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

Table of Contents**Additional U.S. Federal Income Tax Considerations**

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

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

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

We are subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended as applied to foreign private issuers (the Exchange Act). Because we are a foreign private issuer, the SEC's rules do not require us to deliver proxy statements or to file quarterly reports. In addition, our insiders are not subject to the SEC's rules that prohibit short-swing trading. We prepare quarterly and annual reports containing consolidated financial statements in accordance with IFRS. Our annual consolidated financial statements are certified by an independent accounting firm. We submit quarterly financial information to the SEC on Form 6-K simultaneously with or promptly following the publication of that information in Luxembourg or any other jurisdiction in which the Company's securities are listed, and will file annual reports on Form 20-F within the time period required by the SEC, which is currently six months from the close of the fiscal year on December 31, and will be shortened to four months for annual reports on financial statements ending on or after 2011. These quarterly and annual reports may be reviewed at the SEC's Public Reference Room. Reports and other information filed electronically with the SEC are also available at the SEC's website.

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

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

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

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

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

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

The multinational nature of our operations and customer base expose us to the risk of changes in interest rates, foreign currency exchange rates and commodity prices. We selectively manage these exposures through the use of derivative instruments to mitigate market risk. Otherwise, we do not use derivative financial instruments for trading, other speculative purposes or other exposures. In addition, in the ordinary course of business Ternium also faces risks with respect to financial instruments that are either non-financial or non-quantifiable. Such risks principally include country risk and credit risk and are not presented in the following analysis. For additional information about our financial risk management, see note 34 to our audited consolidated financial statements included in this annual report.

The following tables provide a breakdown of Ternium's debt instruments at December 31, 2010, which included fixed and variable interest rate obligations detailed maturity date. The following information should be read together with Note III, "Financial Risk Management" to our audited consolidated financial statements included elsewhere in this annual report.

At December 31, 2010

<i>In thousands of U.S. Dollars</i>	Expected maturity in the year ending December 31,						Total
	2011	2012(3)	2013	2014	2015	Thereafter	
Non-current Debt							
Fixed Rate							
Floating Rate		1,289,445	12,726	24,873	24,874	74,656	1,426,574
Current Debt							
Fixed Rate	14,206						14,206
Floating Rate	498,877						498,877
Total (1) (2)	513,083	1,289,445	12,726	24,873	24,874	74,656	1,939,657

(1) Borrowings are primarily bank borrowings with third parties. See Item 5. "Operating and Financial Review and Prospects B. Liquidity and Capital Resources Principal Sources of Funding Financial Liabilities".

(2) As most borrowings are subject to floating rates that approximate market rates, with contractual repricing that occurs every one, three or six months, the fair value of each borrowing approximates its carrying amount and is not disclosed separately.

(3) In April 2011, we successfully negotiated an extension of maturities under Ternium Mexico's 2007 syndicated loan facility. Pursuant to this agreement, USD803 million originally maturing in July 2012 will be paid by Ternium Mexico in four equal semiannual installments commencing on January 2013 and ending on July 2014. The weighted average interest rate of Ternium's debt was 3.29% at December 31, 2010. This figure, which incorporates instruments denominated mainly in U.S. dollars and also includes the effect of derivative financial instruments, was calculated using the rates set for each instrument in its corresponding currency and weighted using

the dollar-equivalent outstanding principal amount of said instruments at December 31, 2010.

Table of Contents**Total Debt by Currency as of December 31, 2010***In thousands of U.S. Dollars*

USD	1,786,928
COP	129,544
Other	23,185
Total	1,939,657

Interest Rate Exposure Risk

Interest rate movements create a degree of risk by affecting the amount of Ternium's interest payments and the value of Ternium's floating-rate debt. Most of Ternium's long-term borrowings are at variable rates that are partially fixed through swaps and options. Ternium's total variable interest rate debt amounted to USD1.9 billion (99% of total borrowings) for the year ended December 31, 2010.

Interest Rate Derivative Contracts

As of December 31, 2010, most of the Company's long-term borrowings were at floating rates.

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

On February 23, 2007, Ternium Mexico entered into four interest rate collar agreements that fix the interest rate to be paid over an aggregate notional amount of USD250 million, in an average range of 4.16% to 6.00%. These agreements expire in September 2011 and March 2012.

On June 18, 2008, Ternium Mexico entered into four knock-in swap agreements in an average swap level of 5.22% and a knock-in (KI) level of 2.5%. As of December 31, 2010, the notional amount outstanding was USD645 million. These agreements are due in July 2012. As of December 31, 2010, these contracts were accounted for under the hedge accounting method and generated a pre-tax reserve in equity for USD32.0 million.

On August 13, 2010, Ternium Treasury Services entered into an interest rate swap agreement that floats the interest rate to be paid over an aggregate notional amount of USD10.1 million, to the equivalent of Fed Funds rate plus 38 bps. This agreement expires in April 2012.

As of December 31, 2010, Ternium Mexico was a party to interest rate collar and knock-in swaps agreements as detailed in the table below:

At December 31, 2010	Total	Fair Value
Interest rate collars Ternium Mexico		
Contract amount (in USD million)	250	(9.9)
Average fixed pay range	6.00% - 4.16%	
Knock-in swap agreements		
Contract amount (in USD million)	645	(44.8)
Average swap level and knock-in level	5.22% - 2.50%	
Interest rate swap agreement		
Contract amount (in USD million)	10	(0.0)
Average variable pay	Fed Funds + 38 basis points	

Table of Contents**Foreign Exchange Exposure Risk**

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

The following table shows a breakdown of Ternium's assessed balance sheet exposure to currency risk as of December 31, 2010. These balances include intercompany positions where the intervening parties have different functional currencies.

USD million Exposure to	Functional Currency			
	USD	MXN	ARP	COP
U.S. dollar (USD)	(n/a)	(1,922.2)	200.1	(48.1)
EU euro (EUR)	(13.9)	(3.8)	8.8	
Other currencies			0.4	

We estimate that if the Mexican peso, Argentine peso and Colombian peso (COP) had devaluated by 1% against the U.S. dollar with all other variables held constant, total pre-tax income for the year would have been USD17.2 million lower, as a result of foreign exchange gains/losses on translation of U.S. dollar-denominated financial position, mainly trade receivables, borrowings and trade payables. This effect would have been offset by the change in the currency translation adjustment recorded in equity.

Considering the same variation of the currencies against the U.S. dollar of all net investments in foreign operations amounting to USD3.9 billion, the currency translation adjustment included in total equity would have been USD38.8 million lower, arising from the adjustment on translation of the equity related to the Mexican peso, the Argentine peso and the Colombian peso.

Foreign Exchange Derivative Contracts

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

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

During 2010, Siderar entered into several forward agreements to manage the exchange rate exposure generated by its sales in Euros. The notional amount covered as of December 31, 2010 was EUR3.3 million with an average forward price of 1.39 U.S. dollars per Euro.

Beginning in August 2010, our wholly-owned subsidiary Ternium Treasury Services entered into a cross-currency swap agreement over an aggregate notional amount of 5.0 million Euros, at an exchange rate of 1.32 U.S. dollars per Euro, to manage its exposure to investments in Euros. This agreement is due on November 18, 2011.

Furthermore, during 2010, Ternium International Costa Rica and Ternium Guatemala, subsidiaries of Ternium Mexico, have been hedging their exposure denominated in their local currencies through non-deliverable forward agreements. As of December 31, 2010, the agreements aggregate notional amount were Costa Rican colon (CRC) 4.1 billion at an exchange rate of 514 CRC per USD and GTQ²49 million at an exchange rate of 8.12 GTQ per USD.

² Guatemalan quetzales

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The net fair values of the exchange rate derivative contracts as of December 31, 2010 were:

USD Thousands

Currencies	Contract	Notional amount	Fair Value
USD/EUR	Forward	EUR 3,300	212
USD/EUR	Cross currency swap	EUR 5,000	(52)
CRC/USD	ND forward	CRC 4,113,280	8
GTQ/USD	ND forward	GTQ 48,711	(57)
			111

Commodities Exposure Risk

Ternium's subsidiaries use certain commodities and raw materials that are subject to price volatility caused by supply and weather conditions, political situations, financial variables and other unpredictable factors. As a result, they are exposed to volatility in the price of these commodities and raw materials. Ternium's policy is to manage this risk by partially fixing the underlying price or limiting its volatility for a defined period.

Natural Gas

As discussed in Item 4. Information on the Company B. Business Overview Raw Materials, Energy and Other Inputs, Siderar covers its needs for the supply of natural gas at spot local market conditions. On the other hand, Ternium Mexico purchases all of its natural gas from Pemex Gas and three distributors. Natural gas prices for Ternium Mexico are determined based on the average of the quoted prices of several indexes plus transportation and service costs depending on the areas or cities or pursuant to the methodology approved by the Energy Regulatory Commission for prices applicable to an area as the case may be. Those prices are related to market prices of natural gas in US and are, therefore, subject to price volatility caused by natural gas demand conditions in US, including US weather conditions, natural gas supply conditions in US and other factors that are outside Ternium Mexico's control and which are generally unpredictable. Ternium Mexico constantly monitors the natural gas markets to manage this exposure.

Commodities Derivative Contracts

Until August 2009, Ternium Mexico has entered into derivative structures to manage the impact of the fluctuation of natural gas price over its cost. Since August 2009, Ternium Mexico has not covered its natural gas price exposure with derivative structures, although has continued monitoring the natural gas market.

Other Commodities and raw materials

In the past, management has used commodity derivative instruments to cover fluctuations in the market prices of certain raw materials used in the production processes, such as zinc, aluminum and tin. While these markets are monitored periodically, during 2008, 2009 and 2010 Ternium has not hedged any commodity positions other than those of natural gas.

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.

Table of Contents**D. American Depositary Shares**

According to our deposit agreement, holders of ADSs may have to pay to the Depositary, either directly or indirectly, fees or charges up to the amounts set forth below:

A fee of USD5.00 (or less) per 100 ADSs (or portion of 100 ADSs) for: issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property; and cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates.

A fee of USD0.02 (or less) per ADSs for any cash distribution to ADS registered holders.

As necessary, charges for: taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or share underlying an ADS (*e.g.*, share transfer taxes, stamp duty or withholding taxes); and any charges incurred by the depositary or its agents for servicing the deposited securities.

Registration or transfer fees for transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw shares.

Expenses of the Depositary for: cable, telex and facsimile transmissions; and conversion of foreign currency.

A fee equivalent to the fee that would be payable if securities distributed to ADS holders had been shares and the shares had been deposited for issuance of ADSs for distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS registered holders.

As necessary, charges for any costs incurred by the Depositary or its agents for servicing the deposited securities.

The Depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for Depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Fees payable by the Depositary to the Company

Fees incurred in 2010. In 2010, Ternium received no fees or other direct and indirect payment from the depositary in connection with the deposited securities.

Fees to be paid in the future. Upon any listing of the Company's shares in a non-U.S. stock exchange allowing for cross border activity, the Depositary has agreed to reimburse the Company for expenses incurred related to the administration and maintenance of the ADS program, including investor relations expenses, annual NYSE listing fees and other program related expenses. There are limits on the amount of expenses for which the Depositary will reimburse the Company. The Depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADSs. The Company does not expect to receive any reimbursement from the Depositary in the near future.

PART II**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Table of Contents**Item 15. Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-5(e) under the Exchange Act as of December 31, 2010. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2010, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at a reasonable assurance level.

Management's report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934). Ternium's internal control over financial reporting was designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of its financial statements for external purposes in accordance with International Financial Reporting Standards.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or omissions. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted its assessment of the effectiveness of Ternium's internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management has concluded that Ternium's internal control over financial reporting, as of December 31, 2010, is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

As allowed under certain SEC guidance, management's assessment of internal control over financial reporting excludes the operations of Ferrasa, Ferrasa Panamá and its subsidiaries, which were acquired in August 2010. These operations constituted, prior to giving effect to the elimination in consolidation of intercompany transactions and balances and non-controlling interest, USD355 million of total assets and USD128 million of total revenues for the year ended December 31, 2010.

The effectiveness of Ternium's internal control over financial reporting as of December 31, 2010 has been audited by Price Waterhouse & Co S.R.L., an independent registered public accounting firm, as stated in their report included herein. See Report of Independent Registered Public Accounting Firm.

Attestation Report of Registered Public Accounting Firm

See page F-1 of the audited consolidated financial statements.

Change in Internal Control over Financial Reporting

During the period covered by this report, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. No changes in our internal control over financial reporting are anticipated to be made as a result of the acquisition of Ferrasa and Ferrasa Panamá.

Item 16A. Audit Committee Financial Expert

On June 1, 2011, our board of directors has determined that none of the independent members of the audit committee, meets the attributes defined in Item 16A of Form 20-F for audit committee financial experts. We do not have an audit committee financial expert because we have concluded that the membership of the audit committee as a whole has sufficient recent and relevant financial experience to properly discharge its functions. In addition, the audit committee, from time to time as it deems necessary, engages persons that meet all of the attributes of an audit committee financial

expert as consultants.

Table of Contents**Item 16B. Code of Ethics**

We have adopted a code of ethics that applies specifically to our principal executive officers, and principal financial and accounting officer and controller, as well as persons performing similar functions. We have also adopted a code of conduct that applies to all company employees, including contractors, subcontractors and suppliers.

The text of our code of ethics for senior financial officers and code of conduct for employees is posted on our web site at: www.ternium.com/en/Investor/corporategovernance.asp.

Item 16C. Principal Accountant Fees and Services*Fees Paid to the Company's Principal Accountant*

In 2010, Price Waterhouse & Co. S.R.L., Argentina, an independent registered public accounting firm (PwC Argentina) served as the principal external auditor for the Company. Fees paid to PwC Argentina and other PwC members firms in 2010 and 2009 are detailed below:

<i>In thousands of U.S. dollars</i>	For the year ended December	
	2010	31, 2009
Audit Fees	2,457	2,422
Audit-Related Fees	449	213
Tax Fees	232	
All Other Fees	6	166
Total	3,144	2,801

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the consolidated financial statements of the Company and the statutory financial statements of the Company and its subsidiaries.

Audit-Related Fees

Audit-related fees are typically services that are reasonably related to the performance of the audit or review of the consolidated financial statements and are not reported under the audit fee item above. This item includes fees for attestation services on financial information of the Company and its subsidiaries included in their annual reports that are filed with their respective regulators.

Tax Fees

Tax fees were paid for tax compliance and tax advice professional services.

All Other Fees

Fees disclosed in the table above under All Other Fees consisted primarily of fees paid for consulting services provided in connection with processing documentation. It also included fees paid for services provided to Siderar related to fiscal information that is filed with the tax 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 independent auditors. The audit committee has adopted a policy of pre-approval of audit and permissible non-audit services provided by its independent auditors in its charter.

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Under the policy, the audit committee makes its recommendations through the board of Directors to the shareholders meeting concerning the continuing appointment or termination of the Company's independent auditors. On a yearly basis, the audit committee reviews together with management and the independent auditor, the audit plan, audit related services and other non-audit services and approves the related fees. Any changes to the approved fees must be reviewed and approved by the audit committee. In addition, the audit committee delegated to its Chairman the authority to consider and approve, on behalf of the Audit Committee, additional non-audit services that were not recognized at the time of engagement, which must be reported to the other members of the audit committee at its next meeting. No services outside the scope of the audit committee's approval can be undertaken by the independent auditor.

During 2010, 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

In 2010, to our knowledge, there were no purchases of any class of registered equity securities of the Company by the Company or any affiliated purchaser (as such term is defined in Rule 10b-18(a)(3) under the Exchange Act).

On June 2, 2010, the Company's annual general shareholders' meeting resolved to cancel the authorization granted to the Company and to the Company's subsidiaries to acquire, from time to time, shares, including shares represented by ADRs, granted by the general meeting of shareholders held on June 3, 2009, and to grant a new authorization to the Company and to the Company's subsidiaries to purchase, acquire or receive, from time to time shares of the Company, including shares represented by ADRs, on the following terms and conditions:

The acquisitions of shares may be made in one or more transactions as the Board of Directors of the Company or the board of directors or other governing body of the relevant entity, as applicable, considers advisable. The number of shares acquired as a block may amount to the maximum permitted amount of purchases;

The maximum number of shares, including shares represented by ADRs, acquired pursuant to this authorization may not exceed 10% of the Company's issued and outstanding shares or, in the case of acquisitions made through a stock exchange in which the shares or ADRs are traded, such lower amount as may not be exceeded pursuant to any applicable laws or regulations of such market;

The purchase price per ADR to be paid in cash may not exceed 125% (excluding transaction costs and expenses), nor may it be lower than 75% (excluding transaction costs and expenses), in each case of the average of the closing prices of the ADRs in the New York Stock Exchange during the five trading days in which transactions in the ADRs were recorded in the New York Stock Exchange preceding (but excluding) the day on which the ADRs are purchased. In the case of purchases of shares other than in the form of ADRs, the maximum and minimum per share purchase prices shall be equal to the prices that would have applied in case of an ADR purchase pursuant to the formula above divided by the number of underlying shares represented by an ADR at the time of the relevant purchase. Such maximum and minimum purchase prices shall also apply to over-the-counter or off-market transactions. Compliance with maximum and minimum purchase price requirements in any and all acquisitions made pursuant to this authorization (including, without limitation, acquisitions carried out through the use of derivative financial instruments or option strategies) shall be determined on and as of the date on which the relevant transaction is entered into, irrespective of the date on which the transaction is to be settled; The above maximum and minimum purchase prices shall, in the event of a change in the par value of the shares, a capital increase by means of a capitalization of reserves, a distribution of shares under compensation or similar programs, a stock split or reverse stock split, a distribution of reserves or any other assets, the redemption of capital, or any other transaction impacting 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 shares may not have the effect of reducing the Company's net assets below the sum of the Company's share capital plus its undistributable reserves;

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Only fully paid-up shares may be acquired pursuant to this authorization;

The acquisitions of shares may be carried out for any purpose, as may be permitted under applicable laws and regulations, including, without limitation, to reduce the share capital of the Company, to offer such shares to third parties in the context of corporate mergers or acquisitions of other entities or participating interests therein, for distribution to the Company s or the Company s subsidiaries directors, officers or employees or to meet obligations arising from convertible debt instruments;

The acquisitions of shares may be carried out by any and all means, as may be permitted under applicable laws and regulations, including through any stock exchange in which the shares or other securities representing shares are traded, through public offers to all shareholders of the Company to buy shares, through the use of derivative financial instruments or option strategies, or in over the counter or off-market transactions or in any other manner;

The acquisitions of shares may be carried out at any time and from time to time during the duration of the authorization, including during a tender offer period, as may be permitted under applicable laws and regulations;

The authorization granted to acquire shares shall be valid for such maximum period as may be provided for under applicable Luxembourg law as in effect from time to time (such maximum period being, as of to date, five years);

The acquisitions of shares shall be made at such times and on such other terms and conditions as may be determined by the Board of Directors of the Company or the board of directors or other governing body of the relevant Company subsidiary, provided that any such purchase shall comply with Article 49-2 et.seq. of the Luxembourg law of August 10, 1915 on commercial companies, as amended (or any successor law) and, in the case of acquisitions of shares made through a stock exchange in which the shares or other securities representing shares are traded, with any applicable laws and regulations of such market.

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

On February 9, 2011, Ternium and Techint, following the pricing of the underwritten public offering mentioned above, entered into purchase agreements with Usiminas relating to their concurrent purchase transactions of Ternium shares. Under these agreements, on February 15, 2011, Ternium and Techint purchased from Usiminas 41,666,666 and 27,777,780 Ternium shares for a total consideration of USD150 million and USD100 million, respectively. In connection with the sale of Ternium s shares by Usiminas, Ternium collected a USD10.2 million fee and was reimbursed of all expenses relating to the offering and concurrent purchase.

In the future, we may, on the terms and subject to the conditions above referred, initiate a share capital repurchase or similar program or engage in other transactions pursuant to which we would repurchase, directly or indirectly, the Company s ordinary shares, ADSs or both. In addition, we or our subsidiaries may enter into transactions involving sales or purchases of derivatives or other instruments (either settled in cash or through physical delivery of securities) with returns linked to the Company s ordinary shares, ADSs or both. The timing and amount of repurchase transactions under any such program, or sales or purchases of derivatives or other instruments, would depend on market conditions as well as other corporate and regulatory considerations.

Item 16F. Change in Registrant s Certifying Accountant

Our independent auditors for the fiscal year ended December 31, 2010 were PricewaterhouseCoopers (acting, in connection with our annual accounts and annual consolidated financial statements required under Luxembourg law, through PricewaterhouseCoopers S.à.r.l., *Réviseur d entreprises agréé*, and in connection with our annual and interim consolidated financial statements required under the laws of any other relevant jurisdiction, through Price Waterhouse & Co. S.R.L.). Our independent auditors are appointed annually for one-year terms. Following our recent corporate reorganization (see Item 10. Additional Information E. Taxation Grand Duchy of Luxembourg Corporate Reorganization), our audit committee recommended, and the annual shareholders meeting approved at a meeting held

on June 1, 2011, that PricewaterhouseCoopers S.à.r.l., *Réviseur d entreprises agréé*, be appointed as independent auditors for the year ending December 31, 2011, in connection with all of our annual accounts and financial statements.

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Item 16G. Corporate Governance

Our corporate governance practices are governed by Luxembourg law (particularly the law of August 10th, 1915 on commercial companies) and our articles of association. As a Luxembourg company listed on the New York Stock Exchange (the NYSE), we are not required to comply with all of the corporate governance listing standards of the NYSE. We, however, believe that our corporate governance practices meet or exceed, in all material respects, the corporate governance standards that are generally required for controlled companies by the NYSE but the following is a summary of the significant ways that our corporate governance practices differ from the corporate governance standards required for controlled companies by the NYSE (provided that our corporate governance practices may differ in non-material ways from the standards required by the NYSE that are not detailed here):

Non-management Directors Meetings

Under NYSE standards, non-management directors must meet at regularly scheduled executive sessions without management present and, if such group includes directors who are not independent, a meeting should be scheduled once per year including only independent directors. Neither Luxembourg law nor our articles of association require the holding of such meetings and we do not have a set policy for these meetings. Our articles of association provide, however, that the board shall meet as often as required by the interests of the Company and at least four times a year, upon notice by the chairperson or by any two directors.

In addition, NYSE-listed companies are required to provide a method for interested parties to communicate directly with the non-management directors as a group. While we do not have such a method, we have set up a compliance line for investors and other interested parties to communicate their concerns to members of our audit committee (which, as already stated, are independent).

Audit Committee

Under NYSE standards, listed U.S. companies are required to have an audit committee composed of independent directors that satisfies the requirements of Rule 10A-3 promulgated under the Exchange Act. Our articles of association currently require us to have an audit committee composed of three members, of which at least two must be independent (as defined in our articles of association) and our audit committee complies with such requirements. In accordance with NYSE standards, we have an audit committee entirely composed of independent directors.

Under NYSE standards, all audit committee members of listed U.S. companies are required to be financially literate or must acquire such financial knowledge within a reasonable period and at least one of its members shall have experience in accounting or financial administration. In addition, if a member of the audit committee is simultaneously a member of the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its members may serve, then in each case the board must determine whether the simultaneous service would prevent such member from effectively serving on the listed company's audit committee and shall publicly disclose its decision. No comparable provisions on audit committee membership exist under Luxembourg law or our articles of association.

Standards for Evaluating Director Independence

Under NYSE standards, the board is required, on a case by case basis, to express an opinion with regard to the independence or lack of independence of each individual director. Neither Luxembourg law nor our articles of association require the board to express such an opinion. In addition, the definition of independent under the rules of the NYSE differs in some non-material respects from the definition contained in our articles of association.

Table of Contents**Audit Committee Responsibilities**

Pursuant to our articles of association, the audit committee shall assist the board of directors in fulfilling its oversight responsibilities relating to the integrity of the Company's financial statements, including periodically reporting to the Board of Directors on its activity and the adequacy of the Company's system of internal controls over financial reporting. As per the audit committee charter, as amended, the audit committee shall make recommendations for the appointment, compensation, retention and oversight of, and consider the independence of, the Company's external auditors. The audit committee is required to review material transactions (as defined by the articles of association) between us or our subsidiaries with related parties and also perform the other duties entrusted to it by the board. The NYSE requires certain matters to be set forth in the audit committee charter of U.S. listed companies. Our audit committee charter provides for many of the responsibilities that are expected from such bodies under the NYSE standard; however, due to our equity structure and holding company nature, the charter does not contain all such responsibilities, including provisions related to setting hiring policies for employees or former employees of independent auditors, discussion of risk assessment and risk management policies, and an annual performance evaluation of the audit committee.

Shareholder Voting on Equity Compensation Plans

Under NYSE standards, shareholders must be given the opportunity to vote on equity-compensation plans and material revisions thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans. We do not currently offer equity-based compensation to our directors, executive officers or employees, and therefore do not have a policy on this matter.

Disclosure of Corporate Governance Guidelines

NYSE-listed companies must adopt and disclose corporate governance guidelines. Neither Luxembourg law nor our articles of association require the adoption or disclosure of corporate governance guidelines. Our board of directors follows corporate governance guidelines consistent with our equity structure and holding company nature, but we have not codified them and therefore do not disclose them on our website.

Code of Business Conduct and Ethics

Under NYSE standards, listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Neither Luxembourg law nor our articles of association require the adoption or disclosure of such a code of conduct. We have adopted a code of conduct that applies to all directors, officers and employees, which is posted on our website and complies with the NYSE's requirements, except that does not require the disclosure of waivers of the code for directors and officers. In addition, we have adopted a supplementary code of ethics for senior financial officers which is also posted on our website.

Chief Executive Officer Certification

A chief executive officer of a U.S. company listed on NYSE must annually certify that he or she is not aware of any violation by the company of NYSE corporate governance standards. In accordance with NYSE rules applicable to foreign private issuers, our chief executive officer is not required to provide NYSE with this annual compliance certification. However, in accordance with NYSE rules applicable to all listed companies, our chief executive officer must promptly notify NYSE in writing after any of our executive officers becomes aware of any noncompliance with any applicable provision of NYSE's corporate governance standards. In addition, we must submit an executed written affirmation annually and an interim written affirmation each time a change occurs to the board or the audit committee.

PART III**Item 17. Financial Statements**

We have responded to Item 18 in lieu of responding to this Item.

Item 18. Financial Statements

See pages F-1 through F-56 of this annual report.

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Item 19. Exhibits

Exhibit Number	Description
1.1	Updated and Consolidated Articles of Association of Ternium S.A., dated as of June 1, 2011
2.1	Deposit Agreement entered into between Ternium S.A. and The Bank of New York*
4.1	Shareholders Agreement, dated January 9, 2006, between Tenaris S.A. and Inversora Siderurgica Limited**
4.2	Promissory Notes (pagarés) numbered 1 to 7 issued by CVG on May 7, 2009***
8.1	List of subsidiaries of Ternium S.A.
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Independent Registered Public Accounting Firm
15.2	Item 16-F letter issued by Price Waterhouse & Co. S.R.L.

* Incorporated by reference to the Registration Statement on Form F-6, filed by Ternium S.A. on January 11, 2006 (File No. 333-130952).

** Incorporated by reference to the F-1 Registration Statement filed by Ternium S.A. on January 27, 2006 (File No. 333-130950).

*** Incorporated by reference to the Annual Report on Form 20-F, filed by Ternium S.A. on June 30, 2009 (File No.001-32734 09919440).

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SIGNATURES

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

June 30, 2011

TERNIUM S.A.

By: /s/ Pablo Brizzio

Name: Pablo Brizzio

Title: Chief Financial Officer

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TERNIUM S.A.
CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2010 and 2009 and
for the years ended December 31, 2010, 2009 and 2008
46a, Avenue John F. Kennedy, 2nd floor
L 1855
R.C.S. Luxembourg : B 98 668

TERNIUM S.A.

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Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Ternium S.A.:

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Ternium S.A. and its subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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.

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As described in Management's Report on Internal Control Over Financial Reporting appearing under Item 15, management has excluded Ferrasa S.A.S (and its subsidiaries) and Ferrasa Panamá S.A from its assessment of internal control over financial reporting as of December 31, 2010 because they were acquired by the Company in a purchase business combination in August 2010. We have also excluded Ferrasa S.A.S (and its subsidiaries) and Ferrasa Panamá S.A. from our audit of internal control over financial reporting. The Company holds a 54% ownership interest in Ferrasa S.A.S (and its subsidiaries) and Ferrasa Panamá S.A., their total assets and total revenues, prior to giving effect to the elimination in consolidation of intercompany transactions, balances and non-controlling interest, amount to USD 355 million and USD 128 million, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2010.

June 30, 2011

PRICE WATERHOUSE & CO. S.R.L.

by /s/ Daniel A. López Lado (Partner)

Daniel A. López Lado

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TERNIUM S.A.
Consolidated financial statements
as of December 31, 2010 and 2009 and
for the years ended December 31, 2010, 2009 and 2008
 (All amounts in USD thousands)

CONSOLIDATED INCOME STATEMENT

		Year ended December 31,		
	Notes	2010	2009	2008
Continuing operations				
Net sales		7,382,004	4,958,983	8,464,885
Cost of sales	6	(5,665,254)	(4,110,370)	(6,128,027)
Gross profit		1,716,750	848,613	2,336,858
Selling, general and administrative expenses	7	(665,306)	(531,530)	(669,473)
Other operating income (expenses), net	9	2,493	(20,700)	8,662
Operating income		1,053,937	296,383	1,676,047
Interest expense		(72,969)	(105,810)	(136,111)
Interest income		27,347	21,141	32,178
Interest income Sidor financial asset	29	61,012	135,952	
Other financial income (expenses), net	10	115,112	81,639	(693,192)
Equity in earnings of associated companies	14	1,688	1,110	1,851
Income before income tax expense		1,186,127	430,415	880,773
Income tax (expense) benefit				
Current and deferred income tax expense	11	(406,657)	(91,314)	(258,969)
Reversal of deferred statutory profit sharing	4 (m)			96,265
Income from continuing operations		779,470	339,101	718,069
Discontinued operations				
Income from discontinued operations	29		428,023	157,095
Profit for the year		779,470	767,124	875,164
Attributable to:				
Equity holders of the Company	28	622,076	717,400	715,418

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Non-controlling interest		157,394	49,724	159,746
		779,470	767,124	875,164
Weighted average number of shares outstanding	28	2,004,743,442	2,004,743,442	2,004,743,442
Basic and diluted earnings per share (expressed in USD per share) for profit:				
- From continuing operations attributable to the equity holders of the Company		0.31	0.15	0.27
- From discontinued operations attributable to the equity holders of the Company			0.21	0.09
- For the year attributable to the equity holders of the Company		0.31	0.36	0.36

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2010	2009	2008
Profit for the year	779,470	767,124	875,164
Other comprehensive income:			
Currency translation adjustment	35,915	(93,922)	(502,996)(1)
Changes in the fair value of derivatives classified as cash flow hedges	14,729	35,881	(82,574)
Income tax relating to cash flow hedges	(4,419)	(9,112)	23,121
Other comprehensive income (loss) for the year, net of tax	46,225	(67,153)	(562,449)
Total comprehensive income for the year	825,695	699,971	312,715
Attributable to:			
Equity holders of the Company	684,635	698,789	244,927
Non-controlling interest	141,060	1,182	67,788
	825,695	699,971	312,715

(1) Includes an increase of USD 151.5 million corresponding to the currency translation adjustment from discontinued operations. See note 29 (ii).

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	December 31, 2010		December 31, 2009	
ASSETS					
Non-current assets					
Property, plant and equipment, net	12	4,262,896		4,040,415	
Intangible assets, net	13	1,129,348		1,085,412	
Investments in associated companies	14	8,212		6,577	
Sidor financial asset	29 (ii)	74,549			
Other investments	15	35,575		16,414	
Deferred tax assets	23	12,387			
Receivables, net	16	56,471	5,579,438	101,317	5,250,135
Current assets					
Receivables	17	94,573		136,300	
Derivative financial instruments	25	212		1,588	
Inventories, net	18	1,953,390		1,350,568	
Trade receivables, net	19	663,502		437,835	
Sidor financial asset	29 (ii)	183,439		964,359	
Other investments	20	848,400		46,844	
Cash and cash equivalents	20	1,779,416	5,522,932	2,095,798	5,033,292
Non-current assets classified as held for sale			9,961		9,246
			5,532,893		5,042,538
Total assets			11,112,331		10,292,673
EQUITY					
Capital and reserves attributable to the company's equity holders					
			5,880,740		5,296,342
Non-controlling interest			1,135,361		964,897
Total equity			7,016,101		6,261,239

LIABILITIES**Non-current liabilities**

Provisions	21	16,144		18,913	
Deferred income tax	23	877,742		857,297	
Other liabilities	24	201,312		176,626	
Derivative financial instruments	25	18,822		32,627	
Borrowings	26	1,426,574	2,540,594	1,787,204	2,872,667

Current liabilities

Current tax liabilities		294,902		103,171	
Other liabilities	24	123,610		57,021	
Trade payables		588,086		412,967	
Derivative financial instruments	25	35,955		46,083	
Borrowings	26	513,083	1,555,636	539,525	1,158,767

Total liabilities 4,096,230 4,031,434

Total equity and liabilities 11,112,331 10,292,673

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Company's equity holders (1)						Total	Non-controlling interest	Total Equity
	Capital stock (2)	Initial public offering expenses	Reserves (3)	Capital stock issue discount (4)	Currency translation adjustment	Retained earnings			
Balance at January 1, 2010	2,004,743	(23,295)	1,726,216	(2,324,866)	(570,844)	4,484,388	5,296,342	964,897	6,261,239
Profit for the year						622,076	622,076	157,394	779,470
Other comprehensive income (loss) for the year:									
Currency translation adjustment					53,412		53,412	(17,497)	35,915
Cash flow hedges, net of tax			9,147				9,147	1,163	10,310
Total comprehensive income for the year			9,147		53,412	622,076	684,635	141,060	825,695
Dividends paid in cash (5)			(100,237)				(100,237)		(100,237)
Dividends paid in cash by subsidiary companies								(38,304)	(38,304)
Contributions from non-controlling shareholders in consolidated subsidiaries (See Note 31)								4,900	4,900

Acquisition of business (See Note 3)								62,808	62,808
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Balance at December 31, 2010	2,004,743	(23,295)	1,635,126	(2,324,866)	(517,432)	5,106,464	5,880,740	1,135,361	7,016,101
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- (1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 27 (iii).
- (2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of December 31, 2010, there were 2,004,743,442 shares issued. All issued shares are fully paid.
- (3) Include legal reserve under Luxembourg law for USD 200.5 million, distributable reserves under Luxembourg law for USD 101.4 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD (22.4) million and reserves related to the acquisition of non-controlling interest in subsidiaries according to IAS 27 for USD (58.5) million.
- (4) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.
- (5) Represents USD 0.05 per share (USD 0.50 per ADS)
Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 27 (iii). The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Company's equity holders (1)							Non-controlling interest	Total Equity
	Capital stock (2)	Initial public offering expenses	Reserves	Capital stock issue discount (3)	Currency translation adjustment	Retained earnings	Total		
Balance at January 1, 2009	2,004,743	(23,295)	1,702,285	(2,324,866)	(528,485)	3,766,988	4,597,370	964,094	5,561,464
Profit for the year						717,400	717,400	49,724	767,124
Other comprehensive income (loss) for the year									
Currency translation adjustment					(42,359)		(42,359)	(51,563)	(93,922)
Cash flow hedges, net of tax			23,748				23,748	3,021	26,769
Total comprehensive income (loss) for the year			23,748		(42,359)	717,400	698,789	1,182	699,971
Acquisition of non-controlling interest (4)			183				183	(379)	(196)
Balance at December 31, 2009	2,004,743	(23,295)	1,726,216	(2,324,866)	(570,844)	4,484,388	5,296,342	964,897	6,261,239

(1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 27 (iii).

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- (2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of December 31, 2009, there were 2,004,743,442 shares issued. All issued shares are fully paid.
- (3) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.
- (4) On February 5, 2009, Ternium Internacional España S.L.U. acquired from its related company Siderca S.A.I.C., 53,452 shares of Siderar S.A.I.C., representing 0.015% of that company's share capital, for an aggregate purchase price of USD 196 thousand. After this acquisition, Ternium increased its ownership in Siderar to 60.94%.

As permitted by IFRS 3, the Company accounted for this acquisition under the economic entity model, which requires that the acquisition of an additional equity interest in a controlled subsidiary be accounted for at its carrying amount, with the difference arising on purchase price allocation being recorded directly in equity. Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 27 (iii). The accompanying notes are an integral part of these consolidated financial statements

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Company's equity holders (1)						Total	Non-controlling interest	Total Equity
	Capital stock (2)	Initial public offering expenses	Reserves	Capital stock issue discount (3)	Currency translation adjustment	Retained earnings			
Balance at January 1, 2008	2,004,743	(23,295)	1,946,963	(2,324,866)	(110,739)	2,959,874	4,452,680	1,805,243	6,257,923
Profit for the year						715,418	715,418	159,746	875,164
Other comprehensive loss for the year									
Currency translation adjustment					(417,746)		(417,746)	(85,250)	(502,996)
Cash flow hedges, net of tax			(52,745)				(52,745)	(6,708)	(59,453)
Total comprehensive (loss) income for the year			(52,745)		(417,746)	715,418	244,927	67,788	312,715
Reversal of revaluation reserves related to discontinued operations (4)			(91,696)			91,696			
Dividends paid in cash (5)			(100,237)				(100,237)		(100,237)
Dividends paid in cash by subsidiary companies								(19,595)	(19,595)
Non-controlling interest in discontinued								(889,342)	(889,342)

operations

**Balance at
December 31,
2008**

2,004,743 (23,295) 1,702,285 (2,324,866) (528,485) 3,766,988 4,597,370 964,094 5,561,464

- (1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 27 (iii).
- (2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of December 31, 2008, there were 2,004,743,442 shares issued. All issued shares are fully paid.
- (3) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.
- (4) Corresponds to the reversal of the revaluation reserve recorded in fiscal year 2005, representing the excess of fair value over the book value of Ternium's pre-acquisition interest in the net assets of Sidor.
- (5) Represents USD 0.05 per share (USD 0.50 per ADS)

Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 27 (iii). The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,		
	Notes	2010	2009	2008
Cash flows from operating activities				
Income from continuing operations		779,470	339,101	718,069
Adjustments for:				
Depreciation and amortization	12&13	383,300	385,105	413,541
Income tax accruals less payments	32 (b)	226,820	(49,342)	(88,511)
Equity in earnings of associated companies	14	(1,688)	(1,110)	(1,851)
Interest accruals less payments	32 (b)	(59)	10,706	(84,151)
Impairment charge	27 (ii)		27,022	
Changes in provisions	21	5,543	4,614	2,358
Changes in working capital	32 (b)	(447,973)	635,179	(1,071,472)
Interest income Sidor financial asset	29 (ii)	(61,012)	(135,952)	
Net foreign exchange results and others		(77,576)	(53,565)	629,530
Net cash provided by operating activities		806,825	1,161,758	517,513
Cash flows from investing activities				
Capital expenditures	12&13	(350,124)	(208,590)	(587,904)
Acquisition of business:				
Purchase consideration	3	(75,000)	(196)	
Cash acquired	3	6,593		
(Increase) Decrease in other investments	15&20	(820,672)	43,163	(24,674)
Proceeds from the sale of property, plant and equipment		1,693	3,245	2,103
Proceeds from Sidor financial asset	29 (ii)	767,382	953,611	
Dividends received from associated companies	14	302		
Contributions in associated companies	14	(302)		
Proceeds from the sale of discontinued operations	29 (i)			718,635
Discontinued operations	29 (iv)			242,370
Net cash (used in) provided by investing activities		(470,128)	791,233	350,530
Cash flows from financing activities				
Dividends paid in cash to company's shareholders		(100,237)		(100,237)
Dividends paid in cash by subsidiary companies		(38,304)		(19,595)
Contributions from non-controlling shareholders in consolidated subsidiaries		4,900		
Proceeds from borrowings		35,441	219,037	519,809

Repayments of borrowings		(555,918)	(1,141,625)	(1,152,886)
Net cash used in financing activities		(654,118)	(922,588)	(752,909)
(Decrease) Increase in cash and cash equivalents		(317,421)	1,030,403	115,134
Movement in cash and cash equivalents				
At January 1,		2,095,798	1,065,552	1,125,830
Effect of exchange rate changes		1,039	(157)	(17,518)
(Decrease) Increase in cash and cash equivalents		(317,421)	1,030,403	115,134
Cash & cash equivalents of discontinued operations at March 31, 2008				(157,894)
Cash and cash equivalents at December 31, (1)	20	1,779,416	2,095,798	1,065,552

(1) In addition, the Company had restricted cash for USD 12,343. As of December 31, 2009 and 2008, there were no restricted cash. Additionally, the Company had other investments with a maturity of more than three months for USD 848,400 at December 31, 2010.

The accompanying notes are an integral part of these consolidated financial statements.

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1 General information

Ternium S.A. (the Company or Ternium), was incorporated on December 22, 2003 to hold investments in flat and long steel manufacturing and distributing companies. The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of December 31, 2010, there were 2,004,743,442 shares issued. All issued shares are fully paid.

Following a corporate reorganization carried out during fiscal year 2005, in January 2006 the Company successfully completed its registration process with the United States Securities and Exchange Commission (SEC). Ternium s ADSs began trading on the New York Stock Exchange under the symbol TX on February 1, 2006. The Company s initial public offering was settled on February 6, 2006. On January 31, 2011, the Company filed with the SEC a registration statement on form F-3 relating to sales of equity and debt securities.

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

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

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

Following the completion of the corporate reorganization, and upon its conversion into an ordinary Luxembourg holding company, the Company recorded a special reserve for tax purposes in a significant amount. The Company expects that, as a result of its corporate reorganization, its current overall tax burden will not increase, as all or substantially all of its dividend income will come from high income tax jurisdictions. In addition, the Company expects that dividend distributions for the foreseeable future will be imputed to the special reserve and therefore should be exempt from Luxembourg withholding tax under current Luxembourg law.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) issued and effective or issued and early adopted as at the time of preparing these statements (February 2011), as issued by the International Accounting Standards Board, and adopted by the European Union. These consolidated financial statements are presented in thousands of United States dollars (USD), except otherwise indicated.

Elimination of all material intercompany transactions and balances between the Company and their respective subsidiaries have been made in consolidation.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Certain comparative amounts have been reclassified to conform to changes in presentation in the current period. These reclassifications do not have a material effect on the Company's consolidated financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on February 22, 2011.

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Detailed below are the companies whose financial statements have been included in these consolidated financial statements.

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2010	2009	2008
Ternium S.A.	Luxembourg	Holding	100.00%	100.00%	100.00%
Ternium Investments S.à.r.l. (1)	Luxembourg	Holding	100.00%		
Ternium Brasil S.A. (2)	Brazil	Holding	100.00%	100.00%	100.00%
Siderúrgica do Norte Fluminense S.A. (3)	Brazil	Manufacturing and selling of steel products	100.00%		
Ylopa Servicos de Consultadoria Lda. (4)	Portugal	Holding	94.38%	94.38%	94.38%
Consorcio Siderurgia Amazonia S.L.U. (5)	Spain	Holding	94.38%	94.38%	94.38%
Secor- Servicios Corporativos S.A. (5)	Venezuela	Holding	94.38%	94.38%	93.44%
Ternium Internacional España S.L.U. (2)	Spain	Marketing of steel products	100.00%	100.00%	100.00%
Siderar S.A.I.C. (6)	Argentina	Manufacturing and selling of flat steel products	60.94%	60.94%	60.93%
Impeco S.A. (7)	Argentina	Manufacturing of pipe products	60.97%	60.97%	60.96%
Prosid Investments S.C.A. (7)	Uruguay	Holding	60.94%	60.94%	60.93%
Inversiones Basilea S.A. (8)	Chile	Purchase and sale of real estate and other	60.94%	60.94%	60.93%
Ternium Mexico S.A. de C.V. (9)	Mexico	Holding	88.72%	88.71%	88.71%
Hylsa S.A. de C.V. (10)	Mexico	Manufacturing and selling of steel products	88.72%	88.71%	88.71%
Las Encinas S.A. de C.V. (10)	Mexico	Exploration, exploitation and pelletizing of iron ore	88.72%	88.71%	88.71%
Ferropak Comercial S.A. de C.V. (10)	Mexico	Scrap services company	88.72%	88.71%	88.71%
Ferropak Servicios S.A. de C.V. (10)	Mexico	Services	88.72%	88.71%	88.71%
Galvacer America Inc (10)	USA	Distributing company	88.72%	88.71%	88.71%
Galvamet America Corp (10)	USA	Manufacturing and selling of insulated panel products	88.72%	88.71%	88.71%
Transamerica E. & I. Trading Corp (10)	USA	Scrap company	88.72%	88.71%	88.71%
Técnica Industrial S.A. de C.V. (10)	Mexico	Services	88.72%	88.71%	88.71%
Sefimsa S.A. de C.V. (10)	Mexico	Financial Services	88.72%	88.71%	88.71%
	Mexico	Holding	88.72%	88.71%	88.71%

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Ecore Holding S. de R.L. de C.V. (10)					
Neotec L.L.C. (10)	USA	Holding	88.72%	88.71%	88.71%
Treasury Services S.A. de C.V. (10)	Mexico	Financial Services			
	Mexico	Manufacturing and selling of steel products	88.72%	88.71%	88.71%
APM, S.A. de C.V. (10)			88.72%	88.71%	88.71%
Acedor, S.A. de C.V. (10)	Mexico	Holding	88.72%	88.71%	88.71%
Empresas Stabilit S.A. de C.V. (10)	Mexico	Holding	88.72%	88.71%	88.71%

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Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2010	2009	2008
Acerus S.A. de C.V. (10)	Mexico	Manufacturing and selling of steel products	88.72%	88.71%	88.71%
Imsa Monclova S.A. de C.V. (10)	Mexico	Services	88.72%	88.71%	88.71%
Ternium Internacional Guatemala S.A. (10)	Guatemala	Selling of steel products	88.72%	88.71%	88.71%
Corporativo Grupo Imsa S.A. de C.V. (10)	Mexico	Services	88.72%	88.71%	88.71%
Ternium USA Inc. (10)	USA	Manufacturing and selling of steel products	88.72%	88.71%	88.71%
Consortio Minero Benito Juarez Peña Colorada S.A.de C.V. (11)	Mexico	Exploration, exploitation and pelletizing of iron ore	44.36%	44.36%	44.36%
Peña Colorada Servicios S.A. de C.V. (11)	Mexico	Services	44.36%	44.36%	44.36%
Servicios Integrales Nova de Monterrey S.A. de C.V. (12)	Mexico	Medical and Social Services	66.09%	66.09%	66.09%
Ternium Guatemala S.A.	Guatemala	Manufacturing and selling of steel products	88.72%	88.71%	88.71%
Ternium Internacional Nicaragua S.A.	Nicaragua	Manufacturing and selling of steel products	88.18%	88.18%	88.09%
Ternium Internacional Honduras S.A. de C.V.	Honduras	Manufacturing and selling of steel products	88.01%	88.00%	88.00%
Ternium Internacional El Salvador, S.A. de C.V.	El Salvador	Manufacturing and selling of steel products	88.66%	88.65%	88.65%
Ternium Internacional Costa Rica S.A.	Costa Rica	Manufacturing and selling of steel products	88.72%	88.71%	88.71%
Ferrasa S.A.S. (13)	Colombia	Manufacturing and selling of steel products	54.00%		
Perfilamos del Cauca S.A.S. (13)	Colombia	Manufacturing and selling of steel products	54.00%		
Figuraciones S.A.S. (13)	Colombia	Manufacturing and selling of steel products	54.00%		
Siderúrgica de Caldas S.A.S. (13)	Colombia	Manufacturing and selling of steel products	54.00%		
Recolectora Industrial de Colombia S.A. (1)	Colombia	Scrap services company	28.70%		
Procesadora de Materiales Industriales S.A. (1)	Colombia	Scrap services company	32.40%		
Desechos Industriales de Colombia S.A. (1)	Colombia	Scrap services company	29.70%		

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Tenigal S. de R.L. de C.V. (14)	Mexico	Manufacturing and selling of steel products	51.00%		
Ternium Investments Switzerland AG (2)	Switzerland	Holding	100.00%		
Ternium Internacional S.A. (15)	Uruguay	Holding and marketing of steel products	100.00%	100.00%	100.00%
Ternium International Ecuador S.A. (16)	Ecuador	Marketing of steel products	100.00%	100.00%	100.00%
Ternium International USA Corporation (16)	USA	Marketing of steel products	100.00%	100.00%	100.00%

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****2 Basis of presentation (continued)**

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2010	2009	2008
Ternium Internationaal B.V. (16)	Netherlands	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internacional Perú S.A. (16)	Peru	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internacional de Colombia S.A. (16)	Colombia	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Procurement S.A. (15)	Uruguay	Procurement services	100.00%	100.00%	100.00%
Ternium International Inc. (15)	Panama	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Engineering & Services S.A. (17)	Uruguay	Engineering and other services	100.00%	100.00%	
Ternium Ingeniería y Servicios de Argentina S.A.	Argentina	Engineering and other services	100.00%	100.00%	
Ternium Ingeniería y Servicios de Mexico S.A. de C.V.	Mexico	Engineering and other services	100.00%	100.00%	
Ternium Treasury Services S.A. (15)	Uruguay	Financial Services	100.00%	100.00%	100.00%
Ternium Treasury Services B.V. (15)	Netherlands	Financial Services	100.00%	100.00%	100.00%
Ferrasa Panamá, S.A. (18)	Panama	Manufacturing and selling of steel products	54.00%		
Aceros Transformados de Panamá, S.A. (18)	Panama	Manufacturing and selling of steel products	54.00%		
Ternium Investments S.A. (formerly Dirken Company S.A.) (19)	Uruguay	Holding		100.00%	100.00%

(1) Incorporated in the fourth quarter of 2010.

(2) Indirectly through Ternium Investments S.à.r.l. Total voting rights held 100.00%

(3) Indirectly through Ternium Brasil S.A. Total voting rights held: 100.00%. Incorporated during 2010.

(4) Indirectly through Ternium Investments S.á.r.l. (85.62%) and Prosid Investments S.C.A. (8.76%). Total voting rights held: 100.00%

(5) Indirectly through Ylopa Servicios de Consultoría Lda.. Total voting rights held: 100.00%. As of April 25, 2008, Consorcio Siderurgia Amazonia S.L.U. was relocated into Spain (formerly Cayman Islands)

(6) Indirectly through Ternium Internacional España S.L.U. Total voting rights held: 60.94%

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- (7) Indirectly through Siderar S.A.I.C and Ternium Internacional S.A. Total voting rights held 100.00%
- (8) Indirectly through Siderar S.A.I.C. Total voting rights held 100.00%
- (9) Indirectly through Siderar S.A.I.C., Inversiones Basilea S.A. and Ternium Internacional España S.L.U. Total voting rights held 99.93%
- (10) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 100.00%
- (11) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 50.00%. Consolidated under the proportionate consolidation method.
- (12) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 74.50%
- (13) Indirectly through Ternium Internacional España S.L.U.. Total voting rights held: 54.00%. Incorporated during 2010. (See note 3)
- (14) Indirectly through Ternium Internacional España S.L.U.. Total voting rights held: 51.00%. Incorporated during 2010. (See note 31)
- (15) Indirectly through Ternium Investments Switzerland AG. Total voting rights held: 100.00%
- (16) Indirectly through Ternium Internacional S.A. Total voting rights held 100.00%
- (17) Indirectly through Ternium Internacional Inc.. Total voting rights held 100.00%
- (18) Indirectly through Ternium Treasury Services S.A. Total voting rights held: 54.00%. Incorporated during 2010. (See note 3)
- (19) This company was dissolved as of December 6, 2010.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****3 Acquisition of business*****Ferrasa S.A.S and Ferrasa Panamá S.A.***

On August 25, 2010, Ternium completed the acquisition of a 54% ownership interest in Ferrasa S.A.S., a company organized under the laws of Colombia (Ferrasa) through a capital contribution in the amount of USD 74.5 million. Ferrasa has a 100% ownership interest in Sidecaldas S.A.S. (Sidecaldas), Figuraciones S.A.S. (Figuraciones) and Perfilamos del Cauca S.A.S. (Perfilamos), all of which are also Colombian companies. Ternium has also completed the acquisition of a 54% ownership interest in Ferrasa Panamá S.A. (Ferrasa Panamá) and its subsidiary Aceros Transformados de Panamá S.A. (Aceros) for USD 0.5 million. On the mentioned date the Company obtained control over the assets and liabilities of the acquired companies.

Ferrasa is a long and flat steel products processor and distributor. Sidecaldas is a scrap-based long steel making and rolling facility, with an annual production capacity of approximately 140,000 tons. Figuraciones and Perfilamos manufacture welded steel tubes, profiles and beams. These companies have combined annual sales of approximately 300,000 tons, of which approximately 70% are long products and 30% are flat and tubular products, used mainly in the construction sector. Ferrasa Panamá is a long steel products processor and distributor based in Panama, with annual sales of approximately 8,000 tons.

The former controlling shareholders have an option to sell to Ternium, at any time, all or part of their remaining 46% interest in each of Ferrasa and Ferrasa Panamá, and Ternium has an option to purchase all or part of that remaining interest from the former controlling shareholders, at any time after the second anniversary of the closing.

Ferrasa and Ferrasa Panamá contributed revenues of USD 128.0 million and a net loss of USD 1.5 million (net of USD 1.3 million corresponding to non-controlling interests) in the period from August 25, 2010 to December 31, 2010. The fair value and book value of assets and liabilities arising from the transaction are as follows:

	Fair value	Book value
Property, plant and equipment	140,118	140,413
Previously recognized goodwill		37,377
Customer relationships	15,403	
Trademarks	4,407	
Other contractual rights	4,064	
Other intangible assets	42	42
Inventories	76,771	76,241
Cash and cash equivalents	6,593	6,593
Deferred tax assets	7,832	1,180
Borrowings	(134,120)	(134,120)
Other assets and liabilities, net	15,141	15,141
Non-controlling interest in subsidiaries	(236)	(236)
Net	136,015	142,631
Non-controlling interest	(62,572)	
Goodwill	1,557	

Total Purchase Consideration**75,000**

The Company accounts for the acquired businesses using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of the acquired intangible assets and property, plant and equipment as well as the liabilities assumed at the date of the acquisition. Moreover the useful lives of the acquired intangible assets, property,

plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Company's future results of operations. The valuations are based on information available at the acquisition date.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****3 Acquisition of business (continued)**

Significant judgments and assumptions made regarding the purchase price allocation in the course of the acquisition of Ferrasa and Ferrasa Panamá, included the following:

For valuation of customer relationship the excess earnings method was used, which is based on calculating the present value of the future cash flows of the future economic benefits during the remaining useful life attributable to the customer base. Customer relationships are being amortized over an estimated useful life of 10 years.

For the valuation of brands, the relief-from-royalty method was applied, both with the value that a third party would have paid for these trademarks. The expected amortization of these assets is determined on the basis of the expected benefit the asset provides the entity (e.g. expected decline in value). For valuation of the other contractual rights, the postulated loss of income method was used. Both intangible assets are being amortized over an estimated useful life of 10 years.

The valuation of acquired intangible assets is to a great extent based on anticipated cash flows. Nevertheless it is possible that actual outcomes could vary significantly from such estimated future cash flows.

For property, plant and equipment, fair values were derived from expert appraisals.

The valuation of inventories at the date of acquisition was based on the corresponding selling price less estimated costs of completion or estimated costs to make the sale.

The excess of the purchase price for Ferrasa and Ferrasa Panamá over the estimated fair values of the net assets acquired is recorded as goodwill amounting to USD 1.6 million as of August 25, 2010. Goodwill derives mainly from the fair value of the going concern element of the acquiree.

The Company has chosen to recognize the non-controlling interest at its proportionate share in net identifiable assets acquired.

Acquisition related costs are included in the income statement.

Pro forma data for the acquisitions

Had the Ferrasa transaction been consummated on January 1, 2010, unaudited pro forma net sales and net loss totaling USD 336 million and USD 4 million, respectively, would have been included in Ternium's financial statements for the year ended December 31, 2010. These pro forma results were prepared based on unaudited accounting records maintained prior to such transaction and adjusted by depreciation and amortization of tangible and intangible assets and interest expense of the borrowing incurred for the transaction as described above.

4 Accounting policies

These Consolidated Financial Statements have been prepared following the same accounting policies used in the preparation of the audited Consolidated Financial Statements for the year ended December 31, 2009, except for the application of the following accounting pronouncements, which became effective on January 1, 2010:

IFRS 3 (revised January 2008), Business Combinations

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. Those changes refer principally to the following:

Partial acquisitions: Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original IFRS 3 requirement) or at fair value (which is the new requirement).

Step acquisitions: The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

Acquisition-related costs: Acquisition-related costs are generally recognized as expenses (rather than included in goodwill).

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****4 Accounting policies (continued)**

The following is a summary of the principal accounting policies followed in the preparation of these consolidated financial statements:

(a) Group accounting*(1) Subsidiary companies and transactions with non-controlling interests*

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date. Indemnification assets are recognized at the same time that the Company recognizes the indemnified item and measures them on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. The Company measure 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.

On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

The measurement period is the earlier of the date that the acquirer receives the information that it is looking for or cannot obtain the information and one year after the acquisition date. Where the accounting for a business combination is not complete by the end of the reporting period in which the business combination occurred provisional amounts are reported.

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. However, the fact that the functional currency of some subsidiaries is their respective local currency, generates some financial gains (losses) arising from intercompany transactions, that are included in the consolidated income statement under Other financial expenses, net.

(2) Joint ventures

The Company reports its interests in jointly controlled entities using proportionate consolidation. The Company's share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined on a line-by-line

basis with similar items in the Company's financial statements.

Where the Company transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Company's interest in the joint venture.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****4 Accounting policies (continued)***(3) Associated companies*

Associated companies are entities in which Ternium generally has between 20% and 50% of the voting rights, or over which Ternium has significant influence, but which it does not control. Investments in associated companies are accounted for using the equity method of accounting. Under this method the Company's share of the post-acquisition profits or losses of an associated company is recognized in the income statement and its share of post-acquisition changes in reserves is recognized in reserves. The cumulative post-acquisition changes are adjusted against the cost of the investment. Unrealized gains on transactions among the Company and its associated companies are eliminated to the extent of the Company's interest in such associated company; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When the Company's share of losses in an associated company equals or exceeds its interest in such associate, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of such associated company.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(b) Foreign currency translation*(1) Functional and presentation currency*

Items included in the financial statements of each of the Company's subsidiaries and associated companies are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional and presentation currency of the Company is the U.S. dollar. Although Ternium is located in Luxembourg, it operates in several countries with different currencies. The USD is the currency that best reflects the economic substance of the underlying events and circumstances relevant to Ternium as a whole.

(2) Subsidiary companies

The results and financial position of all the group entities (none of which operates in a hyperinflationary economy) that have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rate of each statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting translation differences are recognized within other comprehensive income.

In the case of a sale or other disposition of any such subsidiary, any accumulated translation differences would be recognized in the income statement as part of the gain or loss on sale.

(3) Transactions in currencies other than the functional currency

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured.

At the end of each reporting period: (i) monetary items denominated in currencies other than the functional currency are translated using the closing rates, (ii) non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rates prevailing at the date of the transactions; and (iii) non-monetary items that are measured at fair value in a currency other than the functional currency are translated using the exchange rates prevailing at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recorded as gains and losses from foreign exchange and included in Other financial income (expenses), net in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, while translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in equity. Ternium had no such assets or liabilities for any of the periods presented.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****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. Ternium non derivative financial instruments are classified into the following categories:

Financial instruments at fair value through profit or loss: comprises mainly cash and cash equivalents and investments in debt securities held for trading;

Held-to-maturity instruments: measured at amortized cost using the effective interest method less impairment losses. As of December 31, 2010, there are no instruments classified under this category;

Loans and receivables: measured at amortized cost using the effective interest method less impairment losses;

Available-for-sale (AFS) financial assets: gains and losses arising from changes in fair value are recognized within other comprehensive income (OCI) with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in OCI is included in the income statement for the period. As of December 31, 2010, there are no instruments classified under this category;

Other financial liabilities: measured at amortized cost using the effective interest method.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets and liabilities are recognized and derecognized on the settlement date.

Financial assets are initially measured at fair value, net of transaction costs, except for those financial assets classified as financial assets at fair value through profit or loss.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists.

For loans and receivables category and for held-to-maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Derivative financial instruments

Information about accounting for derivative financial instruments and hedging activities is included in Note 34 Financial Risk management .

(d) Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment are recognized at historical acquisition or construction cost less accumulated depreciation and accumulated impairment (if applicable),

except for land, which is carried at acquisition cost less accumulated impairment (if applicable). There are no material residual values for property, plant and equipment items.

Major overhaul and rebuilding expenditures are recognized as a separate asset when future economic benefits are expected from the item, and the cost can be measured reliably.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****4 Accounting policies (continued)**

Ordinary maintenance expenses on manufacturing properties are recorded as cost of products sold in the period in which they are incurred.

Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Depreciation method is reviewed at each year end. Depreciation is calculated using the straight-line method to amortize the cost of each asset to its residual value over its estimated useful life as follows:

	No Depreciation
Land	
Buildings and improvements	15-40 years
Production equipment	5-25 years
Vehicles, furniture and fixtures and other equipment	5-15 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each year end.

Gains and losses on disposals are determined by comparing the proceeds with the corresponding carrying amounts and are included in the income statement.

If the carrying amount of an asset were greater than its estimated recoverable amount, it would be written down to its recoverable amount. (see Note 4 (f) Impairment).

(e) Intangible assets*(1) Information system projects*

Generally, costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. However, costs directly related to the acquisition and implementation of information systems are recognized as intangible assets if they have a probable economic benefit exceeding the cost beyond one year and comply with the recognition criteria of IAS 38.

Information system projects recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 3 years. Amortization charges are included in cost of sales, selling, general and administrative expenses.

(2) Mining concessions

Mining license was recognized as a separate intangible asset upon the acquisition of Hylsamex and comprises the right to exploit the mines and is recognized at its fair value at acquisition date less accumulated amortization. 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. The resulting amortization rate for the years ended December 31, 2010 and 2009, is approximately 9% per annum.

(3) Exploration costs

Exploration and evaluation costs are measured at cost. Costs directly associated with exploration activities and leasehold acquisition costs are capitalized until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense. If it is determined that commercial discovery has been achieved, costs incurred are reclassified into Property, Plant and Equipment or Intangible Assets according to the nature of the expenditure and amortization starts. Exploration costs are tested for impairment annually. No impairment losses have been recorded for any of the years presented.

(4) Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of Ternium's participation in acquired companies' net assets at the acquisition date. Under IFRS 3 (revised), goodwill is considered to have an indefinite life and not amortized, but is subject to annual impairment testing.

Goodwill is allocated to Cash-generating units (CGU) for the purpose of impairment testing. The allocation is made to those cash-generating units expected to benefit from the business combination which generated the goodwill being tested.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****4 Accounting policies (continued)**

As of December 31, 2010, the carrying amount of goodwill allocated to the Mexico CGU was USD 744.0 million, while the carrying amount of goodwill allocated to other CGUs totaled USD 6.1 million.

(5) Research and development

Research expenditures are recognized as expenses as incurred. Development costs are recorded as cost of sales in the income statement as incurred because they do not fulfill the criteria for capitalization. Research and development expenditures for the years ended December 31, 2010, 2009 and 2008 totaled USD 5.7 million, USD 6.0 million and USD 7.0 million, respectively.

(6) Customer relationships acquired in a business combination

In accordance with IFRS 3 (revised) and IAS 38, Ternium has recognized the value of customer relationships separately from goodwill in connection with the acquisitions of Grupo Imsa and Ferrasa S.A.S.

Customer relationships are amortized using the straight-line method over a useful life of approximately 10 years.

(7) Trademarks acquired in a business combination

In accordance with IFRS 3 and IAS 38, Ternium has recognized the value of trademarks separately from goodwill in connection with the acquisitions of Grupo Imsa and Ferrasa S.A.S.

Trademarks are amortized using the straight-line method over a useful life of between 5 to 10 years.

(f) Impairment

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

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

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

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

Cash flows are discounted at post-tax rates that reflect specific country and currency risks associated with the cash flow projections. The discount rates used are based on Ternium's weighted average cost of capital (WACC), which is considered to be a good indicator of cost of capital. As of December 31, 2010, the discount rate used to test goodwill allocated to Mexico CGU for impairment was 11.4%.

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

At December 31, 2009, an impairment provision over the agreement with Corus recognized as intangible assets, was recorded for the amount of USD 27.0 million. See note 27 (ii). At December 31, 2010 and 2008, no impairment provisions were recorded.

(g) Other investments

Other investments consist primarily of investments in financial debt instruments and equity investments where the Company holds less than 20% of the outstanding equity and does not exert significant influence.

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****4 Accounting policies (continued)**

All purchases and sales of investments are recognized on the settlement date, which is not significantly different from the trade date, which is the date that Ternium commits to purchase or sell the investment.

Income from financial instruments is recognized in Other financial income (expenses), net in the income statement. Interest receivable on investments in debt securities is calculated using the effective rate. Dividends from investments in equity instruments are recognized in the income statement when the Company's right to receive payments is established.

(h) Inventories

Inventories are stated at the lower of cost (calculated using the first-in-first-out (FIFO) method) or net realizable value. The cost of finished goods and goods in process comprises raw materials, direct labor, depreciation, other direct costs and related production overhead costs. It excludes borrowing costs. Goods acquired in transit at year end are valued at supplier's invoice cost.

The Company assesses the recoverability of its inventories considering their selling prices, if the inventories are damaged, or if they have become wholly or partially obsolete (see note 4 (w) (4)).

(i) Trade receivables and other receivables

Trade and other receivables are carried at face value less an allowance for doubtful accounts, if applicable. This amount does not differ significantly from fair value.

A provision for impairment is established when there is objective evidence that a financial asset or group of assets is impaired. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about a loss event, such as a significant financial difficulty of the obligor or a breach of contract. The amount of the impairment is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognized in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents and highly liquid short-term securities are carried at fair market value, except for time deposits which are carried at amortized cost and its amount does not differ significantly from its fair value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash, bank current accounts and short-term highly liquid investments (original maturity of three months or less at date of acquisition) and overdrafts.

In the consolidated statement of financial position, bank overdrafts are included in borrowings within current liabilities.

(k) Non current assets (disposal groups) classified as held for sale

Non-current assets (disposal groups) are classified as assets held for sale, complying with the recognition criteria of IFRS 5, and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

The carrying value of non-current assets classified as held for sale, at December 31, 2010 and 2009 totals USD 10.0 million and USD 9.2 million, respectively, which corresponds principally to land and other real estate items. Sale is expected to be completed within a one-year period.

(l) Borrowings

Borrowings are recognized initially for an amount equal to the proceeds received. In subsequent periods, borrowings are stated at amortized cost; any difference between proceeds and the redemption value is recognized in the income statement over the period of the borrowings.

Capitalized costs for issue of debt are amortized over the life of their respective debt.

(m) Income taxes – current and deferred

The current income tax charge is calculated on the basis of the tax laws in force in the countries in which Ternium's 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. 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).

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****4 Accounting policies (continued)**

Deferred tax assets are recognized to the extent it is probable that future taxable income will be available to offset temporary differences.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Under Mexican law, Ternium's subsidiaries are required to pay their employees an annual benefit which is determined as a percentage of taxable profit for the year.

In 2008, Hylsa S.A. de C.V. (Hylsa) entered into a spin off that became effective on March 31, 2008. After this corporate reorganization, all of Hylsa's employees stayed in the payroll of this company, which is expected to generate non-significant taxable income and non-significant temporary differences. Hylsa agreed to pay its employees a bonus salary that will be calculated on the basis of agreed-upon criteria. Accordingly, during the year ended December 31, 2008, the Company reversed the outstanding balance of the deferred tax liability recorded in connection with the statutory profit sharing as of December 31, 2007 (amounting to USD 96 million) and disclosed the related gain within Income tax (expense) benefit line item in the consolidated income statement.

(n) Employee liabilities*(1) Pension obligations*

The Company has defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at year end, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually (at year end) by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

Mexico

Ternium Mexico has defined benefit and defined contribution plans.

The valuation of the liabilities for the defined benefit employee retirement plans (pensions and seniority premiums) covers all employees and is based primarily on their years of service, their present age and their remuneration at the date of retirement. The cost of the employee retirement plans (pension, health-care expenses and seniority premiums) is recognized as an expense in the year in which services are rendered in accordance with actuarial studies made by independent actuaries. The formal retirement plans are congruent with and complementary to the retirement benefits established by the Mexican Institute of Social Security. Additionally, the Company has established a plan to cover health-care expenses of retired employees. The Company has established irrevocable trust funds for the payment of pensions and seniority premiums, as well as for health-care expenses.

The defined contribution plans provides a benefit equivalent to the capital accumulated with the company's contributions, which are provided as a match of employees' contribution to the plan. The plan provides vested rights according to the years of service and the cause of retirement.

Argentina

Siderar implemented an unfunded defined benefit employee retirement plan for certain senior officers. The plan is designed to provide certain benefits to those officers (additional to those contemplated under applicable Argentine labor laws) in case of terminations of the employment relationship due to certain specified events, including retirement. For its main plan, Siderar is accumulating assets for the ultimate payment of those benefits in the form of

investments that carry time limitations for their redemption. The investments are not part of a particular plan, nor are they segregated from Siderar s other assets, and therefore this plan is classified as unfunded under IFRS definitions. Benefits provided by the plan are denominated in U.S. Dollars and are calculated based on a seven-year salary average.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****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 minority interest). Also, the beneficiaries of the Program are entitled to receive cash amounts based on (i) the amount of dividend payments made by Ternium to its shareholders, and (ii) the number of Units held by each beneficiary to the Program. Units vest ratably over a period of four years and will be redeemed by the Company ten years after grant date, with the option of an early redemption at seven years after grant date.

As of December 31, 2010, the outstanding liability corresponding to the Program amounts to USD 10.8 million. 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, 2010, is USD 12.6 million.

(4) Social security contributions

Social security laws in force in the countries in which the Company operates provide for pension benefits to be paid to retired employees from government pension plans and/or private fund managed plans to which employees may elect to contribute. As stipulated by the respective laws, Siderar and Ternium Mexico make monthly contributions calculated based on each employee's salary to fund such plans. The related amounts are expensed as incurred. No additional liabilities exist once the contributions are paid.

(o) Provisions and other liabilities

Ternium has certain contingencies with respect to existing or potential claims, lawsuits and other proceedings. Unless otherwise specified, Ternium accrues a provision for a present legal or constructive obligation as a result of a past event, when it is probable that future cost could be incurred and that cost can be reasonably estimated. Generally, accruals are based on developments to date, Ternium's estimates of the outcomes of these matters and the advice of Ternium's legal advisors.

(p) Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(q) Revenue recognition

Revenues are recognized as sales when revenue is earned and is realized or realizable. This includes satisfying all of the following criteria: the arrangement with the customer is evident, usually through the receipt of a purchase order; the sales price is fixed or determinable; delivery as defined by the risk transfer provision of the sales contracts has occurred, and collectibility is reasonably assured.

Interest income is recognized on an effective yield basis.

(r) Borrowing Costs

Beginning on January 1, 2009, and as required by IAS 23 revised, Ternium capitalizes the borrowing costs incurred to finance construction, acquisition or production of qualifying assets. In the case of specific borrowings, Ternium determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. For general borrowings, Ternium determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing

costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that Ternium capitalizes during a period will not exceed the amount of borrowing costs incurred during that period. At December 31, 2010, the capitalized borrowing costs are not material.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****4 Accounting policies (continued)****(s) Cost of sales, selling, general and administrative expenses**

Cost of sales and expenses are recognized in the income statement on the accrual basis of accounting.

(t) Earnings per share

Earnings per share are calculated by dividing the net income attributable to shareholders by the daily weighted average number of ordinary shares issued during the year (see Note 28).

(u) 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 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 on the statement of financial position.

For transactions designated and qualifying for hedge accounting, Ternium documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. At December 31, 2010, the effective portion of designated cash flow hedges amounts to USD 22.4 million (net of taxes for USD 9.6 million) and is included under changes in the fair value of derivatives classified as cash flow hedges line item in the statement of comprehensive income (see Note 32 (a)).

More information about accounting for derivative financial instruments and hedging activities is included in Note 34 Financial risk management .

(v) Segment information

Reportable operating segments: for management purposes, the Company is organized on a worldwide basis into the following segments: flat steel products, long steel products and others.

The flat steel products segment comprises the manufacturing and marketing of hot rolled coils and sheets, cold rolled coils and sheets, tin plate, welded pipes, hot dipped galvanized and electro-galvanized sheets, pre-painted sheets and other tailor-made products to serve its customers requirements.

The long steel products segment comprises the manufacturing and marketing of billets (steel in its basic, semi-finished state), wire rod and bars.

The other products segment includes products other than flat and long steel, mainly pig iron, pellets and pre-engineered metal buildings.

(w) 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.

Goodwill is tested at the level of the CGU. Impairment testing of the CGU is carried out and the value in use determined in accordance with the accounting policy stated in Note 4(f). The discount rates used for these tests are based on Ternium s weighted average cost of capital adjusted for specific country and currency risks associated with the cash flow projections. Discount rate used at December 31, 2010 was 11.4% and no impairment charge resulted

from the impairment test performed.

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****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, 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, lawsuits and other legal proceedings cannot be estimated with certainty. Periodically, management reviews the status of each significant matter and assesses potential financial exposure. If the potential loss from the claim or proceeding is considered probable and the amount can be reasonably estimated, a liability is recorded. Management estimates the amount of such liability based on the information available and the assumptions and methods it has concluded are appropriate, in accordance with the provisions of IFRS. Accruals for such contingencies reflect a reasonable estimate of the losses to be incurred based on information available, including the relevant litigation or settlement strategy, as of the date of preparation of these financial statements. As additional information becomes available, management will reassess its evaluation of the pending claims, lawsuits and other proceedings and revise its estimates. The loss contingencies provision amounts to USD 16.1 million and USD 18.9 million as of December 31, 2010 and 2009, respectively.

(4) Allowance for obsolescence of supplies and spare parts and slow-moving inventory

Management assesses the recoverability of its inventories considering their selling prices or whether they are damaged or have become wholly or partly obsolete.

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

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

As of December 31, 2010 and 2009, the Company recorded no allowance for net realizable value and USD 68.2 million and USD 58.2 million, respectively, as allowance for obsolescence.

During 2010, no charges were recorded in connection with net realizable value allowance. Charges to mark the inventory to net realizable value in 2009 and 2008 were USD 127.6 million and USD 200.0 million, respectively. Of these amounts, USD 82.8 million in 2009 and USD 179.6 million in 2008 corresponded to inventories for shipments to North America region, while USD 44.8 million in 2009 and USD 20.4 million in 2008 corresponded to inventories for exports within the South and Central America region.

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

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****4 Accounting policies (continued)***(5) Valuation of the Sidor financial asset*

The Sidor financial asset recorded as a result of the nationalization of Sidor was treated as a receivable and valued at its amortized cost using the applicable effective interest rate. The discount rate used to measure this receivable at amortized cost was estimated on the basis of management's best estimate of market rates adjusted to reflect specific risks.

The initial measurement of the receivable and its subsequent measurements until November 8, 2010, were performed on the basis of its discounted amount using an annual discount rate of 14.36%. This discount rate was estimated on the basis of the yield (13.3%) of Venezuelan sovereign debt with maturities similar to that of the receivable held by Ternium against CVG; however, as the Venezuelan sovereign debt with similar maturities was governed by New York law, while the receivable with CVG was governed by Venezuelan law, the discount rate was further adjusted to adequately reflect the specific risk of Ternium's receivable. After the rescheduling of the last unpaid installment agreed on December 18, 2010, the annual discount rate used to measure the receivable was estimated at 6.28%, on the basis of the specific risks associated to the third-party promissory notes received as guarantee for full payment of CVG obligations.

For further information on the Sidor nationalization and the rescheduling of the related receivable, refer to Note 29 (ii).

(6) Useful Lives and Impairment of Property, Plant and Equipment and Other Long-lived Assets

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

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

- whether significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;

- whether market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;

- whether the carrying amount of the net assets of the entity is more than its market capitalization;

- whether evidence is available of obsolescence or physical damage of an asset.

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

whether evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Management identified the presence of impairment indicators in certain CGUs at December 31, 2008 and, accordingly, carried out impairment tests. These impairment indicators arose mainly due to recessionary environment and the abrupt decline of demand and prices of steel products.

For the Mexico CGU, management carried out an impairment test for Property, Plant and Equipment and for other long-lived assets with finite useful lives at December 31, 2008, and concluded that no impairment was needed. The Company estimated the recoverable amount as the value in use and compared it to the carrying amount of the corresponding assets (USD 3.2 billion at that date). The discount rates used were based on the Mexico CGU's weighted average cost of capital (WACC), which was 13.4%. Variables considered in forecasts included Mexican GDP growth rates and correlation with steel demand, level of steel prices, and estimated raw material costs as observed in industry reports.

For the Argentina CGU, management carried out an impairment test for Property, Plant and Equipment and for other long-lived assets with finite useful lives at December 31, 2008, and also concluded that no impairments were required. The Company estimated the recoverable amount as the value in use and compared it to the carrying amount of the corresponding assets (USD 1.3 billion at that date). The discount rates used were based on the Argentina CGU's WACC, which was 18.3%. Variables considered in forecasts included Argentinean GDP growth rates and correlation with steel demand, level of steel prices, and estimated raw material costs as observed in industry reports.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****4 Accounting policies (continued)**

None of the Company's CGUs were tested for impairment in 2010 and 2009, as no impairment indicators were identified. Furthermore, based on information currently available, management believes that the recognition of a future impairment charge is not reasonably possible.

(7) Allowances for doubtful accounts

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

Allowances for doubtful accounts are adjusted periodically in accordance with the aging of overdue accounts. For this purpose, trade accounts receivable overdue by more than 90 days, and which are not covered by a credit collateral, guarantee or similar surety, are fully provisioned. As of December 31, 2010 and 2009, allowance for doubtful accounts totals USD 17.2 million and USD 16.7 million, respectively.

5 Segment information**Reportable operating segments**

	Year ended December 31, 2010				
	Flat steel products	Long steel products	Other	Unallocated	Total
Net sales	6,376,380	833,137	172,487		7,382,004
Cost of sales	(4,932,551)	(633,958)	(98,745)		(5,665,254)
Gross profit	1,443,829	199,179	73,742		1,716,750
Selling, general and administrative expenses	(585,746)	(62,419)	(17,141)		(665,306)
Other operating income (expenses), net	2,887	(506)	112		2,493
Operating income	860,970	136,254	56,713		1,053,937
Capital expenditures PP&E	272,623	38,123	6,172		316,918
Depreciation PP&E	285,755	20,851	6,214		312,820
Segment assets					
Inventories, net	1,804,896	117,721	30,773		1,953,390
Trade receivables, net	514,521	121,872	27,109		663,502
Property, plant and equipment, net	3,831,181	378,212	53,503		4,262,896
Intangible assets, net	1,004,680	75,504	49,164		1,129,348
Assets discontinued operations				257,988	257,988
Other assets				2,845,207	2,845,207

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Capital expenditures PP&E	511,658	29,684	2,915	544,257
Depreciation PP&E	311,624	18,422	3,715	333,761
Segment assets				
Inventories, net	1,708,324	100,494	17,729	1,826,547
Trade receivables, net	449,168	133,673	40,151	622,992
Property, plant and equipment, net	3,911,919	260,925	39,469	4,212,313
Intangible assets, net	1,039,337	51,769	45,261	1,136,367
Assets discontinued operations				1,318,900
Other assets				1,554,128

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****5 Segment information (continued)****Geographical information**

There are no revenues from external customers attributable to the Company's country of incorporation (Luxembourg). Ternium sells its products to three main geographical areas: South and Central America, North America, and Europe and others. The North American area comprises principally United States and Mexico. The South and Central American area comprises principally Argentina, Colombia, Chile, Paraguay, Ecuador, Guatemala, Costa Rica and Brazil.

	Year ended December 31, 2010			
	South and Central America	North America	Europe and other	Total
Net sales	3,057,676	4,208,617	115,711	7,382,004
Segment assets				
Trade receivables, net	192,723	456,433	14,346	633,502
Property, plant and equipment, net	1,437,417	2,825,370	109	4,262,896
Intangible assets, net	54,443	1,074,905		1,129,348
Capital expenditures PP&E	182,845	134,027	46	316,918
Depreciation PP&E	118,774	194,029	17	312,820
	Year ended December 31, 2009			
	South and Central America	North America	Europe and other	Total
Net sales	1,782,446	2,976,938	199,599	4,958,983
Segment assets				
Trade receivables, net	116,231	318,466	3,138	437,835
Property, plant and equipment, net	1,297,289	2,743,045	81	4,040,415
Intangible assets, net	36,188	1,049,224		1,085,412
Capital expenditures PP&E	117,583	73,044	51	190,678
Depreciation PP&E	111,895	201,071	14	312,980
	Year ended December 31, 2008			
	South and Central America	North America	Europe and other	Total
Net sales	3,107,510	5,230,126	127,249	8,464,885
Segment assets				
Trade receivables, net	176,348	425,163	21,481	622,992
Property, plant and equipment, net	1,424,382	2,787,903	28	4,212,313
Intangible assets, net	50,864	1,085,503		1,136,367

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Capital expenditures	PP&E	325,496	218,753	8	544,257
Depreciation	PP&E	132,891	200,843	27	333,761

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****6 Cost of sales**

	Year ended December 31,		
	2010	2009	2008
Inventories at the beginning of the year	1,350,568	1,826,547	1,449,476
Acquisition of business (Note 3)	76,771		
Translation differences	28,621	(46,857)	(440,685)
Plus: Charges for the year			
Raw materials and consumables used and other movements	4,763,000	2,473,327	5,374,363
Services and fees	197,873	126,325	154,176
Labor cost	496,961	378,558	481,057
Depreciation of property, plant and equipment	295,504	308,156	328,260
Amortization of intangible assets	19,453	14,462	19,023
Maintenance expenses	342,529	221,175	277,753
Office expenses	6,662	4,997	8,347
Freight and transportation	36,892	32,846	37,735
Insurance	7,530	9,256	8,695
Charge (recovery) of obsolescence allowance	11,710	(7,556)	82,125
Valuation allowance		127,553	199,972
Recovery from sales of scrap and by-products	(40,654)	(27,326)	(60,379)
Others	25,224	19,475	34,656
Less: Inventories at the end of the year	(1,953,390)	(1,350,568)	(1,826,547)
Cost of Sales	5,665,254	4,110,370	6,128,027

7 Selling, general and administrative expenses

	Year ended December 31,		
	2010	2009	2008
Services and fees	60,874	46,923	65,221
Labor cost	153,807	150,914	199,304
Depreciation of property plant and equipment	17,316	4,824	5,501
Amortization of intangible assets	51,027	57,663	60,757
Maintenance and expenses	11,113	6,858	7,737
Taxes	89,412	65,889	79,286
Office expenses	29,567	26,134	32,682
Freight and transportation	232,184	156,520	189,848
(Decrease) Increase of allowance for doubtful accounts	(393)	(1,635)	2,861
Others	20,399	17,440	26,276
Selling, general and administrative expenses	665,306	531,530	669,473

8 Labor costs (included in cost of sales, selling, general and administrative expenses)

	Year ended December 31,		
	2010	2009	2008
Wages, salaries and social security costs	594,909	450,828	636,018
Termination benefits	27,872	55,358	22,604
Pension benefits (Note 24 (i))	27,987	23,286	21,739
Labor costs	650,768	529,472	680,361

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****9 Other operating income (expenses), net**

	Year ended December 31,		
	2010	2009	2008
Results from the sale of sundry assets	(4,681)	(2,121)	5,535
Provision for legal claims and other matters (Note 21)	(5,543)	(4,614)	(2,358)
Impairment charge (Note 27 (ii))		(27,022)	
Others	12,718	13,057	5,485
Other operating income (expenses), net	2,494	(20,700)	8,662

10 Other financial income (expenses), net

	Year ended December 31		
	2010	2009	2008
Debt issue costs	(4,562)	(5,149)	(11,314)
Net foreign exchange gain (loss)	123,690	83,057	(632,735)
Change in fair value of derivative instruments	1,545	10,607	(32,480)
Others	(5,561)	(6,876)	(16,663)
Other financial income (expenses), net	115,112	81,639	(693,192)

11 Income tax expense**Income tax**

Income tax expense for each of the years presented is as follows:

	Year ended December 31,		
	2010	2009	2008⁽¹⁾
Current tax	(410,041)	(124,647)	(502,425)
Deferred tax (Note 23)	(1,035)	(24,812)	300,614
Deferred tax effect of changes in tax rates (Note 23)		(11,216)	
Effect of change in fair value of cash flow hedge	4,419	9,112	(23,121)
Recovery of income tax ⁽²⁾		60,249	62,228
Income tax expense	(406,657)	(91,314)	(162,704)

(1) Includes the reversal of deferred statutory profit sharing.

(2) Represents gains recorded in 2008 and 2009 for several income tax claims filed against the tax authorities for which definitive favorable rulings were obtained in each such year.

Income tax expense for the years ended December 31, 2010, 2009 and 2008 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,		
	2010	2009	2008
Income before income tax	1,186,127	430,415	880,773
Income tax expense at statutory tax rate	(366,992)	(92,662)	(238,822)
Non taxable income	2,797	1,940	40,785
Non deductible expenses	(38,132)	(41,085)	(18,883)
Recovery of income tax		60,249	62,228
Unrecognized tax losses	(4,330)	(8,540)	(8,012)
Effect of changes in tax rate		(11,216)	
Income tax expense	(406,657)	(91,314)	(162,704)

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.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****12 Property, plant and equipment, net**

	Year ended December 31, 2010						Total
	Land	Buildings and improvements	Production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts	
Cost							
Values at the beginning of the year	424,722	1,511,825	4,024,494	149,214	387,721	32,590	6,530,566
Translation differences	20,717	(18,926)	43,439	(4,097)	(7,566)	(1,522)	32,045
Acquisition of business	26,041	41,217	67,280	4,070	1,510		140,118
Additions	18,270	5,575	2,730	1,955	282,139	6,249	316,918
Disposals / Consumptions		(3,616)	(34,111)	(2,381)	(762)	(169)	(41,039)
Transfers		263,329	77,864	3,519	(344,712)		
Values at the end of the year	489,750	1,799,404	4,181,696	152,280	318,330	37,148	6,978,608
Depreciation							
Accumulated at the beginning of the year		(554,581)	(1,809,902)	(124,455)		(1,213)	(2,490,151)
Translation differences		20,341	29,192	4,128		54	53,715
Depreciation charge		(78,000)	(225,866)	(8,464)		(490)	(312,820)
Disposals / Consumptions		1,151	30,926	1,428		39	33,544
Accumulated at the end of the year		(611,089)	(1,975,650)	(127,363)		(1,610)	(2,715,712)
At December 31, 2010	489,750	1,188,315	2,206,046	24,917	318,330	35,538	4,262,896

Year ended December 31, 2009

		Buildings and improvements	Production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts	Total
Cost							
Values at the beginning of the year	412,087	1,536,847	4,030,337	162,173	380,050	40,192	6,561,686
Translation differences	11,665	(81,486)	(101,317)	(11,286)	(16,901)	(4,314)	(203,639)
Additions	6,892	1,276	1,692	1,170	179,648		190,678
Disposals / Consumptions			(760)	(4,613)	(2,483)	(3,288)	(11,144)
Transfers	(5,922)	55,188	94,542	1,770	(152,593)		(7,015)
Values at the end of the year	424,722	1,511,825	4,024,494	149,214	387,721	32,590	6,530,566
Depreciation							
Accumulated at the beginning of the year		(532,056)	(1,688,314)	(126,937)		(2,066)	(2,349,373)
Translation differences		45,341	112,784	9,743		1,269	169,137
Depreciation charge		(67,866)	(234,688)	(9,985)		(441)	(312,980)
Disposals / Consumptions			316	2,724		25	3,065
Accumulated at the end of the year		(554,581)	(1,809,902)	(124,455)		(1,213)	(2,490,151)
At December 31, 2009	424,722	957,244	2,214,592	24,759	387,721	31,377	4,040,415

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****13 Intangible assets, net**

	Year ended December 31, 2010						
	Information system projects	Mining concessions	Exploration costs	Customer relationships and other contractual rights	Trademarks	Goodwill	Total
Cost							
Values at the beginning of the year	98,736	103,909	20,812	288,414	73,358	708,643	1,293,872
Translation differences	(363)	5,900	1,412	14,795	3,258	39,927	64,929
Acquisition of business	42			19,467	4,407	1,557	25,473
Additions	20,369		10,843	1,994			33,206
Disposals / Consumptions			(1,379)				(1,379)
Values at the end of the year	118,784	109,809	31,688	324,670	81,023	750,127	1,416,101
Amortization							
Accumulated at the beginning of the year	(66,363)	(35,568)		(74,474)	(32,055)		(208,460)
Translation differences	690	(2,215)		(4,390)	(1,898)		(7,813)
Amortization charge	(17,068)	(9,817)		(29,847)	(13,748)		(70,480)
Accumulated at the end of the year	(82,741)	(47,600)		(108,711)	(47,701)		(286,753)
At December 31, 2010	36,043	62,209	31,688	215,959	33,322	750,127	1,129,348

	Year ended December 31, 2009						
	Information			Customer relationships and other			

	system projects	Mining concessions	Exploration costs	contractual rights	Trademarks	Goodwill	Total
Cost							
Values at the beginning of the year	97,358	96,856	15,984	304,931	71,358	683,702	1,270,189
Translation differences	(4,417)	3,893	885	10,505	2,000	24,941	37,807
Additions	6,128		11,784				17,912
Disposals / Consumptions	(333)		(4,926)				(5,259)
Impairment charge (see note 27 (ii))				(27,022)			(27,022)
Transfers		3,160	(2,915)				245
Values at the end of the year	98,736	103,909	20,812	288,414	73,358	708,643	1,293,872
Amortization							
Accumulated at the beginning of the year	(50,145)	(24,429)		(43,015)	(16,233)		(133,822)
Translation differences	2,841	(1,358)		(3,007)	(989)		(2,513)
Amortization charge	(19,059)	(9,781)		(28,452)	(14,833)		(72,125)
Accumulated at the end of the year	(66,363)	(35,568)		(74,474)	(32,055)		(208,460)
At December 31, 2009	32,373	68,341	20,812	213,940	41,303	708,643	1,085,412

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****14 Investments in associated companies**

	As of December 31,	
	2010	2009
At the beginning of the year	6,577	5,585
Translation adjustment	(53)	(118)
Acquisitions	302	
Dividends received from associated companies	(302)	
Equity in earnings of associated companies	1,688	1,110
At the end of the year	8,212	6,577

The principal associated companies, all of which are unlisted, are:

Company	Country of incorporation	Voting rights at December 31,		Value at December 31,	
		2010	2009	2010	2009
Lomond Holdings BV. (1)	Netherlands	50.00%	50.00%	6,635	5,440
Finma S.A.I.F. (2)	Argentina	33.33%	33.33%	1,200	1,058
Techinst S.A. (2)	Argentina	33.33%		126	
Arhsa S.A. (2)	Argentina	33.33%		176	
Compañía Afianzadora de Empresas Siderúrgicas S.G.R. (3)	Argentina	38.89%	38.89%	75	79
				8,212	6,577

(1) Holding Company. Indirectly through the participation in Ternium Treasury Services S.A. since August 9, 2010. Prior to this date, the participation was held by Ternium Procurement S.A.

(2) Consulting and financial services. Indirectly through the participation in Siderar.

(3) Granting of guarantees to participating partners to facilitate or permit access to credits for purchase of national raw material. Indirectly through the participation in Siderar. In process of liquidation.

15 Other investments, net non-current

	As of December 31,	
	2010	2009
Time deposits with related parties (i) (Note 30)	18,086	16,161
Investments in debt instruments	17,227	
Others	262	253
Other investments, net non-current	35,575	16,414

(i) Time deposits with related parties

The Company holds a savings fund denominated in U.S. dollars. Withdrawal of investments before certain dates is subject to penalties on amounts invested.

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****16 Receivables, net non-current**

	As of December 31,	
	2010	2009
Receivables with related parties (Note 30)	285	372
Employee advances and loans	8,821	10,103
Advances to suppliers for the purchase of property, plant and equipment	21,125	36,446
Advances to suppliers for the purchase of property, plant and equipment with related parties (Note 30)	1,548	15,168
Tax credits	18,369	29,676
Others	6,677	9,968
Allowance for doubtful accounts (Note 21)	(354)	(416)
Receivables, net non-current	56,471	101,317

17 Receivables current

	As of December 31,	
	2010	2009
Value added tax	26,169	30,777
Tax credits	26,806	66,271
Employee advances and loans	10,465	8,822
Advances to suppliers	4,815	4,059
Advances to suppliers with related parties (Note 30)	552	519
Expenses paid in advance	3,695	4,676
Government tax refunds on exports	9,263	10,603
Receivables with related parties (Note 30)	548	892
Others	12,260	9,681
Receivables current	94,573	136,300

18 Inventories, net

	As of December 31,	
	2010	2009
Raw materials, materials and spare parts	523,832	438,231
Goods in process	998,552	678,977
Finished goods	415,985	213,025
Goods in transit	83,214	78,488
Obsolescence allowance (Note 22)	(68,193)	(58,153)
Inventories, net	1,953,390	1,350,568

19 Trade receivables, net

	As of December 31,	
	2010	2009

Current accounts	669,403	441,952
Trade receivables with related parties (Note 30)	10,959	12,193
Allowance for doubtful accounts (Note 22)	(16,860)	(16,310)
Trade receivables, net	663,502	437,835

20 Cash, cash equivalents and other investments

	As of December 31,	
	2010	2009
(i) Other investments		
Deposits with maturity of more than three months	848,400	46,844
(ii) Cash and cash equivalents		
Cash and banks	98,811	135,917
Restricted cash	12,343	
Deposits with maturity of less than three months	1,668,262	1,959,881
Cash and cash equivalents	1,779,416	2,095,798

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****21 Allowances and Provisions non current**

	Deducted from assets Allowance for doubtful accounts	Liabilities Legal claims and other matters
Year ended December 31, 2010		
Values at the beginning of the year	416	18,913
Translation differences	(18)	(290)
Additions		6,721
Reversals	(44)	(1,178)
Uses		(8,022)
At December 31, 2010	354	16,144
Year ended December 31, 2009		
Values at the beginning of the year	170	24,400
Translation differences	(18)	(1,538)
Additions	264	7,887
Reversals		(3,273)
Uses		(8,563)
At December 31, 2009	416	18,913

22 Allowances current

	Deducted from assets		
	Allowance for doubtful accounts	Obsolescence allowance	Valuation allowance
Year ended December 31, 2010			
Values at the beginning of the year	16,310	58,153	
Translation differences	(460)	1,911	
Acquisition of business	4,168	1,290	
Reversals	(3,885)	(17,719)	
Additions	3,536	29,429	
Uses	(2,809)	(4,871)	
At December 31, 2010	16,860	68,193	
Year ended December 31, 2009			
Values at the beginning of the year	23,350	124,883	160,935

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Translation differences	(561)	(216)	(2,918)
Reversals (1)	(3,860)	(65,465)	
Additions	1,961	57,909	127,553
Uses	(4,580)	(58,958)	(285,570)
At December 31, 2009	16,310	58,153	

- (1) The world financial crisis that took place in part of 2009 and 2008 had a severe negative impact on the volume of international steel trade, thus reducing the rotation of the Company's stock. Accordingly, the Company recorded a provision for slow-moving inventory taking the inventory to net realizable value. As market conditions improved during fiscal year 2009, certain inventory items covered by the obsolescence allowance were subsequently sold and their sales prices exceeded those initially estimated when the obsolescence allowance was recorded, resulting in the reversal of such excess amount at the time the related inventory was sold.

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****23 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:

	Year ended December 31,	
	2010	2009
At beginning of the year	(857,297)	(810,160)
Translation differences	(14,855)	11,574
Deferred income tax expense included within discontinued operations		(22,683)
Effect of changes in tax rate		(11,216)
Acquisition of business	7,832	
Deferred tax credit (charge)	(1,035)	(24,812)
At end of the year	(865,355)	(857,297)

The changes in deferred tax assets and liabilities (prior to offsetting the balances within the same tax jurisdiction) during the year are as follow:

Deferred tax liabilities	Fixed assets	Inventories	Intangible assets	Other	Total at December 31, 2010
	At beginning of year		(687,120)		(55,225)
Translation differences	(14,378)	(3,880)	(5,314)	6,414	(17,158)
Acquisition of business	(17,092)	426	5,188		(11,478)
Deferred tax credit (charge)	36,563	(11,819)	13,693	(45,765)	(7,328)
At end of year	(682,027)	(70,498)	(81,161)	(169,373)	(1,003,059)

Deferred tax assets	Provisions	Trade Receivables	Tax losses (1)	Other	Total at December 31, 2010
		At beginning of year	63,193		7,835
Translation differences	1,104	383	(1,012)	1,828	2,303
Acquisition of business		754	18,556		19,310
Income statement credit (charge)	2,329	(1,001)	4,666	299	6,293
At end of year	66,626	7,971	22,210	40,897	137,704

(1) As of December 31, 2010, the recognized tax losses amount to USD 22,210 and the net unrecognized deferred tax assets amount to USD 22,302. According to the tax law in force in the jurisdictions in which the tax losses are generated, these amounts do not have a certain expiration date.

Deferred tax assets and liabilities are offset when the entity a) has a legally enforceable right to set off the recognized amounts; and b) intends to settle the tax on a net basis or to realize the asset and settle the liability simultaneously.

The amounts shown in the statement of financial position include the following:

	As of December 31,	
	2010	2009
Deferred tax assets to be recovered after more than 12 months	82,980	61,916
Deferred tax liabilities to be settled after more than 12 months	(922,136)	(911,289)
	(839,156)	(849,373)

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TERNIUM S.A.
Notes to the Consolidated Financial Statements (Contd.)

24 Other liabilities

	As of December 31,	
	2010	2009
(i) Other liabilities non-current		
Termination benefits	4,877	4,114
Pension benefits	166,812	151,562
Related parties (Note 30)	507	1,058
Other	29,116	19,892
Other liabilities non-current	201,312	176,626

Pension benefits

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

	Year ended December 31,	
	2010	2009
Present value of unfunded obligations	262,366	201,145
Unrecognized prior service costs	(3,694)	(4,120)
Unrecognized actuarial losses	(72,946)	(45,463)
Fair value of plan assets	(18,914)	
Liability in the statement of financial position	166,812	151,562

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

	Year ended December 31,	
	2010	2009
Current service cost	4,697	4,594
Interest cost	20,000	17,351
Amortization of prior service costs	634	529
Net actuarial losses recognized in the year	2,656	812
Total included in labor costs	27,987	23,286

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

	Year ended December 31,	
	2010	2009
At the beginning of the year	151,562	125,700
Transfers, new participants and funding of the plan	(20,412)	(795)
Total expense	27,987	23,286
Translation differences	8,473	4,711
Contributions paid	(798)	(1,340)

At the end of the year	166,812	151,562
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The principal actuarial assumptions used were as follows:

Mexico	Year ended December 31,	
	2010	2009
Discount rate	8.75%	9.50%
Rate of compensation increase	4.00%	4.00%

Argentina	Year ended December 31,	
	2010	2009
Discount rate	7.00%	7.00%
Rate of compensation increase	2.00%	2.00%

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****24 Other liabilities (continued)**

	As of December 31,	
	2010	2009
(ii) Other liabilities – current		
Payroll and social security payable	88,727	40,656
Termination benefits	6,693	7,663
Related Parties (Note 30)	22,017	4,792
Others	6,173	3,910
Other liabilities – current	123,610	57,021

25 Derivative financial instruments**Net fair values of derivative financial instruments**

The net fair values of derivative financial instruments at December 31, 2010 and 2009 were as follows:

	Year ended December 31,	
	2010	2009
Contracts with positive fair values:		
Foreign exchange contracts	212	1,588
	212	1,588
Contracts with negative fair values:		
Interest rate swap contracts	(54,675)	(78,710)
Foreign exchange contracts	(102)	
	(54,777)	(78,710)

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, 2010, most of the Company's long-term borrowings were at variable rates.

Ternium Mexico entered into derivative instruments to manage the impact of the floating interest rate changes on its financial debt. The notional amount represents 50% of its total exposure.

On February 23, 2007, Ternium Mexico entered into four interest rate collar agreements that fix the interest rate to be paid over an aggregate notional amount of USD 250 million, in an average range of 4.16% to 6.00%. These agreements are due in September 2011 and March 2012.

On June 18, 2008, Ternium Mexico entered into 4 knock-in swap agreements in an average swap level of 5.22% and a knock-in level of 2.5%. As of December 31, 2010, the notional amount outstanding is USD 645 million. These agreements are due in July 2012 and have been accounted for as cash flow hedges. Changes in fair value of derivative instruments designated as cash flow hedges for each of the years presented are included below:

Cash flow hedges

	Gross amount	Income Tax	Total
At December 31, 2008	(82,574)	23,121	(59,453)
(Decrease) / Increase	(19,348)	5,417	(13,931)
Reclassification to income statement	55,229	(14,529)	40,700
At December 31, 2009	(46,693)	14,009	(32,684)
(Decrease) / Increase	(19,334)	5,800	(13,534)
Reclassification to income statement	34,063	(10,219)	23,844
At December 31, 2010	(31,964)	9,590	(22,374)

The gross amount of the pre-tax reserve recorded in other comprehensive income at December 31, 2010 (amounting to a loss of USD 32.0 million) is expected to be reclassified to the income statements as follows: USD 19.4 million in 2011, and USD 12.6 million in 2012.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****25 Derivative financial instruments (continued)**

On August 13, 2010, Ternium Treasury Services entered into an interest rate swap agreement that floats the interest rate to be paid over an aggregate notional amount of USD 10.1 million, to the equivalent of Fed Funds rate plus 38 bps. This agreement expires in April 2012.

b) Foreign exchange contracts

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

During 2010, Siderar and its subsidiary Prosid Investments have entered into several forward agreements to manage the exchange rate exposure generated by Siderar's sales in EUR. The notional amount hedged as of December 31, 2010 was EUR 3.3 million with an average forward price of 1.39 USD per EUR.

Beginning in August 2010, Ternium Treasury Services entered into a cross currency swap agreement over an aggregate notional amount of EUR 5.0 million, at an exchange rate of 1.32 USD per EUR, to manage its exposure to investments in Euros. This agreement is due in November 18, 2011.

Furthermore, during 2010, Ternium International Costa Rica and Ternium Guatemala, subsidiaries of Ternium Mexico, have been hedging their exposure denominated in their local currencies through non-deliverable forward agreements. As of December 31, 2010, the agreements aggregate notional amount were CRC 4.1 billion at an exchange rate of 514 CRC per USD and GTQ 49 million at an exchange rate of 8.12 GTQ per USD.

The net fair values of the exchange rate derivative contracts as of December 31, 2010 and December 31, 2009 were as follows:

Currencies	Contract	Notional amount	Fair Value at December 31,	
			2010	2009
USD/EUR	Forward	3,300 EUR	212	177
USD/EUR	Cross Currency Swap	5,000 EUR	(52)	
	ND Forward	4,113,280	8	
CRC/USD		CRC		
GTQ/USD	ND Forward	48,711 GTQ	(57)	
MXN/USD	Forward			773
ARS/USD	ND Forward			638
			111	1,588

None of the foreign exchange contracts described above were accounted for as cash flow hedges.

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

26 Borrowings

	Year ended December 31,	
	2010	2009
(i) Non-current		
Bank borrowings	1,429,278	1,794,149
Less: debt issue costs	(2,704)	(6,945)
	1,426,574	1,787,204

(ii) Current

Bank borrowings	517,718	543,940
Less: debt issue costs	(4,635)	(4,415)
	513,083	539,525
Total Borrowings	1,939,657	2,326,729

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****26 Borrowings (continued)**

The maturity of borrowings is as follows:

	Expected Maturity Date			At December 31, (1)	
	2011	2012	2013 and thereafter	2010	2009
Fixed Rate	14,206			14,206	15,595
Floating Rate	498,877	1,289,445	137,129	1,925,451	2,311,134
Total	513,083	1,289,445	137,129	1,939,657	2,326,729

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

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

	December 31,	
	2010	2009
Bank borrowings	3.29%	3.04%

The nominal average interest rates shown above were calculated using the rates set for each instrument in its corresponding currency and weighted using the dollar-equivalent outstanding principal amount of said instruments at December 31, 2010 and 2009, respectively.

Breakdown of borrowings by currency is as follows:

Currency	Interest rates	December 31,	
		2010	2009
USD	Floating	1,786,928	2,311,134
USD	Fixed		3,971
ARS	Fixed	312	11,624
BRL	Floating	12,725	
GTQ	Fixed	10,148	
COP	Floating	125,798	
COP	Fixed	3,746	
Total Borrowings		1,939,657	2,326,729

USD: US dollars; ARS: Argentine pesos; BRL: Brazilian reals; MXN: Mexican pesos; COP: Colombian pesos; GTQ: Guatemalan quetzales

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****27 Contingencies, commitments and restrictions on the distribution of profits**

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

*(i) Tax claims**(a) Siderar. AFIP Income tax claim for fiscal years 1995 to 1999*

The *Administración Federal de Ingresos Públicos* (AFIP - the Argentine tax authority) has challenged the charge to income of certain disbursements that Siderar has treated as expenses necessary to maintain industrial installations, which as such should be deducted in the year in which they take place. The AFIP asserts that these are investments or improvements that must be capitalized and, therefore, it made a jeopardy assessment of income tax due on a nominal tax basis plus fines and interest in fiscal years 1995 to 1999 amounting to approximately USD 19.2 million as of December 31, 2010.

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

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

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

Based on the above, the Company recognized a provision amounting to USD 2.1 million as of December 31, 2010 as management considers there could be a potential cash outflow.

(ii) Commitments

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

(a) Siderar entered into a contract with Tenaris, a related company of Ternium, for the supply of steam generated at the power generation facility that Tenaris owns in the compound of the Ramallo facility of Siderar. Under this contract, Tenaris has to provide 250 tn/hour of steam, and Siderar has the obligation to take or pay this volume. The amount of this outsourcing agreement totals USD 107.3 million and is due to terminate in 2018.

(b) Siderar, within the investment plan to increase its production capacity, has entered into several commitments to acquire new production equipment for a total consideration of USD 121.5 million.

(c) Siderar is a party to a long-term contract with Air Liquide Argentina S.A. for the operation and maintenance of a separation facility at San Nicolás for a contracted amount of USD 177.2 million as of December 31, 2010, which is due to terminate in 2025.

Under the terms of the contract, Siderar is required to take or pay certain minimum daily amounts of oxygen, nitrogen and argon, which amounts are consistent with its production requirements in Argentina. As a result of the severe global crisis that began in 2008 and the uncertainties surrounding the evolution of steel demand in the domestic and global markets, the parties engaged in discussions for the renegotiation of the contract. In February 2011, Siderar and Air Liquide Argentina reached agreement on the terms of the renegotiation. As a result of such negotiations, the payment and supply obligations of the parties under the long-term contract were suspended through March 31, 2012, and Siderar agreed to purchase from Air Liquide Argentine certain equipment for an aggregate amount of approximately US\$22.3 million. If Siderar were to resume its expansion plan on or prior to March 31, 2012, Air Liquide would be required to repurchase that equipment at the same price, and the payments and supply obligations under the contract would be reinstated; otherwise, the contract and all rights and obligations thereunder would terminate automatically on March 31, 2012, and Siderar would be required to pay to Air Liquide Argentina an aggregate amount currently estimated at US\$12 million.

(d) Siderar assumed fixed commitments for the purchase of raw materials for a total amount of USD 643.3 million, which include purchases of certain raw materials at prices that are USD 21.6 million higher than market prices at the end of the period. The Company records the actual cost incurred for the purchase of such raw materials and does not

recognize any anticipated losses, as sales prices of finished goods are expected to exceed production cost.

(e) The production process of Ternium Mexico's (former Hylsa's plants) requires a large amount of electricity. On December 20, 2000, Hylsa entered into a 25-year contract with Iberdrola Energia Monterrey, S.A. de C.V. (Iberdrola), a Mexican subsidiary of the Spanish Company Iberdrola Energía, S.A., for the supply to four of Mexico's plants of a contracted electrical demand of 111.2 MW, for a contracted amount of USD 1.1 billion, which is due to terminate in 2027. There are no penalties if consumption is lower in 30 MW per year. This contract effectively started on April 30, 2002, and currently supplies approximately 27% of Ternium Mexico's electricity needs.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****27 Contingencies, commitments and restrictions on the distribution of profits (continued)**

(f) Ternium Mexico is a party to several long-term operating lease agreements for the rental of machinery, materials handling equipment and computers. There are no due amounts for year 2011. Total loss for lease payments recorded in the year ended December 31, 2010 accounts for USD 0.7 million.

(g) Several Ternium Mexico's subsidiaries which have facilities throughout the Mexican territory are parties to a long term energy purchase agreement for approximately 90 MW of electricity as purchased capacity with Tractebel Energía de Monterrey, S. de R.L. de C.V., distributed among each plant defined as a capacity user. Each capacity user is committed to pay Tractebel for the purchased capacity and for the net energy delivered. Ternium Mexico is required to provide its best estimate of its expected nomination for capacity and energy under the specific limits and timelines. The monthly payments are calculated considering the capacity charges, energy charges, back-up power charges, and transmission charges, less any steam credits. The contracted amount is of USD 257 million and the contract will terminate in 2018.

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

In addition, the off-takers were required to make, in the aggregate and according to their respective pro rata shares, significant payments to Corus to finance capital expenditures. In December 2007, all of Grupo Imsa's rights and obligations under this contract were assigned to Ternium Procurement S.A. (formerly known as Alvory S.A.).

On April 7, 2009, Ternium Procurement S.A., together with the other off-takers, declared the early termination of the off-take framework agreement and their respective off-take agreements with Corus pursuant to a provision allowing the off-takers to terminate the agreements upon the occurrence of certain events specified in the off-take framework agreement. Corus initially denied the occurrence of the alleged termination event, stated that it would pursue specific performance and initiated an arbitration proceeding against the off-takers and Ternium Mexico (as guarantor of Ternium Procurement's obligation) seeking damages arising out of the alleged wrongful termination of the off-take agreements, which damages Corus did not quantify but stated would exceed the USD 150 million (approximately USD 29.7 million in the case of Ternium Procurement), the maximum aggregate cap on liability that the off-takers understand would have under the off-take framework agreement (a limitation that Corus disputed). In addition, Corus threatened to submit to arbitration further claims in tort against the off-takers, and also threatened to submit such claims against certain third parties to such agreements, including the Company. The off-takers and Ternium Mexico, in turn, denied Corus' claims and brought counterclaims against Corus which, in the aggregate, would also be greater than USD 150 million.

On May 12, 2009, Corus, by a letter from its lawyers, alleged that the off-takers' termination notice amounted to a repudiatory breach of the agreements and stated that it accepted that the agreements had come to an end and that it would no longer pursue a claim for specific performance in the arbitration; the claim for damages, for all losses caused by the alleged off-takers' wrongful repudiation of the agreements, however, would be maintained. On July 9, 2009, Corus submitted an amended request for arbitration adding tortious claims against the off-takers and adding to its claims the payment of punitive or exemplary damages.

On December 21, 2010, the arbitration tribunal issued a partial final award where it held that the off-takers had invalidly terminated the off-take agreements. The tribunal also held that the maximum aggregate USD 150 million liability cap (out of which approximately USD 29.7 million corresponds to Ternium Procurement) provided in the off-take framework agreement applied to all of Corus' claims against the off-takers, including tort as well as contract claims. At the date hereof, all other issues in this arbitration proceeding, including damages and costs awards and off-takers' counterclaims, are pending determination. As of the date hereof, Ternium believes that Ternium Procurement's liability in connection with this matter (which in no event may exceed the amount of the cap) cannot be

reasonably estimated.

At the time of obtaining control over Grupo Imsa in 2007, the Company valued the intangible asset related to this contract at USD 29.7 million. As of March 31, 2009, the Company recorded an impairment of the remaining value of this intangible asset for a total amount of USD 27.0 million, as the value of such intangible asset was not representative of market conditions at that time.

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****27 Contingencies, commitments and restrictions on the distribution of profits (continued)***(iii) Restrictions on the distribution of profits*

Under Luxembourg law, at least 5% of net income per year calculated in accordance with Luxembourg law and regulations must be allocated to a reserve until such reserve has reached an amount equal to 10% of the share capital. At December 31, 2010, this reserve reached the above-mentioned threshold.

As of December 31, 2010, Ternium may pay dividends up to USD 6.3 billion in accordance with Luxembourg law and regulations.

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

	At December 31, 2010
Share capital	2,004,743
Legal reserve	200,474
Distributable reserves	101,437
Non distributable reserves	1,414,122
Accumulated profit at January 1, 2010 (1)	1,535,379
Profit for the year	4,666,555
Total shareholders equity under Luxembourg GAAP	9,922,710

(1) As a result of the repurchase of its own shares from Usiminas on February 15, 2011 (see note 36 - Subsequent events), the Company is required under applicable Luxembourg law to create a new non-distributable reserve in the amount of USD 150 million.

28 Earnings per share

As of December 31, 2010, the capital was USD 2,004,743,442 represented by 2,004,743,442 shares, each having a nominal value of USD 1.00 each.

For fiscal years 2010, 2009 and 2008, the weighted average of shares outstanding totaled 2,004,743,442 shares.

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

	2010	2009	2008
Profit from continuing operations attributable to equity holders of the Company	622,076	305,830	544,987
Profit from discontinued operations attributable to equity holders of the Company		411,570	170,431
Weighted average number of ordinary shares in issue	2,004,743,442	2,004,743,442	2,004,743,442
Basic and diluted earnings per share from continuing operations attributable to equity holders of the Company (USD per share)	0.31	0.15	0.27
Basic and diluted earnings per share from discontinued operations attributable to equity holders of the Company (USD per share)		0.21	0.09

29 Discontinued operations

(i) Sale of non strategic U.S. assets

On February 1, 2008, Ternium, through its subsidiary Imsa Acero S.A. de C.V., completed the sale of its interests in Steelscape Inc., ASC Profiles Inc., Varco Pruden Buildings Inc. and Metl-Span LLC to BlueScope Steel North America Corporation, a subsidiary of BlueScope Steel Limited, for a total consideration of USD 722.7 million on a cash-free and debt-free basis, net of working capital and other adjustments. Direct transaction costs paid by the Company in connection with this sale totaled USD 4.1 million. The Company continues to own Steelscape's Shreveport, LA plant. Ternium has also retained its pre-engineered metal buildings and insulated steel panels businesses in Mexico. The result of this transaction was a gain of USD 97.5 million, calculated as the net proceeds of the sale less the book value of discontinued net assets and the corresponding tax effect.

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****29 Discontinued operations (continued)****(ii) Nationalization of Sidor**

On March 31, 2008, Ternium S.A. (the Company) controlled approximately 59.7% of Sidor, while Corporación Venezolana de Guayana, or CVG (a Venezuelan governmental entity), and Banco de Desarrollo Económico y Social de Venezuela, or BANDES (a bank owned by the Venezuelan government), held approximately 20.4% of Sidor and certain Sidor employees and former employees held the remaining 19.9% interest.

Further to several threats of nationalization and various adverse interferences with management in preceding years, on April 8, 2008, the Venezuelan government announced its intention to take control over Sidor. On April 29, 2008, the National Assembly of Venezuela passed a resolution declaring that the shares of Sidor, together with all of its assets, were of public and social interest, and authorizing the Venezuelan government to take any action it deemed appropriate in connection with any such assets, including expropriation. Subsequently, Decree Law 6058 of the President of Venezuela dated April 30, 2008, ordered that Sidor and its subsidiaries and associated companies be transformed into state-owned enterprises (empresas del Estado), with the government owning not less than 60% of their share capital. On July 12, 2008, Venezuela, acting through CVG, assumed operational control and complete responsibility for Sidor's operations, and Sidor's board of directors ceased to function. However, negotiations between the Venezuelan government and the Company regarding the terms of the compensation continued over several months, and the Company retained formal title over the Sidor shares during that period.

On May 7, 2009, the Company completed the transfer of its entire 59.7% interest in Sidor to CVG. The Company agreed to receive an aggregate amount of USD 1.97 billion as compensation for its Sidor shares. Of that amount, CVG paid USD 400 million in cash at closing. The balance was divided in two tranches: the first tranche of USD 945 million was scheduled to be paid in six equal quarterly installments beginning in August 2009 until November 2010, while the second tranche would be due in November 2010, subject to quarterly mandatory prepayment events based on the increase of the WTI crude oil price over its May 6, 2009 level. Under the agreements with CVG and Venezuela, in the event of non-compliance by CVG with its payment obligations, the Company reserved the rights and remedies that it had prior to the transfer of the Sidor shares in relation to any claim against Venezuela, subject to certain limitations, including that the Company may not claim an amount exceeding the outstanding balance due from CVG.

CVG made all payments required to be made under the agreements governing the transfer of Sidor to Venezuela except for the final payment due on November 8, 2010. On December 18, 2010, Ternium reached an agreement with CVG, on the rescheduling of the unpaid balance, which amounted to USD 257.4 million. As provided in the refinancing agreement, CVG paid USD 7.0 million to Ternium in January 2011, and CVG is required to pay the remainder in five quarterly installments, beginning on February 15, 2011 and ending on February 15, 2012. The first installment of USD 31.2 million was paid on February 16, 2011. As security for the payment of the outstanding balance, Ternium received, duly endorsed in its favor, promissory notes issued by Energía Argentina S.A. (Enarsa) and Compañía Administradora del Mercado Mayorista Eléctrico S.A. (Cammesa) (both companies owned by the Argentine government) to PDVSA Petróleo S.A. (a company owned by the Venezuelan government). In addition, Ternium continues to reserve all of its rights under contracts, investment treaties and Venezuelan and international law in the event of non-payment of the amounts still owing to it.

The payments so rescheduled bear interest at 6.28% annual rate and, accordingly, the carrying amount of the receivable does not differ significantly from the net present value, at market rates, of the expected cash flows there under.

At December 31, 2010, the carrying amount of the Sidor financial asset (following the receipt of USD 1,721.0 million cash payments up to December 31, 2010) amounted to USD 258.0 million (of which USD 183.4 million were current and USD 74.5 million were non-current).

At December 31, 2009, the carrying amount of the Sidor financial asset (following the receipt of USD 953.6 million cash payments up to December 31, 2009) amounted to USD 964.4 million after application of a 14.36% annual discount rate to adequately reflect, and only for the purpose of recording, the present accounting value of the

receivable with CVG. The Company estimated, at May 7, 2009, the 14.36% annual discount rate on the basis of the yield (13.3%) of Venezuelan sovereign debt with maturities similar to that of the receivable held by Ternium against CVG. However, as the Venezuelan sovereign debt with similar maturities was governed by New York law while the receivable with CVG was governed by Venezuelan law, the discount rate was further adjusted to adequately reflect the specific risk of Ternium's receivable.

At December 31, 2009, the Company recorded a net gain, for accounting purposes, of USD 428.0 million in connection with this transaction which was disclosed within *Income from discontinued operations* in the Income Statement. This result represents the difference between (i) the fair value, for accounting purposes, net of taxes and other transaction costs, of the compensation for the Sidor financial asset (which comprised a USD 400 million cash payment and a receivable against CVG that, at May 7, 2009, had a fair value of USD 1,382.0 million after application of the discount rate stated above, net of taxes and other transaction costs of USD 35.1 million) and (ii) the carrying amount of the Sidor financial asset at March 31, 2009.

In the years ended December 31, 2010 and 2009, the Company recorded gains in the amount of USD 61.0 million and USD 136.0 million, respectively, included in *Interest income - Sidor financial asset* in the Income Statement, representing the accretion income over the receivable held against CVG.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****29 Discontinued operations (continued)****(iii) Analysis of the result of discontinued operations:**

	Year ended December 31,		
	2010	2009	2008⁽¹⁾
Net sales			467,618
Cost of sales			(306,744)
Gross profit			160,874
Selling, general and administrative expenses			(90,362)
Other operating income (expenses), net			1,080
Operating income			71,592
Financial expenses, net			(15,330)
Loss from Participation Account Sidor			(96,525)
Income from Participation Account			210,205
Equity in (losses) earnings of associated companies			(150)
Income before income tax			169,792
Income tax benefit			41,326
Subtotal			211,118
Gain from the sale of non strategic U.S. assets see Note 29 (i)			97,481
Reversal of currency translation adjustment Sidor			(151,504)
Gain from the disposal of Sidor (net of income tax)		428,023	
Income from discontinued operations		428,023	157,095

⁽¹⁾ Includes the results of Sidor for the period January 1, 2008 up to March 31, 2008.

(iv) Analysis of cash flows from discontinued operations:

	Year ended December 31,		
	2010	2009	2008⁽¹⁾
Cash flows from discontinued operating activities			
Net income of from discontinued operations		428,023	157,095
Adjustments for:			
Depreciation and amortization			50,820
Income tax accruals less payments			(41,613)
Gain from the sale of non strategic U.S. assets			(97,481)

Reversal of currency translation adjustment	Sidor		151,504
Gain from the disposal of Sidor		(428,023)	
Changes in working capital and others			107,184
Cash flows from discontinued operating activities			327,509
Net cash used in discontinued investing activities			(54,923)
Net cash used in discontinued financing activities			(30,216)
Net cash flows from discontinued operations			242,370

(1) Includes cash flow movements from Sidor for the period January 1, 2008 up to March 31, 2008.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****30 Related party transactions**

At December 31, 2010, Techint Holdings S.à.r.l. (formerly known as III Industrial Investments Inc.), a Cayman Islands company (Techint) owned 60.64% of the Company's share capital and Tenaris held 11.46%, of the Company's share capital. As of December 31, 2010, each of Techint and Tenaris were controlled by San Faustin N.V., a Netherland Antilles company (San Faustin); Rocca & Partners S.A. (R&P) controlled a significant portion of the voting power of San Faustin and had the ability to influence matters affecting, or submitted to a vote of the shareholders of San Faustin, such as the election of directors, the approval of certain corporate transactions and other matters concerning its policies; and there were no controlling shareholders for R&P.

Prior to the date of issuance of these financial statements, the Company was informed by Techint that there had been a reorganization in the chain of ownership of the Company pursuant to which the Company's direct and indirect controlling shareholders had been redomiciled to Europe. The Company was further informed that this reorganization does not involve any change in the control of the Company. Based on the information received:

Techint transferred its domicile from the Cayman Islands to Luxembourg;

San Faustin also transferred its domicile from Curacao to Luxembourg and changed its name to San Faustin S.A. and

In connection with the redomiciliation of San Faustin into Luxembourg, R&P organized a Dutch private foundation (Stichting) under the name of Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin (RP STAK). As of the date hereof, RP STAK holds shares in San Faustin sufficient in number to control San Faustin. No person or group of persons controls RP STAK.

For commitments with Related Parties see Note 27.

The following transactions were carried out with related parties:

	Year ended December 31,		
	2010	2009	2008
(i) Transactions			
(a) Sales of goods and services			
Sales of goods to other related parties	172,337	40,915	109,036
Sales of services to associated parties	65	76	43
Sales of services to other related parties	1,763	562	1,101
	174,615	41,553	110,180
(b) Purchases of goods and services			
Purchases of goods from other related parties	49,735	34,834	61,127
Purchases of services from associated parties	38,939	31,403	32,796
Purchases of services from other related parties	114,377	91,404	172,708
	203,051	157,641	266,631
(c) Financial results			
Income with associated parties	78	581	906
Income with other related parties		118	
Expenses with other related parties		(29)	
	78	670	906

(d) DividendsDividends received from associated parties **302**

	At December 31,	
	2010	2009
(ii) Year-end balances		
a) Arising from sales/purchases of goods/services and other transactions		
Receivables from associated parties	368	329
Receivables from other related parties	11,424	13,128
Advances to suppliers with other related parties	2,101	15,687
Payables to associated parties	(1,953)	(1,775)
Payables to other related parties	(42,048)	(16,541)
	(30,108)	10,828
(b) Other investments		
Time deposit	18,086	16,161
	18,086	16,161

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****30 Related party transactions (continued)****(iii) Officers and Directors compensation**

During the year ended December 31, 2010 the cash compensation of Officers and Directors amounted to USD 11,144. In addition, Officers received 763 thousand Units for a total amount of USD 2,238 in connection with the incentive retention program mentioned in note 4 (n) (3).

31 Joint Venture in Mexico

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

Tenigal plans to build a hot-dip galvanizing plant in the vicinity of Monterrey City (equivalent to the state-of-the-art equipment now in operation at Nippon Steel's steelworks in Japan) with a production capacity of 400,000 metric tons per year. Ternium expects that construction of the facility would require a total investment of approximately USD 350 million. The plant is currently expected to commence production of high-grade and high-quality galvanized and galvanized automotive steel sheets, including outer-panel and high-strength qualities, in 2013. Tenigal is expected to serve the requirements of the growing automotive industry in Mexico, including those of the Japanese car makers.

In addition, Ternium Mexico plans to construct new pickling, cold-rolling, annealing and tempering lines at the same site. Part of the output from these lines will be used to supply the Tenigal plant. Ternium expects that construction of these lines would require a total investments of approximately USD 700 million.

32 Other required disclosures**(a) Statement of comprehensive income**

	Gross amount	Cash flow hedges		Currency translation adjustment
		Income Tax	Total	
At December 31, 2008	(82,574)	23,121	(59,453)	(621,450)
Increase / (Decrease)	(19,348)	5,417	(13,931)	(93,922)
Reclassification to income statement	55,229	(14,529)	40,700	
At December 31, 2009	(46,693)	14,009	(32,684)	(715,372)
Increase / (Decrease)	(19,334)	5,800	(13,534)	35,915
Reclassification to income statement	34,063	(10,219)	23,844	
At December 31, 2010	(31,964)	9,590	(22,374)	(679,457)

(b) Statement of cash flows

	At December 31,		
	2010	2009	2008
(i) Changes in working capital (1)			
Inventories	(497,430)	429,122	(821,713)
Receivables and others	30,052	115,252	(35,031)
Trade receivables	(179,308)	193,677	(22,535)
Other liabilities	63,062	(67,778)	20,412
Trade payables	135,651	(35,094)	(212,605)
	(447,973)	635,179	(1,071,472)

(ii) Income tax accrual less payments

Tax accrued (Note 11)	406,657	91,314	162,704
Taxes paid	(179,837)	(140,656)	(251,215)
	226,820	(49,342)	(88,511)

(iii) Interest accruals less payments

Interest accrued	70,771	105,655	138,979
Interest paid	(70,830)	(94,949)	(223,130)
	(59)	10,706	(84,151)

(1) Changes in working capital are shown net of the effect of exchange rate changes.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****33 Recently issued accounting pronouncements****(i) Improvements to International Financial Reporting Standards**

In May 2010, the IASB issued *Improvements to International Financial Reporting Standards* by which it amended several international accounting and financial reporting standards.

The effective date of each amendment is included in the IFRS affected.

The Company's management estimates that the application of these improvements will not have a material effect on the Company's financial condition or results of operations.

(ii) Amendments to IFRS 7, Financial Instruments: Disclosures

In October 2010, the IASB amended International Financial Reporting Standard 7 *Financial Instruments- Disclosures*.

The amendment requires disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets that are not derecognised and the effect of those risks on an entity's financial position.

Entities shall apply these amendments for annual periods beginning on or after 1 July 2011. Earlier application is permitted.

The Company's management estimates that the application of this amendment will not have a material effect on the Company's financial condition or results of operations.

34 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. In addition, the Company entered into several borrowings that contain covenants providing for the compliance with certain financial ratios, including ratios measured in currencies other than the U.S. dollar. This situation exposes Ternium to a risk of non-compliance derived from volatility in foreign exchange rates. Ternium's subsidiaries may use derivative contracts in order to hedge their exposure to exchange rate risk derived from their trade and financial operations.

Ternium general policy is to minimize the negative impact of fluctuations in the value of other currencies with respect to the U.S. dollar. Ternium's subsidiaries monitor their net operating cash flows in currencies other than the U.S. dollar, and analyze potential hedging according to market conditions. These hedging can be carried out by netting operational positions or by financial derivatives. However, regulatory or legal restrictions in the countries in which Ternium's subsidiaries operate, could limit the possibility of the Company carrying out its hedging policy.

Ternium has foreign operations, whose net assets are exposed to foreign currency translation risk, some of which may impact net income. The fact that some subsidiaries have measurement currencies other than the U.S. dollar may, at times, distort the results of the hedging efforts as reported under IFRS.

The following table shows a breakdown of Ternium's assessed financial position exposure to currency risk as of December 31, 2010. These balances include intercompany positions where the intervening parties have different functional currencies.

USD million Exposure to	Functional Currency			
	USD	MXN	ARS	COP
US dollar (USD)	(n/a)	(1,922.2)	200.1	(48.1)
EU euro (EUR)	(13.9)	(3.8)	8.8	

Other currencies

0.4

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****34 Financial risk management (continued)**

We estimate that if the Argentine peso, Mexican peso and Colombian peso had weakened by 1% against the US dollar with all other variables held constant, total pre-tax income for the year would have been USD 17.2 million lower (USD 19.6 million lower as of December 31, 2009), as a result of foreign exchange gains/losses on translation of US dollar-denominated financial position, mainly trade receivables, borrowings and trade payables. This effect would have been offset by the change in the currency translation adjustment recorded in equity.

Considering the same variation of the currencies against the US dollar of all net investments in foreign operations amounting to USD 3.9 billion, the currency translation adjustment included in total equity would have been USD 38.8 million lower (USD 32.5 million lower as of December 31, 2009), arising from the adjustment on translation of the equity related to the Mexican peso, the Argentine peso and the Colombian peso.

(ii) Interest rate risk

Ternium manages its exposure to interest rate volatility through its financing alternatives and hedging instruments. Borrowings issued at variable rates expose the Company to the risk of increased interest expense in the event of a raise in market interest rates, while borrowings issued at fixed rates expose the Company to a variation in its fair value. The Company's interest-rate risk mainly arises from long-term borrowings that bear variable-rate interest that is partially fixed through different derivative transactions, such as swaps and structures with options. The Company's general policy is to maintain a balance between instruments exposed to fixed and variable rates; which can be modified according to long term market conditions.

Ternium's nominal weighted average interest rate for its debt instruments which also includes the effect of derivative financial instruments- was 3.29% and 3.04% for 2010 and 2009, respectively. These rates were calculated using the rates set for each instrument in its corresponding currency and weighted using the dollar-equivalent outstanding principal amount of each instrument as of December 31, 2010 and 2009, respectively.

Ternium's total variable interest rate debt amounted to USD 1,925 million (99.3% of total borrowings) at December 31, 2010 and USD 2,311 million (99.4% of total borrowings) at December 31, 2009.

If interest rates on the aggregate average notional of US dollar denominated borrowings held during 2010, excluding borrowings with derivatives contracts mentioned in Note 25(a), had been 100 basis points higher with all other variables held constant, total pre-tax income for the year ended December 31, 2010 would have been USD 10.3 million lower (USD 7.6 million lower as of December 31, 2009).

(iii) Commodity price risk

In the ordinary course of its operations, Ternium purchases raw materials (such as iron ore, coal and slabs) and other commodities (including electricity and gas). Commodity prices are generally volatile as a result of several factors, including those affecting supply and demand, political, social and economic conditions, and other circumstances. Ternium monitors its exposure to commodity price volatility on a regular basis and applies customary commodity price risk management strategies. For further information on long-term commitments, see note 27(ii).

1.2) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Ternium's subsidiaries have credit guidelines in place to ensure that derivative and treasury counterparties are limited to high credit quality financial institutions.

Ternium has no significant concentrations of credit risk from customers. No single customer accounts for more than five percent of Ternium's sales. Ternium's subsidiaries have policies in place to ensure that sales are made to customers with an appropriate credit history, and that credit insurances, letters of credit or other instruments are requested to reduce credit risk whenever deemed necessary. The subsidiaries maintain allowances for potential credit losses. The utilization of credit limits is regularly monitored.

Trade and other receivables are carried at face value less allowance for doubtful accounts, if applicable. This amount does not differ significantly from fair value. The other receivables do not contain significant impaired assets.

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As of December 31, 2010, trade receivables total USD 663.5 million. These trade receivables are collateralized by guarantees under letter of credit and other bank guarantees of USD 15.3 million, credit insurance of USD 375.5 million and other guarantees of USD 18.9 million.

As of December 31, 2010, trade receivables of USD 594.6 million were fully performing.

As of December 31, 2010, trade receivables of USD 55.7 million were past due. These trade receivables as of December 31, 2010, are past due less than 3 months.

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****34 Financial risk management (continued)**

The amount of the allowance for doubtful accounts was USD 17.2 million as of December 31, 2010.

The carrying amounts of the Company's trade and other receivables as of December 31, 2010, are denominated in the following currencies:

Currency	USD million
US dollar (USD)	387.9
EU euro (EUR)	14.1
Argentine peso (ARS)	34.2
Mexican peso (MXN)	307.1
Colombian peso (COP)	71.0
Other currencies	0.2
	814.5

1.3) Liquidity risk

Management maintains sufficient cash and marketable securities and credit facilities to finance normal operations.

Management monitors rolling forecasts of the group's liquidity reserve on the basis of expected cash flow.

The Company has not negotiated additional credit facilities.

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.

USD million	2011	2012	2013	2014	Thereafter
Borrowings	513.0	1,289.4	12.7	24.9	99.5
Interests to be accrued (1)	26.6	17.6	9.5	7.5	9.5
Trade payables and other liabilities	569.9	0.5			
Derivatives financial instruments	35.9	19.0			
Total	1,145.4	1,326.5	22.2	32.4	109.0

(1) These amounts do not include the effect of derivative financial instruments.

As of December 31, 2010 total cash and cash equivalents and other current investments less borrowings amounted to USD 688.2 million.

1.4) Capital risk

Ternium seeks to maintain an adequate debt/equity ratio considering the industry and the markets where it operates. The year-end ratio debt over debt plus equity is 0.22 and 0.27 as of December 31, 2010 and 2009, respectively. The Company does not have to comply with regulatory capital adequacy requirements as known in the financial services industry.

2) Financial instruments by category and fair value hierarchy level

The accounting policies for financial instruments have been applied to the line items below. According to the scope and definitions set out in IFRS 7 and IAS 32, employers' rights and obligations under employee benefit plans, and non financial assets and liabilities such as advanced payments and income tax payables, are not included.

At December 31, 2010 (in USD thousands)	Loans and receivables	Assets at fair value through profit and loss	Total
(i) Assets as per statement of financial position			
Receivables	38,693		38,693
Derivative financial instruments		212	212
Trade receivables	663,502		663,502
Other investments	23,864	859,849	883,713
Cash and cash equivalents	113,342	1,666,073	1,779,416
Total	839,401	2,526,134	3,365,536

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Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****34 Financial risk management (continued)**

At December 31, 2010 (in USD thousands)	Derivatives	Other financial liabilities	Total
(ii) Liabilities as per statement of financial position			
Other liabilities		28,682	28,682
Trade payables		541,709	541,709
Derivative financial instruments	54,777		54,777
Borrowings		1,939,657	1,939,657
Total	54,777	2,510,048	2,564,825

Trade payables, borrowings and other liabilities are carried at amortized cost. These amounts do not differ significantly from fair value.

Fair Value by Hierarchy

Following the requirements contained in paragraph 27B of IFRS 7, Ternium categorizes each class of financial instrument measured at fair value in the statement of financial position into three levels, depending on the significance of the judgment associated with the inputs used in making the fair value measurements. Level 1 comprises financial assets and financial liabilities whose fair values have been determined on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 includes financial assets and financial liabilities for which fair values have been estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 comprises financial instruments for which inputs to estimate fair value of the assets or liabilities are not based on observable market data (unobservable inputs).

Description	Fair value measurement at December 31, 2010 (in USD thousand):			
	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Cash and cash equivalents	1,666,073	1,531,082	134,991	
Other investments	859,849	811,824	48,025	
Derivatives financial instruments	212		212	
Total assets	2,526,134	2,342,906	183,228	
Financial liabilities at fair value through profit or loss				
Derivatives financial instruments	54,777		54,777	
Total liabilities	54,777		54,777	

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

3) Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized in the statement of financial position at cost and subsequently measured at fair value. Changes in fair value are disclosed under Other financial income (expenses), net line item in the income statement. Ternium does not hedge its net investments in foreign entities.

Ternium designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. These transactions are classified as cash flow hedges (mainly interest rate swaps, collars and commodities contracts). The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized within other comprehensive income. Amounts accumulated in other comprehensive income are recognized in the income statement in the same period than any offsetting losses and gains on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of Ternium derivative financial instruments (asset or liability) continues to be reflected on the statement of financial position.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****34 Financial risk management (continued)**

For transactions designated and qualifying for hedge accounting, Ternium documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. At December 31, 2010, the effective portion of designated cash flow hedges amounts to USD 22.4 million (net of taxes for USD 9.6 million) and is included as Cash flow hedges line item in the statement of comprehensive income.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 25. 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, including the trust fund, the Company uses quoted market prices.

As most borrowings include variable rates or fixed rates that approximate market rates and the contractual re-pricing occurs every 3 to 6 months, the fair value of the borrowings approximates its carrying amount and is not disclosed separately.

In assessing the fair value of derivatives and other financial instruments, Ternium uses a variety of methods, including, but not limited to, estimated discounted value of future cash flows using assumptions based on market conditions existing at each year end.

35 Auditor s fees

Total fees accrued for professional services rendered by PricewaterhouseCoopers to Ternium S.A. and its subsidiaries during the year ended December 31, 2010 amounted to USD 3,144, including USD 2,457 for audit services, USD 449 for audit-related services, USD 232 for tax services and USD 6 for all other services.

36 Subsequent events Repurchase of Shares from Usiminas concurrently with secondary public offering

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

On February 9, 2011, Ternium and Techint, following the pricing of the underwritten public offering mentioned above, entered into purchase agreements with Usiminas relating to their concurrent purchase transactions of Ternium shares. Under these agreements, on February 15, 2011, Ternium and Techint purchased from Usiminas 41,666,666 and 27,777,780 Ternium shares for a total consideration of USD 150 million and USD 100 million, respectively. In connection with its repurchase of shares from Usiminas, Ternium collected a USD 10.2 million fee and was reimbursed of all expenses relating to the offering and concurrent purchase.

Following consummation of these transactions, Techint owns directly 62.02% of the Company s share capital and Tenaris holds 11.46% of the Company s share capital and Usiminas will no longer own any Ternium shares. Also, upon completion of the transaction, the two members of Ternium s board of directors nominated by Usiminas resigned from the Ternium board.

37 Update as of June 30, 2011¹

(a) Debt refinancing in Ternium Mexico

On April 6, 2011, Ternium Mexico, Crédit Agricole Corporate and Investment Bank, acting as Administrative Agent, and certain banks parties to a loan agreement dated as of July 12, 2007, partially refinanced a syndicated loan facility that had been incurred to finance Ternium's 2007 acquisition of Grupo Imsa. The outstanding balance of the facility so refinanced amounted to USD1.0 billion. As part of the refinancing, the final maturity date of bank loans in a principal amount of USD0.8 billion was extended to July 23, 2014 (with the extended loans being payable in four consecutive and equal semi-annual installments commencing on January 26, 2013), and the applicable margin structure for the extended loans was amended. On July 26, 2012, Ternium Mexico will repay the remaining USD0.2 billion principal amount of the loans that were not so refinanced.

¹ This note was added subsequent to the approval of these financial statements at the Annual General Meeting of shareholders of the Company held on June 1, 2011.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)****(b) Recent developments involving Siderar**

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

On April 15, 2011, Siderar's annual general shareholders' meeting resolved, among other things, to approve a dividend payment of ARS1.5 billion (USD370 million) to be made available to shareholders (including Ternium) beginning on May 6, 2011. At that meeting, Ternium objected to the exercise by ANSeS of voting rights in excess of the 5% cap; however, ANSeS was allowed to record its vote as though the 5% restriction did not apply. Although the ANSeS representative voted against the dividend payment and most of other resolutions proposed by Siderar's board of directors, ANSeS did not prevail in any vote, even computing its votes without giving effect to the voting cap. Following the dividend approval, the annual shareholders' meeting was suspended until May 11, 2011.

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

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

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

On May 27, 2011, a federal prosecutor requested a federal criminal court in the City of Buenos Aires to investigate whether the members of Siderar's board of directors should be subject to criminal penalties as a result of Siderar's failure to provide additional information on the allocation of Siderar's ARS6.5 billion (or USD1.5 billion) special reserve for future dividends or to distribute a higher amount of dividends out of the special reserve. The special reserve, which increased significantly since 2003, had not previously been objected to or challenged by Siderar's shareholders or any regulatory authority. Ternium believes that the prosecutor's allegations are unsupported.

In addition, on June 2, 2011, the CNV instituted administrative proceedings against the members of Siderar's board of directors and supervisory committee. These proceedings are intended to determine if these persons breached their legal duties by preventing ANSeS from exercising its voting rights in excess of the 5% cap at the April 15, 2011 shareholders' meeting. These proceedings are currently ongoing.

(c) Settlement of arbitration proceedings

The disclosure below updates Note 27 (h).

On April 15, 2011, the arbitration tribunal issued a second partial final award where it held that the off-takers should pay to the claimant GBP 1.6 million for its reasonable legal and other costs incurred before the first partial final award. The off-takers paid that amount around mid May. In addition, on May 27, 2011, the off-takers paid to Tata an aggregate amount of USD16.3 million (of which Ternium Procurement paid USD 3.2 million) as indemnification for one of its claims under the arbitration proceedings.

Table of Contents**TERNIUM S.A.****Notes to the Consolidated Financial Statements (Contd.)**

On June 16, 2011, Tata, the off-takers and Ternium Mexico settled the dispute, and the off-takers, in exchange for a full release and discharge of each of them and their respective representatives and affiliates, from all claims and disputes that Tata may have against any of them in relation to the off-take framework agreement and its related agreements, agreed to pay to Tata an aggregate amount of USD124 million (including the USD16.3 million previously paid) and authorized their agent under the off-take agreements to transfer to Tata UK£1.8 million and 0.5 million which had been received by the agent from the off-takers under the off-take framework agreement before the early termination of such agreement. Ternium Procurement paid to Tata its share of the settlement amount (i.e., USD21.3 million) on June 17, 2011. On June 21, 2011, Tata notified the arbitration tribunal that the arbitration proceedings were withdrawn.

(d) Annual General Meeting and Extraordinary General Meeting of Shareholders

On June 1, 2011, the annual general meeting of shareholders of the Company approved all resolutions on its agenda. Among other resolutions adopted at the meeting, the shareholders approved the consolidated financial statements and annual accounts for the year ended December 31, 2010, as well as the payment of an annual dividend of USD0.075 per share (USD0.75 per ADS), or an aggregate amount of approximately USD150.4 million. The Company paid such dividend on June 9, 2011.

The shareholders' meeting also re-elected Ubaldo Aguirre, Roberto Bonatti, Carlos Condorelli, Pedro Pablo Kuczynski, Adrian Lajous, Bruno Marchettini, Gianfelice Mario Rocca, Paolo Rocca and Daniel Agustín Novetil as members of the board of directors to serve until the next annual shareholders' meeting that will be convened to decide on the 2011 accounts, and appointed PricewaterhouseCoopers S.à.r.l., *Réviseur d'entreprises agréé*, as our independent auditors for the year ending December 31, 2011.

The board of directors subsequently re-appointed Paolo Rocca as its chairman and Daniel Novetil as Ternium's chief executive officer, and confirmed Ubaldo Aguirre, Pedro Pablo Kuczynski and Adrián Lajous as members of the board's audit committee, with Mr. Aguirre to continue chairing that committee. All three members of the audit committee qualify as independent directors under our articles of association.

On June 1, 2011, the extraordinary general meeting of shareholders also approved, among other amendments to the articles of association, amendment to Article 15 of the articles of association regarding the date of the annual general meetings of shareholders so that in the future they are held on the first Wednesday of May of each year. Additionally, such meeting also approved the amendment of Article 2 of the articles of association in order to adapt it to the abolishment of Luxembourg law of July 31, 1929.

Pablo Brizzio

Pablo Brizzio

Chief Financial Officer