

Ternium S.A.
Form 20-F
June 30, 2009

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

FORM 20-F

(Mark One)

- o Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934
or**
- þ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal
year ended December 31, 2008
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)

46a, Avenue John F. Kennedy 1st floor

L-1855 Luxembourg

(Address of registrant's registered office)

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L-1855 Luxembourg

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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 joint stock corporation (*société anonyme holding*);

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

References to Amazonia are to Consorcio Siderurgia Amazonia, S.L. Unipersonal, a Spanish holding company and a subsidiary of the Company that, prior to the nationalization of Sidor, held a 59.73% interest in Sidor;

References to Sidor are to Sidor, C.A., a Venezuelan corporation and formerly a subsidiary of the Company. See note 29 to our audited consolidated financial statements included elsewhere in this annual report and Item 4.

Information on the Company A. History and Development of the Company Sidor Nationalization Process ;

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

References to Ylopa are to Ylopa Serviços de Consultadoria Lda., a company organized under the laws of Portugal and registered in the Madeira Free Zone;

References to Usiminas are to Usinas Siderurgicas de Minas Gerais S/A USIMINAS, a company organized under the laws of Brazil and an indirect shareholder of the Company;

References to Tenaris are to Tenaris S.A., a Luxembourg joint stock corporation (*société anonyme holding*) and a shareholder of the Company;

References to San Faustín are to San Faustín N.V., a Netherlands Antilles corporation and the Company's indirect controlling shareholder;

References to the Ternium network or Ternium Internacional are to an international group of companies 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, or IFRS, as issued by the International Accounting Standards Board, or IASB. 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 or USD each refers to the United States of America dollar;

Argentine pesos or ARP each refers to the Argentine peso;

Venezuelan bolívares fuertes or VEF each refers to the Venezuelan bolívar fuerte; and

Mexican pesos or MXN each refers to the Mexican peso;

On December 31, 2008, the exchange rate between the Argentine peso and the U.S. dollar (as published by *Banco Central de la República Argentina*, or the Argentine Central Bank), was ARP3.4537=USD1.00; the noon buying rate for the Venezuelan bolívar fuerte as certified for customs purposes by the Federal Reserve Bank of New York was VEB2.1446=USD 1.00; and the noon buying rate for the Mexican peso as published by the Federal Reserve Bank of New York was MXN13.8320=USD1.00. Those rates may differ from the actual rates used in preparation of the Company's consolidated financial statements. We do not represent that any of these currencies could have been or could be converted into U.S. dollars or that U.S. dollars could have been or could be converted into any of these currencies.

Rounding; Comparability of Data

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

Our Internet Site is Not Part of this Annual Report

We maintain an Internet 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 likely result, will continue, 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, which could cause actual results to differ materially from those described in the forward-looking statements, include the risks related to our business discussed under Item 3. Key Information D. Risk Factors, among them, the following:

the impact of the global economic crisis currently underway;

uncertainties about the degree of growth in the number of 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 supplies or energy or difficulties in acquiring raw materials or other supplies or energy supply cut-offs;

the policies of, and the economic, political and social conditions in, the countries in which Ternium operates 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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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, as issued by IASB, and were audited by Price Waterhouse & Co. S.R.L., Argentina, an independent registered public accounting firm that is a member firm of PricewaterhouseCoopers.

The audited consolidated financial statements of Ternium as of December 31, 2007, and for the years ended December 31, 2007 and 2006, and the audited consolidated financial data of Ternium as of December 31, 2007, 2006 and 2005, and for the years then ended, included in this annual report, vary significantly from the results and other financial data shown in the financial statements and financial data included in prior annual reports as a result of the de-consolidation of Sidor as from April 1, 2008. As from that date, Ternium ceased consolidating Sidor's results and other financial data and classified its investment in Sidor as an available-for-sale financial asset, with Sidor's results and cash flows during each period prior to April 1, 2008 being presented as discontinued operations. For more information on the Sidor nationalization process and its accounting treatment, see note 29 to our audited consolidated financial statements included elsewhere in this annual report and Item 4. Information on the Company A. History and Development of the Company Sidor Nationalization Process.

Ternium obtained control over Grupo Imsa (as defined below) on July 26, 2007. The audited consolidated financial statements of Ternium as of December 31, 2008, and for the year 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 July 26, 2007. Accordingly, Ternium's results and other financial data for the year ended December 31, 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 years ended December 31, 2006, 2005 and 2004.

Ternium acquired Hylsamex (as defined below) on August 22, 2005. The audited consolidated financial statements of Ternium as of December 31, 2008 and 2007, and for the years ended December 31, 2008, 2007 and 2006, included in this annual report consolidate the results and other financial data of Hylsamex for such years, and the audited consolidated financial data of Ternium as of December 31, 2005, and for the year then ended, included in this annual report consolidate the results and other financial data of Hylsamex beginning August 22, 2005. Accordingly, Ternium's results and other financial data for the years ended December 31, 2008, 2007 and 2006 varied significantly from the results and other financial data for the year ended December 31, 2005, 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, 2004. The audited combined consolidated financial data of Ternium as of December 31, 2004 and for the year then ended combine and consolidate the results and other financial data of each of Siderar, Ylopa and Ternium Internacional, and recognize the investment in Amazonia (which at that time consolidated Sidor) under the equity method, as of each such dates and for each of the years then ended, on the basis that such companies were under the common control of San Faustín as of each such dates and for each such years. The effect of this presentation is to show the combined historical results, financial condition and other data of the flat and long manufacturing, processing and distribution businesses of various companies under the common control of San Faustín as though these companies had been our subsidiaries at the dates and during the years presented.

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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<i>In thousands of U.S. dollars</i> (except number of shares and per share data)	For the year ended December 31,				
	2008	2007⁽²⁾	2006⁽²⁾	2005^{(1) (2)}	2004^{(1) (2)}
Selected consolidated income statement data					
Continuing operations					
Net sales	8,464,885	5,633,366	4,484,918	2,690,450	1,615,181
Cost of sales	(6,128,027)	(4,287,671)	(3,107,629)	(1,787,848)	(965,004)
Gross profit	2,336,858	1,345,695	1,377,289	902,602	650,177
Selling, general and administrative expenses	(669,473)	(517,433)	(370,727)	(243,993)	(132,882)
Other operating income (expenses), net	8,662	8,514	(4,739)	(57,338)	(3,124)
Operating income	1,676,047	836,776	1,001,823	601,271	514,171
Interest expense	(136,111)	(133,109)	(96,814)	(60,686)	(18,257)
Interest income	32,178	41,613	33,903	17,786	8,911
Other financial income (expenses), net	(693,192)	(38,498)	(40,432)	33,514	211,635
Equity in earnings (losses) of associated companies	1,851	434	671	153	209,201
Income before income tax expense	880,773	707,216	899,151	592,038	925,661
Income tax (expense) benefit					
Current and deferred income tax expense	(258,969)	(297,838)	(353,044)	(233,113)	(177,486)
Reversal of deferred statutory profit sharing	96,265				
Income from continuing operations	718,069	415,871	546,107	358,925	748,175
Discontinued operations					
Income from discontinued operations	157,095	579,925	444,468	715,900	
Net income for the year ⁽³⁾	875,164	995,796	990,575	1,074,825	748,175
Attributable to:					
Equity holders of the Company	715,418	784,490	795,424	706,418	457,339
Minority interest	159,746	211,306	195,151	368,407	290,836
	875,164	995,796	990,575	1,074,825	748,175
Depreciation and amortization	413,541	355,271	251,371	160,145	99,192
Weighted average number of shares outstanding ⁽⁴⁾	2,004,743,442	2,004,743,442	1,936,833,060	1,209,476,609	1,168,943,632
Basic earnings per share for profit attributable to the equity holders of the Company ⁽⁴⁾	0.36	0.39	0.41	0.58	0.39
Diluted earnings per share for profit attributable to the equity holders of the Company	0.36	0.39	0.41	0.54	0.39
Dividends per share declared		0.05	0.05		
Income from continuing operations per share ⁽³⁾	0.36	0.21	0.28	0.30	0.39

- (1) Combined consolidated financial information on the basis of common control. See note 2 to our audited consolidated financial statements.
- (2) Certain comparative amounts for 2007, 2006, 2005 and 2004 have been reclassified to conform to changes in presentation in the current period.
- (3) International Accounting Standard N° 1 (IAS 1) (Revised) requires that income for the year as shown in the income statement not exclude minority interest. Earnings per share and Income from continuing operations per share, however, continue to be calculated on the basis of income attributable solely to the equity holders of the Company.
- (4) In October 2005, Usiminas exchanged its 5.3% equity interest in Siderar, its 16.6% equity interest in Amazonia and its 19.1% equity interest in Ylopa and other items for 227,608,254 new shares of the Company. Upon the

consummation of this exchange, capital increased to USD1,396.6 million, represented by 1,396,551,886 shares of USD1.00 nominal value each. Pursuant to provisions contained in certain subordinated convertible loan agreements, on February 6, 2006, the Company exchanged such subordinated convertible loans (including interest accrued thereon through January 31, 2006) for Company shares at a conversion price of USD2 per share, resulting in the issuance of 302,962,261 new shares to a wholly-owned subsidiary of San Faustin on February 9, 2006. As provided in a certain corporate reorganization agreement, on February 9, 2006, after the settlement of the Company's initial public offering, a wholly-owned subsidiary of San Faustín contributed all of its assets and liabilities to the Company in exchange for 959,482,775 newly-issued shares of the Company,

which contribution included, among other items, the San Faustin subsidiary's right to receive 302,962,261 new shares of the Company in connection with the conversion of the subordinated convertible loans described above, and 374,272,579 existing shares of the Company then held by such San Faustin subsidiary that were cancelled upon receipt by the Company. In connection with the over-allotment described in note 1 to our audited consolidated financial statements, on March 1, 2006, the Company issued 22,981,360 new shares. Upon consummation of the transactions discussed above, as of December 31, 2006, the capital of the Company was increased to USD2,004.7 million, represented by 2,004,743,442 shares, each having a nominal value of USD1.00. Ternium's combined earnings per share for the year ended December 31, 2004 have been calculated based on the assumption that 1,168,943,632 shares

were issued and outstanding in such year. For fiscal years 2008, 2007, 2006 and 2005, the weighted average of shares outstanding totaled 2,004,743,442, 2,004,743,442, 1,936,833,060 and 1,209,476,609 shares, respectively.

- (5) Diluted earnings per share have been calculated giving effect to the conversion of certain subordinated convertible loans. See note 1 to our audited consolidated financial statements.

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<i>In thousands of U.S. dollars (except number of shares and per share data)</i>	At December 31,				
	2008	2007⁽²⁾	2006⁽²⁾	2005^{(1) (2)}	2004^{(1) (2)}
Selected consolidated balance sheet data					
Non-current assets	5,491,408	8,553,123	6,029,383	6,029,823	1,728,410
Property, plant and equipment, net	4,212,313	6,776,630	5,335,030	5,377,831	1,244,691
Other non-current assets ⁽³⁾	1,279,095	1,776,493	694,353	651,992	483,719
Current assets	5,179,839	5,095,959	2,628,870	2,518,958	918,220
Cash and cash equivalents	1,065,552	1,125,830	643,291	765,506	194,875
Other current assets	4,108,954	3,200,987	1,978,537	1,750,292	723,345
Non-current assets classified as held for sale	5,333	769,142	7,042	3,160	
Total assets	10,671,247	13,649,082	8,658,253	8,548,781	2,646,630
Capital and reserves attributable to the Company's equity holders ⁽⁴⁾	4,597,370	4,452,680	3,757,558	1,842,454	1,026,725
Minority interest	964,094	1,805,243	1,626,119	1,633,881	745,126
Non-current liabilities	3,374,964	5,401,549	1,867,892	3,683,755	359,510
Borrowings	2,325,867	3,676,072	546,601	2,396,807	1,008
Deferred income tax	810,160	1,327,768	982,091	1,047,038	337,473
Other non-current liabilities	238,937	397,709	339,200	239,910	21,029
Current liabilities	1,734,819	1,989,610	1,406,684	1,388,691	515,269
Borrowings	941,460	406,239	507,241	510,820	121,998
Other current liabilities	793,359	1,369,608	899,443	877,871	393,271
Liabilities directly associated with non-current assets classified as held for sale		213,763			
Total liabilities	5,109,783	7,391,159	3,274,576	5,072,446	874,779
Total equity and liabilities	10,671,247	13,649,082	8,658,253	8,548,781	2,646,630
Number of shares outstanding ⁽⁵⁾	2,004,743,442	2,004,743,442	2,004,743,442	1,396,551,886	1,168,943,632

(1) Combined consolidated financial information on the basis of common control. See note 2 to our audited consolidated financial statements.

(2) Certain comparative amounts for 2007,

2006, 2005 and 2004 have been reclassified to conform to changes in presentation in the current period.

(3) As of December 31, 2008, 2007, 2006 and 2005, includes goodwill related to the acquisition of our Mexican subsidiaries for a total amount of USD683.7, USD850.7, USD397.9 million and USD399.7 million, respectively. See note 3 to our audited consolidated financial statements.

(4) The Company's common stock as of December 31, 2008, 2007, 2006, 2005, and 2004 was represented by 2,004,743,442, 2,004,743,442, 2,004,743,442, 1,396,551,886 and 1,168,943,632, par value USD1.00 per share, for a total amount of USD2,004.7 million, USD2,004.7 million, USD2,004.7 million, USD1,396.6 million and USD1,168.9 million.

(5) As described in note 28 to our audited consolidated financial statements, after the completion of the Company's

initial public offering, the conversion of certain subordinated convertible loans, the exercise of the over-allotment option granted to the underwriters of the initial public offering and the consummation of the transactions contemplated in a corporate reorganization agreement, 2,004,734,442 shares were outstanding. In October 2005, Usiminas exchanged its 5.3% equity interest in Siderar, its 16.6% equity interest in Amazonia and its 19.1% equity interest in Ylopa and other items for 227,608,254 new shares of the Company. Upon the consummation of this exchange, capital increased to USD1,396.6 million, represented by 1,396,551,886 shares of USD1.00 nominal value per share. Pursuant to provisions contained in certain subordinated convertible loan agreements, on February 6, 2006, the Company exchanged such subordinated convertible loans (including interest accrued thereon

through January 31, 2006) for Company shares at a conversion price of USD2 per share, resulting in the issuance of 302,962,261 new shares to a wholly-owned subsidiary of San Faustin on February 9, 2006. As provided in the corporate reorganization agreement, on February 9, 2006, after the settlement of the Company's initial public offering, a wholly-owned subsidiary of San Faustin contributed all of its assets and liabilities to the Company in exchange for 959,482,775 newly-issued shares of the Company, which contribution included, among other items, the San Faustin subsidiary's right to receive 302,962,261 new shares of the Company in connection with the conversion of the subordinated convertible loans described above, and 374,272,579 existing shares of the Company then held by such San Faustin subsidiary that were cancelled upon

receipt by the Company. In connection with the over-allotment described in note 1 to our audited consolidated financial statements, on March 1, 2006, the Company issued 22,981,360 new shares. Upon consummation of the transactions discussed above, as of December 31, 2006, the capital was increased to USD2,004.7 million, represented by 2,004,743,442 shares, each having a nominal value of USD1.00.

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B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Risks Relating to the Steel Industry

The downturn in the global economy that accelerated during the second half of 2008 has caused a sharp reduction in worldwide demand for steel, and a protracted global recession or a depression 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. Starting in September 2008, a steep downturn in the global economy, sparked by uncertainty in credit markets and deteriorating consumer confidence, has sharply reduced demand for steel products. This has had, and continues to have, a pronounced negative effect on Ternium's business and results of operations.

If global macroeconomic conditions continue to deteriorate, the outlook of steel producers will worsen further. In particular, a significant and prolonged recession or depression in the United States and Europe, or significantly slower growth or the spread of recessionary conditions to emerging economies that are substantial consumers of steel (such as China, Brazil, Russia and India, as well as emerging Asian markets, the Middle East and the Commonwealth of Independent States (CIS) regions) would exact a heavy toll on the steel industry. Continued financial weakness among substantial consumers of steel products, such as the automotive industry and the construction industry, or the bankruptcy of any large companies in such industries, would exacerbate the negative trend in market conditions. Protracted declines in steel consumption caused by poor economic conditions in one or more of our major markets or by the deterioration of the financial condition of our customers would have a material adverse effect on the demand for our products and on our results. Ternium has announced and is implementing a number of measures in response to the market downturn and the worldwide collapse in the demand for steel products, which measures include the postponement of target completion dates for previously announced investments and projects, temporary cuts in steel production to accelerate inventory reduction, and other measures aimed at reducing costs and improving productivity. These initiatives may not prove sufficient in terms of cost-reduction or in realigning Ternium's production levels with reduced demand to maintain Ternium's profitability going forward.

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 automotive, construction, appliance and machinery industries, which are the significant markets for Ternium's products. In the past, substantial price decreases during periods of economic weakness have not always been offset by commensurate price increases during periods of economic strength. After rising during 2007 and through the boreal summer of 2008, steel prices in global markets fell sharply beginning in the late boreal summer of 2008 as a result of collapsing demand and the resulting excess supply 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. F