

Ternium S.A.
Form 6-K
March 20, 2012

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

As of 3/20/2012

Ternium S.A.

(Translation of Registrant's name into English)

Ternium S.A.

29 Avenue de la Porte-Neuve

L-2227 Luxembourg

(352) 2668-3152

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12G3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

Not applicable

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The attached material is being furnished to the Securities and Exchange Commission pursuant to Rule 13a-16 and Form 6-K under the Securities Exchange Act of 1934, as amended.

This report contains Ternium's notice of Annual General Meeting of Shareholders, the Shareholder Meeting Brochure and Proxy Statement and Ternium's 2011 Annual Report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TERNIUM S.A.

By: /s/ Raúl Darderes
Name: Raúl Darderes
Title: Secretary to the Board of Directors
Dated: March 20, 2012

TERNIUM S.A.

Société Anonyme

29, avenue de la Porte-Neuve

L-2227, Luxembourg

RCS Luxembourg B 98 668

March 20, 2012

Dear Ternium Shareholders and ADR holders,

I am pleased to invite you to attend the Annual General Meeting of Shareholders of TERNIUM S.A. (the Company), to be held on Wednesday, May 2, 2012, at 29, avenue de la Porte-Neuve, L-2227, Luxembourg, at 2:30 p.m. (Luxembourg time) (the Meeting).

At the Meeting, you will hear a report on the Company's business, financial condition and results of operations and will be able to vote on various matters, including the approval of the Company's financial statements, the election of the members of the board of directors and the appointment of the independent auditors.

The Notice and Agenda for the Meeting, the Shareholder Meeting Brochure and Proxy Statement and the Company's 2011 annual report (which includes the Company's consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009, and the Company's annual accounts as at December 31, 2011, together with the board of directors' and the independent auditors' reports thereon), are available free of charge at the Company's registered office in Luxembourg and on our website at <http://www.ternium.com/en/investor/>. They may also be obtained upon request, by calling +352 26 68 31 52 or +1 800 555 2470.

Even if you only own a few shares or ADRs, I hope that you will exercise your right to vote at the Meeting. You can vote your shares personally or by proxy. If you choose to vote by proxy, you may use the enclosed dedicated proxy form. If you are a holder of ADRs, please see the letter from The Bank of New York Mellon, the depositary bank, or contact your broker/custodian, for instructions on how to give voting instructions in respect of the shares underlying your ADRs.

Yours sincerely,

Paolo Rocca

Chairman

THE BANK OF NEW YORK MELLON

101 Barclay Street

New York, NY 10286

Re: TERNIUM S.A.

To: Registered Holders of American Depositary Receipts (ADRs)
for ordinary shares, USD 1.00 par value each (the Shares), of
Ternium S.A. (the Company):

The Company has announced that its Annual General Meeting of Shareholders will be held on May 2, 2012 at 29, avenue de la Porte-Neuve, L-2227, Luxembourg, at 2:30 p.m. (Luxembourg time). **A copy of the Company's Notice of Annual General Meeting of Shareholders, which includes the agenda for such meeting, is available on the Company's website at <http://www.ternium.com/en/investor/>.**

The enclosed dedicated proxy form is provided to allow you to give voting instructions in respect of the Shares represented by your ADRs. The Notice of the Annual General Meeting of Shareholders, the Shareholder Meeting Brochure and Proxy Statement and the Company's 2011 annual report (which includes the Company's consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009; and the Company's annual accounts as at December 31, 2011, together with the Board of Directors' and independent auditors' reports thereon), are available on the Company's website at <http://www.ternium.com/en/investor/> and may also be obtained upon request at +352 26 68 31 52 or +1-800-555-2470 (the latter number is toll free if you call from the United States). They are also available free of charge at the Company's registered office in Luxembourg.

Each holder of ADRs as of April 2, 2012 is entitled to instruct The Bank of New York Mellon, as Depositary (the Depositary), as to the exercise of the voting rights pertaining to the Shares represented by such holder's ADRs. Any eligible holder of ADRs who desires to give voting instructions in respect of the Shares represented by such holder's ADRs must complete, date and sign a proxy form and return it to The Bank of New York Mellon Shareowner Services, P.O. Box 3549, S. Hackensack New Jersey 07606-9249, U.S.A. Attention: Proxy Processing, **by 5:00 p.m., New York City time, on April 26, 2012.** If the Depositary receives properly completed instructions by 5:00 p.m., New York City time, on April 26, 2012, then it shall endeavor, insofar as practicable, to vote or cause to be voted the Shares underlying such ADRs in the manner prescribed by the instructions. However, if by 5:00 p.m., New York City time, on April 26, 2012, the Depositary receives no instructions from the holder of ADRs, or the instructions received by the Depositary 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 discretionary proxy to a person designated by the Company with respect to that amount of Shares underlying such ADRs to vote such Shares in favor of any proposals or recommendations of the Company (including any recommendation by the Company to vote such Shares 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 discretionary 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 ADRs.

Any holder of ADRs is entitled to revoke or revise any instructions previously given to the Depositary by filing with the Depositary a written revocation or duly executed instructions bearing a later date at any time prior to **5:00 p.m., New York City time, on April 26, 2012.** No instructions, revocations or revisions thereof will be accepted by the Depositary after that time.

In order to avoid the possibility of double vote, **the Company's ADR books will be closed for cancellations from April 2, 2012, until April 27, 2012.** However, holders of ADRs need not have their ADRs blocked for trading on the New York stock exchange.

IF YOU WANT YOUR VOTE TO BE COUNTED, THE DEPOSITARY MUST RECEIVE YOUR VOTING

INSTRUCTIONS PRIOR TO 5:00 P.M. (NEW YORK CITY TIME) ON APRIL 26, 2012.

THE BANK OF NEW YORK MELLON

Depositary

March 20, 2012

New York, New York

TERNIUM S.A.

Société Anonyme

29, avenue de la Porte-Neuve

L-2227, Luxembourg

RCS Luxembourg B 98 668

Notice of the Annual General Meeting of Shareholders to be held in Luxembourg on May 2, 2012 at 2:30 p.m. (Luxembourg time).

Notice is hereby given to shareholders of TERNIUM S.A. (the Company) that the Annual General Meeting of Shareholders of the Company will be held on May 2, 2012, at 29, avenue de la Porte-Neuve, L-2227, Luxembourg, at 2:30 p.m. (Luxembourg time) (the Meeting). At the Meeting, shareholders will vote on the items listed below.

Agenda

1. Consideration of the Board of Directors' and independent auditor's reports on the Company's consolidated financial statements. Approval of the Company's consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009.
 2. Consideration of the Board of Directors' and independent auditor's reports on the Company's annual accounts. Approval of the Company's annual accounts as at December 31, 2011.
 3. Allocation of results and approval of dividend payment.
 4. Discharge to the members of the Board of Directors for the exercise of their mandate throughout the year ended December 31, 2011.
 5. Election of the members of the Board of Directors.
 6. Compensation of the members of the Board of Directors.
 7. Appointment of the independent auditors for the fiscal year ending December 31, 2012 and approval of their fees.
 8. Authorization to the Board of Directors to delegate the day-to-day management of the Company's business to one or more of its members.
 9. Authorization to the Board of Directors to appoint one or more of its members as the Company's attorney-in-fact.
- Pursuant to the Company's Articles of Association, resolutions at the Meeting will be passed by a simple majority of the votes cast, irrespective of the number of shares present or represented.

Procedures for attending the Meeting

Any shareholder registered in the Company's share register on April 27, 2012 (the Record Date), shall be admitted to the Meeting. Such shareholders may attend the Meeting in person or vote by proxy. To vote by proxy, such shareholders must file a completed proxy form with the Company not later than 5:00 p.m. (Luxembourg time) on the Record Date, at the Company's registered office in Luxembourg, located at 29, avenue de la Porte-Neuve, L-2227, Luxembourg.

Any shareholder holding shares through fungible securities accounts wishing to attend the Meeting in person must present a certificate issued by the financial institution or professional depositary holding such shares, evidencing deposit of the shares and certifying the number of shares recorded in the relevant account as of the Record Date. Certificates certifying the number of shares recorded in the relevant account as of a date other than the Record Date will not be accepted and such shareholders will not be admitted to the Meeting. Certificates must be filed with the Company not later than 5:00 p.m. (Luxembourg time) on the Record Date, at the Company's registered office in Luxembourg.

Shareholders holding their shares through fungible securities accounts may also vote by proxy. To do so, they must present the above referred certificate, together with a completed proxy form. Such certificate and proxy form must be filed with the Company not later than 5:00 p.m. (Luxembourg time) on the Record Date, at the Company's registered office in Luxembourg.

In the event of shares owned by a corporation or any other legal entity, individuals representing such entity who wish to attend the Meeting in person and vote at the Meeting on behalf of such entity, must present evidence of their authority to attend, and vote at, the Meeting by means of a proper document (such as a general or special power-of-attorney) issued by the relevant entity. A copy of such power of attorney or other proper document must be filed with the Company not later than 5:00 p.m. (Luxembourg time) on the Record Date, at the Company's registered office in Luxembourg. The original documentation evidencing the authority to attend, and vote at, the Meeting, or a notarized and legalized copy thereof, must be presented at the Meeting.

Those shareholders who have sold their shares between the Record Date and the date of the Meeting must not attend or be represented at any of the Meetings. In case of breach of such prohibition, criminal sanctions may apply.

Holders of American Depositary Receipts (the ADRs) as of April 2, 2012, are entitled to instruct The Bank of New York Mellon, as Depositary, as to the exercise of the voting rights pertaining to the Company's shares represented by such holder's ADRs. Eligible holders of ADRs who desire to give voting instructions in respect of the shares represented by their ADRs must complete, date and sign a proxy form and return it to The Bank of New York Mellon Shareowner Services, P.O. Box 3549, S. Hackensack New Jersey 07606-9249, U.S.A. Attention: Proxy Processing, by **5:00 p.m., New York City time, on April 26, 2012**. Holders of ADRs maintaining non-certificated positions must follow voting instructions given by their broker or custodian bank, which may provide for earlier deadlines for submitting voting instructions.

Copies of the Shareholder Meeting Brochure and Proxy Statement and the Company's 2011 annual report (which includes the Company's consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009; and the Company's annual accounts as at December 31, 2011, together with the board of directors' and the independent auditors' reports thereon) are available on our website at <http://www.ternium.com/en/investor/> and may also be obtained upon request, by calling +352 26 68 31 52 or +1 800 555 2470. These documents are also available free of charge at the Company's registered office in Luxembourg, between 10:00 a.m. and 5:00 p.m., Luxembourg time.

Raúl H. Darderes

Secretary to the Board of Directors

March 20, 2012

Luxembourg

TERNIUM S.A.

Société Anonyme

29, avenue de la Porte-Neuve

L-2227, Luxembourg

RCS Luxembourg B 98 668

Shareholder meeting brochure and proxy statement

Annual General Meeting of Shareholders to be held in Luxembourg on May 2, 2012 at 2:30 p.m. (Luxembourg time)

This Shareholder Meeting Brochure and Proxy Statement is furnished by TERNIUM S.A. (the "Company") in connection with the Annual General Meeting of Shareholders of the Company to be held on May 2, 2012, at 29, avenue de la Porte-Neuve, L-2227 Luxembourg, at 2:30 p.m. (Luxembourg time) (the "Meeting"), for the purposes set forth in the accompanying Notice of the Annual General Meeting of Shareholders (the "Notice").

As of the date hereof, there are issued and outstanding 2,004,743,442 ordinary shares, USD 1.00 par value each, of the Company (the "Shares"), including Shares (the "Deposited Shares") deposited with The Bank of New York Mellon (the "Depositary") under the Deposit Agreement, dated as of January 31, 2006 (the "Deposit Agreement"), among the Company, the Depositary and owners and beneficial owners from time to time of American Depositary Receipts (the "ADRs") issued thereunder. The Deposited Shares are represented by American Depositary Shares, which are evidenced by the ADRs (one ADR equals ten Deposited Shares). A subsidiary of the Company currently holds 41,666,666 Shares.

Each Share entitles the holder thereof to one vote at General Meeting of Shareholders of the Company. However, voting rights on the 41,666,666 Shares held by the Company's subsidiary shall be suspended for so long as such Shares are so held.

Any shareholder registered in the Company's share register on April 27, 2012 (the "Record Date"), shall be admitted to the Meeting. Such shareholders may attend the Meeting in person or vote by proxy. To vote by proxy, such shareholders must file a completed proxy form with the Company not later than 5:00 p.m. (Luxembourg time) on the Record Date, at the Company's registered office in Luxembourg, located at 29, avenue de la Porte-Neuve, L-2227 Luxembourg.

Any shareholder holding shares through fungible securities accounts wishing to attend the Meeting in person must present a certificate issued by the financial institution or professional depositary holding such shares, evidencing deposit of the shares and certifying the number of shares recorded in the relevant account as of the Record Date. Certificates certifying the number of shares recorded in the relevant account as of a date other than the Record Date will not be accepted and such shareholders will not be admitted to the Meeting. Certificates must be filed with the Company not later than 5:00 p.m. (Luxembourg time) on the Record Date, at the Company's registered office in Luxembourg.

Shareholders holding their shares through fungible securities accounts may also vote by proxy. To do so, they must present the above referred certificate, together with a completed proxy form. Such certificate and proxy form must be filed with the Company not later than 5:00 p.m. (Luxembourg time) on the Record Date, at the Company's registered office in Luxembourg.

In the event of shares owned by a corporation or any other legal entity, individuals representing such entity who wish to attend the Meeting in person and vote at the Meeting on behalf of such entity, must present evidence of their authority to attend, and vote at, the Meeting by means of a proper document (such as a general or special power-of-attorney) issued by the relevant entity. A copy of such power of attorney or other proper document must be filed with the Company not later than 5:00 p.m. (Luxembourg time) on the Record Date, at the Company's registered office in Luxembourg. The original documentation evidencing the authority to attend, and vote, at the Meeting, or a notarized and legalized copy thereof, must be presented at the Meeting.

Those shareholders who have sold their shares between the Record Date and the date of the Meeting must not attend or be represented at any of the Meeting. In case of breach of such prohibition, criminal sanctions may apply.

Each holder of ADRs as of April 2, 2012, is entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the Shares represented by such holder's ADRs. Any eligible holder of ADRs who desires to give voting instructions in respect of the Shares represented by such holder's ADRs must complete, date and sign a proxy form and return it to The Bank of New York Mellon Shareowner Services, P.O. Box 3549, S. Hackensack New Jersey 07606-9249, U.S.A. Attention: Proxy Processing, by **5:00 p.m., New York City time, on April 26, 2012**. If the Depositary receives properly completed instructions by **5:00 p.m., New York City time, on April 26, 2012**, then it shall endeavor, insofar as practicable, to vote or cause to be voted the shares underlying such ADRs in the manner prescribed by the instructions. However, if by **5:00 p.m., New York City time, on April 26, 2012**, the Depositary receives no instructions from the holder of ADRs, or the instructions received 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 discretionary proxy to a person designated by the Company with respect to that amount of Shares underlying such ADRs to vote such Shares in favor of any proposals or recommendations of the Company (including any recommendation by the Company to vote such Shares 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 discretionary 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 ADRs.

Any holder of ADRs is entitled to revoke or revise any instructions previously given to the Depositary by filing with the Depositary a written revocation or duly executed instructions bearing a later date at any time prior to **5:00 p.m., New York City time, on April 26, 2012**. No instructions, revocations or revisions thereof will be accepted by the Depositary after that time.

In order to avoid the possibility of double vote, the Company's ADR books will be closed for cancellations from April 2, 2012 until April 27, 2012. However, holders of ADRs need not have their ADRs blocked for trading on the New York stock exchange.

Holders of ADRs maintaining non-certificated positions must follow voting instructions outlined by their broker or custodian bank, which may provide for earlier deadlines for submitting voting instructions than that indicated above.

The Meeting will appoint a chairperson *pro tempore* to preside over the Meeting. The chairperson *pro tempore* will have broad authority to conduct the Meeting in an orderly and timely manner and to establish rules for shareholders who wish to address the Meeting; the chairperson may exercise broad discretion in recognizing shareholders who wish to speak and in determining the extent of discussion on each item of the agenda.

Pursuant to the Company's Articles of Association and Luxembourg law, resolutions at the Meeting will be passed by a simple majority of the votes cast, irrespective of the number of Shares present or represented.

The Meeting is called to address and vote on the following agenda:

1. Consideration of the Board of Directors and independent auditor's reports on the Company's consolidated financial statements. Approval of the Company's consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009

The Board of Directors of the Company (the Board) recommends a vote FOR approval of the Company's consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009, after due consideration of the reports from each of the Board and the independent auditor on such consolidated financial statements. The consolidated balance sheets of the Company and its subsidiaries and the related consolidated income statements, consolidated statements of changes in shareholders' equity, consolidated cash flow statements and the notes to such consolidated financial statements, the report from the independent auditor on such consolidated financial statements and management's discussion and analysis on the Company's results of operations and financial condition are included in the Company's 2011 annual report, a copy of which is available on Company's website at <http://www.ternium.com/en/investor/> and may also be obtained upon request, by calling +352 26 68 31 52 or +1 (800) 555 2470. Copies of the Company's 2011 annual report are also available free of charge at the Company's registered office in Luxembourg, between 10:00 a.m. and 5:00 p.m., Luxembourg time.

2. Consideration of the Board of Directors and independent auditor's reports on the Company's annual accounts. Approval of the Company's annual accounts as at December 31, 2011

The Board recommends a vote FOR approval of the Company's annual accounts as at December 31, 2011, after due consideration of the Board's management report and the report from the independent auditor on such annual accounts. These documents are included in the Company's 2011 annual report, a copy of which is available on our website at <http://www.ternium.com/en/investor/> and may also be obtained upon request, by calling +352 26 68 31 52 or +1 (800) 555 2470 (the latter number is toll free if you call from the United States). Copies of the Company's 2011 annual report are also available free of charge at the Company's registered office in Luxembourg, between 10:00 a.m. and 5:00 p.m., Luxembourg time.

3. Allocation of results and approval of dividend payment

The Board recommends a vote FOR approval of a dividend payable in U.S. dollars on May 10, 2012, in the amount of USD 0.075 per share issued and outstanding. Accordingly, if this dividend proposal is approved, the Company will make, or cause to be made, a dividend payment on May 10, 2012, in the amount of USD 0.075 per share issued and outstanding, or USD 0.75 per ADR issued and outstanding. The aggregate amount of USD 150,355,758.15 to be distributed as dividend on May 10, 2012, is to be paid from the Company's retained earnings reserve. The loss of the year ended December 31, 2011, would be absorbed by the Company's retained earnings account.

Upon approval of this resolution, it is proposed that the Board be authorized to determine or amend, in its discretion, any of the terms and conditions (including payment date) of the dividend payment.

4. Discharge to the members of the Board of Directors for the exercise of their mandate throughout the year ended December 31, 2011

In accordance with applicable Luxembourg law and regulations, it is proposed that, upon approval of the Company's annual accounts as at December 31, 2011, all who were members of the Board during the year 2011, be discharged from any liability in connection with the management of the Company's affairs during such year.

5. Election of the members of the Board of Directors

The Company's Articles of Association provide for the annual election by the shareholders of a board of directors of not less than five and not more than fifteen members. Members of the Board have a term of office of one year, but may be reappointed.

Under the Company's Articles of Association and applicable U.S. laws and regulations, the Company is required to have an Audit Committee comprised solely of directors who are independent.

The current Board consists of nine Directors. Three members of the Board (Messrs. Ubaldo Aguirre, Adrian Lajous and Pedro Pablo Kuczynski) qualify as independent members under the Company's Articles of Association and applicable law and are members of the Audit Committee.

It is proposed that (i) the number of members of the Board be maintained at nine, and (ii) Messrs. Ubaldo Aguirre, Roberto Bonatti, Carlos Alberto Condorelli, Pedro Pablo Kuczynski, Adrian Lajous, Bruno Marchettini, Gianfelice Mario Rocca, Paolo Rocca and Daniel Agustín Novegil be re-elected as members of the Board.

Set forth below is summary biographical information of each of the candidates:

1) Mr. 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 financial services firms, and also serves as a member of the board of directors and member of the audit committee of Holcim Argentina S.A., a subsidiary of Holcim, the Swiss cement producer. Since 2005, he also serves as chairman of the board of directors of Permasur S.A., an Argentine winery, and of Editorial Sur S.A. Since 2000, he is as member of the board of directors of URS Argentina S.A., the Argentine subsidiary of the U.S. corporation. Mr. Aguirre formerly served as director and chairman of the audit committee of Siderar S.A.I.C. (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, aged 63, is an Argentine citizen.

2) Mr. 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 S.A. (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 Faustín, and since 2001 he has served as its president. In addition, Mr. Bonatti currently serves as president of Tecpetrol S.A. (Tecpetrol) and as member of the respective boards of directors of Tenaris S.A. (Tenaris) and Siderca S.A.I.C. (Siderca). Mr. Bonatti, aged 62, is an Italian citizen.

3) **Mr. Carlos Alberto 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. (Tamsa), and president of the board of directors of Empresa Distribuidora La Plata S.A., an Argentine utilities company. Mr. Condorelli, aged 61, is an Argentine citizen.

4) **Mr. 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, aged 73, is an U.S. and Peruvian national.

5) **Mr. Adrian Lajous.** Mr. Lajous has served as a director of the Company since 2006. Mr. Lajous currently serves as chairman of the Oxford Institute for Energy Studies, president of Petrométrica, S.C. and non-executive director of Schlumberger, Ltd. and Trinity Industries Inc. Mr. Lajous began his career teaching economics at El Colegio de México and in 1977 was appointed director general for energy at Mexico's Ministry of Energy. Mr. Lajous joined Pemex in 1983, where he held a succession of key executive positions including executive coordinator for international trade, corporate director of planning, corporate director of operations and director of refining and marketing. From 1994 until 1999, he served as chief executive officer of Pemex and chairman of the boards of the Pemex Group of operating companies. Mr. Lajous, aged 68, is a Mexican citizen.

6) **Mr. 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 Faustín. Mr. Marchettini, aged 70, is an Italian citizen.

7) **Mr. 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 Faustín, 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, aged 64, is an Italian citizen.

8) **Mr. 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. In addition, he is a member of the board of directors and vice president of San Faustín 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, aged 59, is an Italian citizen.

9) **Mr. Daniel Agustin 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, aged 59, is an Argentine citizen.

Each elected director will hold office until the next Annual General Meeting of Shareholders, to be held on May 2, 2013.

The Board met seven times during 2011. On January 12, 2006, the Board created an Audit Committee pursuant to Article 11 of the Articles of Association of the Company. As permitted under applicable laws and regulations, the Board does not have any executive, nominating or compensation committee, or any committees exercising similar functions.

6. Compensation of the members of the Board of Directors

It is proposed that each member of the Board receive an amount of USD 80,000.00 as compensation for his services during the fiscal year 2012, and that the Chairman of the Board receive, further, an additional fee of USD 280,000.00. It is further proposed that each of the members of the Board who are members of the Audit Committee receive an additional fee of USD 50,000.00, and that the Chairman of such committee receive, further, an additional fee of USD 10,000.00. In all cases, the proposed compensation would be net of any applicable Luxembourg social security charges.

7. Appointment of the independent auditors for the fiscal year ending December 31, 2012 and approval of their fees

Based on the recommendation from the Audit Committee, the Board recommends a vote FOR the appointment of PricewaterhouseCoopers S.à r.l., *Réviseur d'entreprises agréé* (member firm of PricewaterhouseCoopers) as the Company's independent auditors for the fiscal year ending December 31, 2012, to be engaged until the next Annual General Meeting of Shareholders that will be convened to decide on the 2012 accounts.

In addition, the Board recommends a vote FOR approval of the independent auditors' fees for audit, audit-related and other services to be rendered during the fiscal year ending December 31, 2012, broken-down into seven currencies (Argentine Pesos, Colombian Pesos, Euro, Mexican Pesos, Swiss Francs, Uruguayan Pesos and U.S. Dollars), up to a maximum amount for each currency equal to ARS 8,026,033.00; COP 248,248,071.00; EUR 579,856.00; MXN 12,687,239.00; CHF 25,000.00; UYU 1,617,061.00 and USD 100,000.00. Such fees would cover the audit of the Company's consolidated financial statements and annual accounts, the audit of the Company's internal controls over financial reporting as mandated by the Sarbanes-Oxley Act of 2002, other audit-related services, and other services rendered by the independent auditors.

The Board also recommends a vote FOR the granting of an authorization to its Audit Committee for it to approve any increase or reallocation of the independent auditors' fees as may be necessary, appropriate or desirable under the circumstances.

8. Authorization to the Board of Directors to delegate the day-to-day management of the Company's business to one or more of its members

It is proposed that the Board be authorized to delegate the management of the Company's day-to-day business and the authority to represent and bind the Company with his sole signature in such day-to-day management to Mr. Daniel Agustin Novegil, and to appoint Mr. Novegil as chief executive officer (*administrateur délégué*) of the Company.

9. Authorization to the Board of Directors to appoint one or more of its members as the Company's attorney-in-fact

In order to provide for the necessary flexibility in the management of the Company's affairs, it is proposed to authorize the Board to appoint any or all members of the Board from time to time as the Company's attorney-in-fact, delegating to such directors any management powers (including, without limitation, any day-to-day management powers) to the extent the Board may deem appropriate in connection therewith, this authorization to be valid until expressly revoked by the Company's General Shareholders Meeting, it being understood, for the avoidance of doubt, that this authorization does not impair nor limit in any way the powers of the Board to appoint any non-members of the Board as attorneys-in-fact of the Company pursuant to the provisions of article 10.1(iii) of the Articles of Association of the Company.

The Company anticipates that the next Annual General Meeting of Shareholders will be held on May 2, 2013. Any shareholder who intends to present a proposal to be considered at the next Annual General Meeting of Shareholders must submit the proposal in writing to the Company at the registered office of the Company, located at 29, avenue de la Porte-Neuve, L-2227 Luxembourg, Grand Duchy of Luxembourg, not later than 4:00 P.M. (Luxembourg time) on February 1, 2013, in order for such proposal to be considered for inclusion on the agenda for the 2013 Annual General Meeting of Shareholders. PricewaterhouseCoopers are the Company's independent auditors. A representative of the independent auditors will be present at the Annual General Meeting of Shareholders to respond to questions.

Raúl H. Darderes

Secretary to the Board of Directors

March 20, 2012

Luxembourg

Ternium

2011 Annual Report

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Company Profile And Strategy

Ternium is a leading steel producer in Latin America. We manufacture and process a broad range of value-added steel products, including galvanized and electro-galvanized sheets, pre-painted sheets, tinplate, welded pipes, and hot-rolled and cold-rolled steel, as well as slit and cut-to-length offerings through our service centers. We also produce long steel products, such as bars and wire rod.

Our customers range from large global companies to small businesses operating in the construction, home appliances, capital goods, container, food, energy and automotive industries. We aim to build close relationships with our customers and recognize that our success is closely linked with theirs.

Ternium has a deeply ingrained industrial culture. With an annual production capacity of approximately 10.8 million tons of finished steel products and approximately 16,500 employees, Ternium has production facilities located in Mexico, Argentina, Colombia, the southern United States and Guatemala, as well as a network of service and distribution centers in Latin America that provide it with a strong position from which to serve its core markets.

Our favorable access to iron ore sources and proprietary mines, diversified steel production technology and proximity to local steel consuming markets enable us to reduce logistic costs, adapt to fluctuating input-cost conditions, and differentiate from our competitors by offering valuable services to our customer base.

In addition, through our recently-acquired participation in the control group of Usiminas¹, Ternium expects to strengthen its alliance in Latin America with Nippon Steel, one of the leading steelmakers in the world, and Usiminas, a leader in the Brazilian flat steel market and the largest flat steel producer in the country.

We operate with a broad and long-term perspective, and we regularly work towards improving the quality of life of our employees, their families and the local communities where we operate.

Note: Ternium S.A. (the Company) is a Luxembourg company and its American Depositary Securities, or ADSs, are listed on the New York Stock Exchange (NYSE: TX). We refer to Ternium S.A. and its consolidated subsidiaries as we, our or Ternium.

¹ Usinas Siderúrgicas de Minas Gerais Usiminas. Considering that this transaction closed on January 16, 2012, references to Ternium do not include the Company's indirect participation in Usiminas unless otherwise stated. For more information on the Usiminas transaction, please see Recent Developments.

Operating and Financial Highlights

The financial and operational information contained in this annual report is based on the operational data and consolidated financial statements of the Company, which were prepared in accordance 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, and presented in U.S. dollars (USD) and metric tons.

	September 30, 2011	September 30, 2010	September 30, 2009	September 30, 2008	September 30, 2007
SALES VOLUME (thousand tons)					
Flat products	7,335.3	6,771.7	5,305.2	6,325.5	5,718.9
Long products	1,488.3	1,282.9	1,055.6	1,217.2	1,261.2
Total flat and long products	8,823.6	8,054.6	6,360.8	7,542.7	6,980.1
FINANCIAL INDICATORS (USD million)					
Net sales	9,157.2	7,382.0	4,959.0	8,464.9	5,633.4
Operating income	1,265.2	1,053.9	296.4	1,676.0	836.8
EBITDA ⁽¹⁾	1,671.1	1,437.2	708.5	2,089.6	1,192.1
Income before income tax expense	965.9	1,186.1	430.4	880.8	707.2
Discontinued operations ⁽²⁾			428.0	157.1	579.9
Profit for the year attributable to:					
Equity holders of the Company	513.5	622.1	717.4	715.4	784.5
Non-controlling interest	136.4	157.4	49.7	159.7	211.3
Profit for the year	649.9	779.5	767.1	875.2	995.8
Free cash flow ⁽³⁾	45.8	456.7	953.2	(70.4)	592.1
Capital expenditures	601.3	350.1	208.6	587.9	344.3
BALANCE SHEET (USD million)					
Total assets	10,746.6	11,112.3	10,292.7	10,671.2	13,649.1
Total financial debt	1,990.0	1,939.7	2,326.7	3,267.3	4,082.3
Net (cash) debt financial position	(464.1)	(688.2)	184.1	2,111.8	2,891.1
Total liabilities	3,905.4	4,096.2	4,031.4	5,109.8	7,391.2
Capital and reserves attributable to the Company's equity holders	5,756.4	5,880.7	5,296.3	4,597.4	4,452.7
Non-controlling interest	1,084.8	1,135.4	964.9	964.1	1,805.2
STOCK DATA (USD per share / ADS ⁽⁴⁾)					
Basic earnings per share	0.26	0.31	0.36	0.36	0.39
Basic earnings per ADS	2.61	3.10	3.58	3.57	3.91
Proposed dividend per ADS	0.75	0.75	0.50		0.50
Weighted average number of shares outstanding ⁽⁵⁾	1,968,327.9	2,004,743.4	2,004,743.4	2,004,743.4	2,004,743.4
(thousand shares)					

⁽¹⁾ EBITDA is calculated as operating income plus depreciation and amortization, and impairment charges.

⁽²⁾

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Discontinued Operations include the results of Sidor (a Venezuelan subsidiary nationalized in April 2009) through the second quarter of 2009 and of non-core U.S. assets in the second half of 2007 and first quarter of 2008.

- ⁽³⁾ Free cash flow is calculated as net cash provided by operating activities, less capital expenditures.
- ⁽⁴⁾ Each ADS represents 10 shares.
- ⁽⁵⁾ Shares outstanding were 1,963,076,776 as of December 31, 2011 and 2,004,743,442 as of December 31 of each of 2010, 2009, 2008 and 2007.

Chairman's Letter

Ternium had a very good operating performance in 2011, with shipments rising to a new record of 8.8 million tons and EBITDA reaching USD1.7 billion on sales of USD9.2 billion. These results reflect the favorable evolution of industrial and construction activity in the Latin American countries where we operate.

Towards the end of the year, we announced our decision to invest USD2.2 billion to become partners with Nippon Steel in the group that controls Usiminas, the leading flat steel producer in Brazil. In January, the investment was concluded and Julian Eguren, who led the expansion of our Mexican operations and the integration of the former Hylsa and IMSA operations, was appointed CEO of Usiminas. We have had an association with Usiminas for a long time through the participation it held until recently in Ternium: now we will deepen our ties, pursuing industrial, commercial, technology and purchasing synergies, and strengthen our competitive positioning throughout Latin America.

This is a historic moment for Ternium. The alliance we have formed with Nippon Steel and Usiminas gives us the opportunity to play a key role in the industrial development of Latin America through the provision of high quality steel products. We will be the leading suppliers of value-added flat steel products to the automotive industry in Latin America and are committed to investing in the resources, and developing the technologies, which can sustain a platform for the development of competitive industries throughout the region. With an unmatched range of products, expertise in new product development and an extensive network of service centers, Usiminas, Nippon Steel and Ternium will build a compelling value proposition for customers throughout the region.

This year, we worked on a number of initiatives seeking to raise awareness of various trade phenomena and develop mechanisms together with governments to defend our markets against unfair practices. With Alacero, the Latin American steel producers association, we made a diagnosis of the metalworking industries value chain in the region. The study concluded that the weight of the manufacturing sector is declining in the main economies of the region and that a clear threat to our industry comes from the growing imports of steel-intensive manufactured goods, particularly from China. The deficit in manufactured goods in Latin America reached more than USD90 billion in 2010. We will continue to work with governments and institutions to revert this tendency.

Our program of support for small and medium enterprises, who are involved as customers or suppliers in our value chain, has now completed 10 years. With over 800 companies participating, we are proud of the results that the program has had in developing a more durable and competitive industrial network in the markets where we operate.

Following the investment in Usiminas, we are revising our investment plans to identify opportunities for integration and expansion in the light of our new position in Brazil and the rest of Latin America. Our project to increase cold rolling and galvanizing capacity in Mexico, where we are already working with Nippon Steel, is advancing as planned. Also in Mexico, we are advancing in our plans to develop a new mining project in Jalisco. And in Argentina, we have decided to go ahead with the expansion of our slab production capacity through the installation of a new continuous caster, which is expected to come into operation at the end of 2013.

We continue to make progress in improving our health, safety and environment performance. Following the implementation of a safety hour practice, under which management and supervisors make regular, programmed visits through our plants to look out for unsafe conditions and practices and to listen to suggestions from the employees working there, there's been a further improvement in our safety indicators. In addition, we are investing in different projects at our facilities in Mexico, Argentina and Colombia aimed at maximizing the efficient use of energy resources and the appropriate treatment and disposal of wastes and air emissions.

We play an active role in the sustainable development of the communities where we operate, working with local institutions. Among the results achieved in this area this year has been the implementation by the Mexican national board of technical education of a module in its syllabus aimed at enhancing the skills required in the steel industry among young technicians. Similarly, in Argentina, we are helping to strengthen the technical schools in our communities and are supporting a UNESCO program to improve the public provision of primary education.

In 2011 our earnings per ADS were USD2.61 after an USD0.81 non-cash foreign exchange loss per ADS mainly related to the Mexican Peso depreciation on our US dollar denominated debt in Mexico. Our financial situation remains solid and will permit us to continue with our investment program and maintain the annual dividend at USD0.75 per ADS for this year. If approved by shareholders, this would be distributed in May.

In 2011, Ternium made solid progress in its expansion plans and opened a new chapter in its history through its investment in Usiminas, which will consolidate its leadership and growth opportunities in Latin America. Once again, I would like to thank our employees for their performance during the year and the results achieved. I would also like to thank our customers, suppliers and shareholders for their continuous support and confidence in our company.

Paolo Rocca

Chairman

Business Review

In 2011, steel consumption in Ternium's core markets experienced a significant expansion, consolidating the solid growth rates that followed the steel market recovery in 2010. Latin American economies continued to grow during the year, with sales of capital goods and consumer durables consolidating their expansion and construction activity remaining solid in South America and resuming growth in Mexico. The increase in apparent steel demand in Ternium's markets in 2011 allowed us to continue operating our crude steel production facilities at close to full capacity and to increase further the utilization rates at our re-rolling facilities.

Works for the construction of a new facility in the vicinity of Monterrey City, Mexico, evolved as planned during 2011. The new facility, which is expected to commence production during 2013, includes a cold-rolling mill and a hot-dip galvanizing plant, the latter under a joint venture with Nippon Steel. This new facility is expected to serve the demanding requirements of the automotive industry in Mexico and to achieve further integration at Ternium's steel processing facilities in the southern United States and Guatemala. In addition, during 2011 Ternium increased and consolidated its business and commercial presence in Colombia through Ferrasa. Colombia has now become Ternium's third largest steel market.

Ternium's support program for small and medium enterprises is now in its tenth year and encompasses more than 800 companies. Our safety indicators continue to improve with the consolidation of our state-of-the-art safety standards and procedures. We continue investing in projects aimed at improving the treatment and disposal of air emissions and waste water, and also continue taking steps to reduce the use of hazardous products in our manufacturing processes.

The solid market conditions in 2011 allowed Ternium to increase its shipments by 10% year-over-year to reach a new record of 8.8 million tons, and to increase EBITDA by 16% year-over-year to USD1.7 billion.

North America Region

During 2011, Ternium was the leading supplier of flat steel products in Mexico and was also active in the southern United States.

Ternium's shipments in the North America Region continued growing in 2011. Steel demand in the region increased strongly in the first half of the year and more gradually through the second half, supported by higher activity levels. Steel prices in North America increased sharply during the first quarter of 2011, reflecting the increase in steel consumption together with an inventory rebuilding, but subsequently showed a gradual decline as higher imports and capacity restarts, mainly in the United States, increased steel supply in the region. Close to year-end, however, prices rebounded fueled by an increase in order volumes.

The economies in the North America Region expanded more gradually during 2011. GDP in Mexico grew an estimated 4.0% in the year, consolidating the 2010 recovery, while the U.S. economy grew an estimated 1.8% in 2011, a deceleration from the 3.0% expansion rate in 2010.

Mexican apparent steel use for 2011 increased 5.8% year-over-year to approximately 17.9 million tons, reaching pre-2008 crisis levels. Apparent steel use for the entire North America Region increased 9.1% year-over-year, as steel consumption rates in the United States continued recovering from the steep drop in 2009. Mexico showed a broad-based increase in activity in 2011, featuring an expansion in key steel consuming sectors such as construction and automotive.

Construction activity in Mexico increased an estimated 4.9% year-over-year in 2011, while activity in the automotive sector increased an estimated 9.6% year-over-year, following the significant expansion experienced during 2010. Mexico's growth in motor vehicle production in 2011 reflected the strength of auto exports to the United States.

During 2011 Ternium continued running its integrated steel making facilities in the region at close to full capacity and, as steel demand continued growing in our main markets, our re-rolling facilities saw increased utilization rates. We continued maximizing the use of direct reduced iron (DRI) over steel scrap in the metallic mix of our steel shops in Mexico, benefiting from relatively low natural gas prices in North America.

² Source: World Steel Association

As part of our efforts to gain market share in Mexico at the expense of imports, we started up new warehouse operations in the cities of Mexico, Guadalajara and Puebla. We believe that these operations helped us accomplish a higher participation in the retail steel market segment and increased shipments of high value added products.

Ternium's capital expenditures in the region amounted to USD391 million in 2011. During the year our Mexican subsidiary carried out several projects, including the construction of a new facility in the vicinity of Monterrey City for the manufacture of cold rolled and galvanized steel products, the expansion and enhancement of its service and distribution center network, the enhancement of its defuse emission control equipment at its steel shop and the development of mining activities.

In 2012, Ternium expects near-trend growth rates in the NAFTA region. Apparent steel use is expected to grow 3.5% in Mexico in 2012, with higher industrial activity and construction driving local demand for steel products. The Mexican government has announced multiple infrastructure projects to increase distribution capacity of natural gas and water, aimed at releasing the industrial potential of some regions of the country, and these projects are expected to increase demand for flat steel products, particularly for the manufacturing of large diameter pipelines. We expect to increase capital expenditures in the region in 2012, mainly due to the development of our new cold-rolling and hot-dip galvanizing facility.

South and Central America Region

During 2011, Ternium was the leading supplier of flat steel products in Argentina, Paraguay Uruguay and Central America. In addition, Ternium increased its presence in Colombia through Ferrasa and continued serving customers throughout the region, mainly in Bolivia and Chile.

Ternium's shipments in the South and Central America Region grew in 2011, as demand for steel products increased throughout the year. The economic activity in the region continued to grow during 2011, supported by strong commodity prices and, during the first nine months of the year, favorable external financial conditions.

Finished steel apparent demand in our main markets in the region was solid in 2011, consolidating the expansion path that followed the 2009 global economic downturn. Apparent steel use in South and Central America increased 2.2% year-over-year in 2011. Construction activity consolidated its growth pace and the automotive sector, which had significantly expanded in 2010, showed healthy growth rates in 2011.

³ Source: United Nations Economic Commission for Latin America and the Caribbean

In Argentina, GDP increased an estimated 9.0% year-over-year in 2011, reflecting a rise in consumption and capital investment. Estimated apparent steel demand increased 15.8% to about 5.4 million tons in the period, reflecting the consolidation of the country's economy. Construction activity increased 8.7% year-over-year in 2011, and activity in the automotive sector increased 15.7% year-over-year. Growth in motor vehicle production benefited from a stronger domestic auto market and higher exports, mainly to Brazil.

Finished steel apparent demand also increased in Bolivia, Chile, Paraguay and Uruguay. Although the economies of these countries expanded in 2011, with GDP growth rate estimates of between 4.0% and 6.3% year-over-year, solid demand in Argentina in 2011 constrained our supplying capabilities to some of them.

Apparent steel demand in Colombia, Peru and Ecuador was also strong. The economies of these countries expanded in 2011, with GDP growth rate estimates of between 5.5% and 8.0% year-over-year. During 2011, Ternium increased and consolidated its business and commercial presence in Colombia through Ferrasa and the country became the third largest market of Ternium, with shipment levels of approximately 700,000 tons in 2011.

Overall, Ternium's subsidiaries Siderar and Ferrasa kept their facilities working at relatively high utilization rates during 2011. Ferrasa's operations, supported by our Mexican plants' supplying capabilities, significantly increased its share of the Colombian steel market. In addition, Ferrasa improved productivity, sustainability and safety in all its plants. The integration process between Ferrasa and Ternium is now complete and fully functional.

⁴ Source: World Steel Association

Ternium's capital expenditures in the region amounted to USD209 million in 2011. During the year Ternium's subsidiary Siderar made progress in several projects, including repairs and enhancements at its coking area, new equipment and enhancements at its steel shop, enhancements and an expansion of its hot strip mill, and the expansion of a galvanizing line and a service center. In addition, we carried out the revamping and expansion of a galvanizing mill in Guatemala and the installation of defuse emission control equipment at Ferrasa's steel shop in Colombia.

This year, South America's economies are expected to continue their solid growth momentum with slightly lower expansion rates at our main markets in the region. Apparent steel use is expected to increase approximately 9.8% year-over-year. We expect to increase capital expenditures in the region in 2012, largely related to Ternium's subsidiary Siderar's project to increase its slab production capacity by 500,000 tons by 2013.

Iron Ore Mining

Ternium's mining activities are aimed at securing the supply of iron ore for our facilities in Mexico for at least a 20-year operating period. Surplus production of iron ore is commercialized to partially hedge the iron ore procurement requirements of Ternium's facilities in Argentina.

The extraction, processing and production of iron ore is organized under two operating companies: Las Encinas S.A. de C.V. (Las Encinas), which is wholly owned by Ternium; and Consorcio Minero Benito Juárez Peña Colorada S.A. de C.V. (Peña Colorada), which is 50% owned by Ternium and 50% owned by ArcelorMittal. As of year-end 2011, the mining activities had a combined annual production capacity of 5.9 million tons of pellets and 0.4 million tons of concentrate surplus.

Las Encinas

The Las Encinas mining facilities include a pelletizing plant located in the community of Alzada, in Mexico's state of Colima, which has a production capacity of 1.9 million tons per year. As of year-end 2011, Las Encinas was operating the Aquila iron ore mine, located in Michoacán, Mexico. During the year, operations at the El Encino iron ore mine, located in Jalisco, Mexico, were idled due to the exhaustion of its main body. We are currently evaluating the resumption of operations at this mine through the exploitation of smaller bodies. During 2011, Las Encinas completed works for the revamping of its grinding facilities, a project that had been launched in 2010.

In 2011, Ternium continued its exploration activities in its concessions in Jalisco, in an area close to Las Encinas' current processing facilities. As these activities were successful, the company is currently evaluating the development of the site and the expansion of the processing facilities.

Peña Colorada

The Peña Colorada mining facilities include a two-line pelletizing plant in the Manzanillo port in Colima, with an annual production capacity of 4.0 million tons of pellets and 0.4 million tons of concentrate surplus. Of these totals, ArcelorMittal and Ternium are each entitled to receive 50% of the production. The Peña Colorada mine is located in Colima, Mexico. Peña Colorada continued its exploration activities in 2011 at the existing mine's nearby areas and succeeded at increasing its iron ore resources.

In 2012, we intend to continue running the Las Encinas and Peña Colorada processing facilities at full capacity, as they represent a low-cost raw material option for Ternium's steel production. We also plan to continue pursuing the expansion of our iron ore resources through exploration activities, mainly in the Jalisco and Colima areas.

Support Program for Small- and Medium-Sized Enterprises

Ternium sponsors, as it has done for ten years now, a small- and medium-sized enterprise (SME) support program called ProPymes. Created by the Techint group in 2002, the program is focused on helping SMEs in the steel industry's value chain to grow. The program's ultimate goal is to enhance SMEs' competitiveness and to stimulate investments in the steel industry's value chain. To achieve this, ProPymes provides a diversity of services including training, business advisory, institutional assistance, commercial support and financial aid. Currently, ProPymes assists approximately 800 SMEs in Mexico and Argentina.

Ternium supervises the execution of the ProPymes programs through two departments operating under local management supervision in Mexico and Argentina.

Mexico

Approximately 150 Mexican SMEs, including customers and suppliers, participate in ProPymes. While suppliers are selected according to their ability to competitively increase domestic value content to their products, customers are selected according to their ability to add value to the steel products and to their potential to increase exports or substitute imports.

In 2011, through an institutional network composed by the Mexican government, educational bodies, industrial chambers and local economic development secretariats, the program focused on the comprehensive development of suppliers for the local steel industry. Accordingly, we identified potential suppliers, through the promotion of business conventions in selected cities in Mexico in coordination with local industrial chambers, and supported selected SMEs in the development of quality and safety systems. In addition, in collaboration with local industrial chambers, we implemented a process improvement program for SMEs aimed at improving selected customer's competitiveness.

In 2012, ProPymes will continue collaborating with the institutional network in the development of its ongoing programs. In addition, ProPymes plans to include in the program projects aimed at sustainable growth and environmental management in collaboration with the Mexican government and educational bodies.

Argentina

Approximately 640 Argentine SMEs, including customers and suppliers, participate in ProPymes. In 2011, the program focused on training, business advisory and exports support. ProPymes' training programs, comprised of SME employees in every category, reached a new record level of attendees in 2011. In addition to traditional activities, special workshops were organized to address the challenges of family enterprises and labor law issues.

The program's consulting area, one of ProPymes' pillars, reached a new record of diagnosis reports and assistance performed. The assistance included plant lay-out, production planning, quality assurance and certification, suppliers audit, health and safety, human resources and information technology. In addition SME participation in marketing missions reached a new record in 2011. This endeavor intends to help SMEs expand their markets by developing new customers abroad.

In 2012, ProPymes intends to continue adding special workshops tailored to address the specific requirements of local SMEs.

Product Research and 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. Research expenditures are recognized as expenses and development costs are recorded as cost of sales. For more information on our accounting policy please see note 4 (e) (5) to our audited consolidated financial statements included in this annual report.

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

Construction Products

During 2011, Ternium's metal building systems division developed the engineering and manufacturing processes required to supply the steel structures and roofing for Tenigal's facilities in Mexico. Of note were the insulated metal panels and cool roofing systems designed in order to comply with the best criteria for green building.

Industrial Products

In 2011, we continued certifying our products with customers in the automotive industry in Mexico and Argentina, related to newly defined standards and new car models to be produced in these countries. In this regard, in Argentina, a market that is expected to continue showing dynamism in new models introduction, the company gained market share upon receiving customer approval of our hot rolled products for a new light truck model. In addition, the company is going through the approval process of a recently developed hot rolled high resistance steel grade for heavy trucks.

During 2011, Ternium developed a new process to manufacture coated steel products with textured high-resistance surface for the appliance market in North America. This new process significantly reduced production costs while yielding an improved and sophisticated aesthetics, allowing Ternium to gain market share and to increase the attractiveness of its products in the high-end appliances market.

In 2011, Ternium continued developing products for tube and pipe manufacturers, and completed a project for the manufacturing of high-quality low-inclusion bars, a new family of semi-finished products for oil and gas seamless pipe manufacturing. In addition, it developed rolling processes to obtain thick-gauge high-resistance steels for the manufacturing of welded pipes. These processes will allow Ternium to develop hot rolled coils for the manufacturing of natural gas and water pipelines being developed under Mexican infrastructure plans.

Environmental Projects

Ternium is continuously reassessing its production processes and products, and developing new ones, with a view to complying with existing and upcoming environmental regulations. During 2011, Ternium launched a project to develop pre-painted galvanized steel free from hexavalent chromium, an element that poses health risks. This project will allow Ternium to keep up with regulations related to the disposal of electric and electronics goods. In addition, the company initiated feasibility studies aimed at changing the composition of the electrolyte used in the electro-tin plating line in order to reduce inherent health risks.

In 2011, Ternium developed new panels in compliance with the Montreal Protocol regulations. These panels do not require the use of foaming agents that could potentially damage the ozone layer.

Applied Research

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 related to high-resistance cold rolled steels, through a consortium associated with the University of Pittsburgh in the United States; coating of advanced high strength steels for the automotive industry through consortia associated with McMaster University in Canada and the International Zinc Association; high performance coil coating applications for buildings through the French Corrosion Institute; optimization of cutting sheet steels technologies in direct association with the *Instituto Argentino de Siderurgia*, and new environmental friendly processes for the canning industry through the International Tin Research Institute.

Prospective Developments

In 2012, Ternium plans to develop new products for the agricultural machinery sector to expand its product range and increase its market share in Mexico and Colombia, and to consolidate its market leadership in Argentina. Of note among the products to be developed are quenchable hot and cold-rolled ultra-high-strength steel grades.

For welded pipe manufacturers the company intends to expand its range of hot-rolled steel grades to capture the expected increased demand for these products following the Mexican government's announcement of multiple infrastructure projects to increase distribution capacity of natural gas and water in that country. In addition, the company expects to develop new high-performance steel grades for round bars for oil and natural gas seamless pipe manufacturers.

Ternium also plans to launch an assistance program for Argentine truck bodywork manufacturers in order to implement the usage of high-resistance steel grades that entail increased competitiveness in terms of fuel consumption and payload. In addition, it intends to introduce new high-strength cold-rolled steel grades for the manufacturing of light-weight parts used by the automotive industry. Finally, the company is assessing the development of boron-added steel grades for hot and cold-rolled products, an ultra-high resistance product envisioned as a customer choice for high-performance crash-resistance requirements.

Human Resources and Communities

During 2011 Ternium continued its medium-term personnel recruitment plans in the different regions. The recruitment of recent graduates was relatively intensive in Colombia following the acquisition of a controlling interest in Ferrasa during 2010. The number of Ternium's employees increased to approximately 16,500 at year-end 2011, or 600 more employees than at year-end 2010, mainly as a result of higher activity levels.

Ternium's training and recruiting activities during the year continued to be mostly based on our ongoing program for recent graduates, a program that has already contributed a majority of our current management positions. Ternium's training programs are intended to create a unique managerial profile that combines the ability to integrate into a regional culture with a global approach to business.

In addition, Ternium continued carrying out several customized courses focused on leadership, performance and technical knowledge, targeted at management, staff and operating employees. These courses are designed to train employees in the latest concepts and tools in their relevant fields, and to encourage them to achieve the highest possible levels of productivity and operating efficiency. During 2011 Ternium also developed courses focused on health and safety to support the use of recently developed safety management tools. During the year we began the induction of Ferrasa's employees into this program, a process we expect to complete during 2012.

We also continued strengthening our financial support and contribution to key joint industry and university programs. Current initiatives include the funding of scholarship and fellowship grants and the endowed Chair sponsoring at targeted universities. Throughout the year we hosted various courses for graduate and undergraduate students and fostered conferences on technical subjects related to the steel industry.

To complete efforts towards the excellence in its human resources, Ternium combined professional and technical training and development programs with initiatives aimed at ensuring the quality of life of its employees, in and out of the workplace. These efforts included sports and fitness fostering programs, clinical examination and disease prevention campaigns, scholarship and leisure programs for employees' children, loan programs for home improvement and special situations, and special programs designed for employees willing to complete basic education. During the year we extended these programs to Ferrasa's employees, a process we expect to complete during 2012.

Community Relations

With an eye toward prioritizing our long-term relationships in the communities where we operate, Ternium focused its support in 2011 on a select number of high-impact programs designed to address the social and economic issues of each region.

Ternium worked closely with Mexico's national board of technical education to develop a module that will help the country's schools teach their young technicians the skills required in the steel industry. This technical module, which is part of our young technicians' training program, was implemented in the technical schools of the state of Nuevo León, México, and its implementation in the technical schools of the Mexican state of Puebla and elsewhere, is being considered.

In Mexico, our educational, health, sports and cultural activities for our employees, their families and the broader community attracted a record number of people during the year. The company organized a health fair in Monterrey – an event we hoped would increase the community's awareness and basic understanding of how to prevent and take care of various health issues. Also, Ternium's organized its annual local marathon and cinema festival.

We continued financing initiatives to support teacher training programs in the Mexican mining communities of Pihuamo, Aguila and Alzada. Additionally, we continued to support academies and agricultural programs aimed at promoting labor skills among underprivileged community members. Through Ternium Hospital, we also continued to offer general and dental health treatment, including medical prescription services. Ternium also remained active in promoting health through sports within the communities in which it operates.

In Argentina, Ternium's subsidiary Siderar continued supporting programs aimed at enhancing the infrastructure of public schools located in marginal areas in the country. Under this program, initiated in Ensenada in 2009 and in San Nicolás in 2010, a total of eight schools were improved since its launch. In addition, the company continued its effort to reduce student drop-outs within the communities that are located near its facilities and granted scholarships to students at risk of dropping out.

In the Ramallo and Ensenada industrial areas of Argentina, Siderar continued supporting a program initiated in 2006 aimed at strengthening specific technical schools. This endeavor, which includes five technical schools near Siderar's facilities, focuses on the enhancement of these institutions' technical education to match the increasingly demanding requirements of the industrial labor market. Under this program, during 2011 Siderar continued improving the schools' infrastructure, providing scholarships at its workshops and providing training in its associated centers and schools.

Also, in the Ramallo industrial area, following the recent remodeling and enhancement of the main regional hospital, Siderar completed the remodeling and expansion of a medical care unit and committed its support to the remodeling and expansion of a second medical care unit, which it expects to complete in 2012. Siderar also granted scholarships for high achievement students and fostered sports and cultural activities for children, as well as among its employees, their families and the broader communities. The company strengthened its public relations campaign through regular management participation in local radio programs and advertising in local mass media, and a social network communications program.

In Colombia, Ternium's subsidiary Ferrasa continued its program aimed at reducing student drop-out rates within the communities that are located near its facilities and granted scholarships for students at risk of dropping out. During 2011, Ferrasa began strengthening local institutional networks, including universities and governments, in order to identify and eventually support a select number of high-impact programs to address the social and economic challenges of these communities.

Environment, Health and Safety

Ternium reaffirms the environmental protection and individual's health and safety as a paramount value, holding its personnel responsible for the observance of this value and encouraging the promotion and sharing of related policies with the company's value chain and with the communities where it operates. Ternium's environment, health and safety policies abide by the World Steel Association's policy statement and its principles for excellence in safety and occupational health, the Occupational Health and Safety Administration's (OHSA) 18000 and ISO 14000 environmental management international standard directives.

In 2011, we continued participating in the World Steel Association forums. These forums, which are focused on sustainable development, environment, safety and occupational health, are in the process of developing consistent measurements, statistics and databases of selected variables aiming to enable steelmaking companies to benchmark performance, share state-of-the-art best practices and ultimately set improvement plans for its processes. These forums include the Climate Change Policy, Life Cycle Assessment, CO2 Data Collection Program, Water Management, Sustainability Reporting, and Safety and Occupational Health Committee groups and their working subgroups.

Ternium's commitment toward environmental programs has once again been recognized by the World Steel Association and by GEI Mexico, a public-private nonprofit organization, for our participation in their respective greenhouse gas emission reporting programs. As of year-end 2011, all of our steelmaking and steel processing facilities in Mexico were registered with the Mexican Government's National Environmental Voluntary Program and Ternium revalidated its clean industry certificates for selected operations. In Argentina, Ternium revalidated the ISO 14001 certificates for its local facilities.

Health and safety programs resulted in new decreases in injuries rates during 2011. Our average injuries frequency rate⁵ (IFR) and lost-time injuries frequency rate⁶ (LTIFR) were 3.4 and 1.2, respectively, in 2011. These measurements cover all of Ternium's facilities (other than recently-acquired Ferrasa's) and include both our personnel and the personnel of third-party contractors operating in our facilities. Safety records also improved at Ferrasa's operations, where Ternium's health and safety policies were implemented soon after its acquisition in August 2010.

⁵ Injuries frequency rate refers to total quantity of injuries per million of hours worked.

⁶ Lost time injuries frequency rate refers to quantity of day-loss injuries per million of hours worked.

* Does not include Ferrasa

In 2011, Ternium took steps to consolidate its medium-term safety program, which in 2010 included some innovative techniques. Under the program, the company standardized safety practices across the production units, trained managers in the newly adopted best-in-industry management safety tools, and reassessed contractor obligations towards pre-defined safety programs. Inspired by the steel industry's best safety practices, the program includes leadership involvement, a safety information system, training programs, information campaigns, progressive enhancement teams and safety hour events, requiring managers to tour the facilities according to a predefined schedule, in order to detect unsafe conditions or practices and listen to personnel's comments and suggestions.

Likewise, the company took steps to consolidate its medium-term environmental program, also inspired by the steel industry's best practices, which in 2010 introduced environmental accountability of managers, personnel training and information campaigns.

Emissions Control

During 2011, we completed the enhancement of the dust collection and handling system at one steel shop in Mexico. In Argentina, we completed a project to reduce diffuse emissions encompassing all three basic oxygen furnaces at the steel shop. In addition, during 2011 we launched several projects in that country aimed at expanding and/or upgrading waste water treatment facilities that we expect to conclude during the year. In Colombia, we launched a project to reduce emissions at Ferrasa's steel shop, which we expect to complete in 2012. These activities are encompassed in an ongoing program that monitors and reviews our facilities, aimed at maximizing the efficient use of energy resources, the re-use of by-products and the appropriate treatment and disposal of wastes, air emissions and waste water.

Greenhouse Gas Emissions

The accompanying chart shows Ternium's estimated emission of carbon dioxide (CO₂) per ton of liquid steel produced, as reported to the World Steel Association. We support the steel industry's ongoing efforts to develop innovative solutions to reduce greenhouse gas (GHG) emissions over the lifecycle of steel products. According to the Intergovernmental Panel on Climate Change (IPCC), the steel industry accounts for approximately 4% to 5% of total world GHG emissions.

Our steel production facilities in Mexico have achieved GHG-specific emission levels that are close to the theoretical minimum. Our Guerrero steel production unit in Mexico has been recognized by the state government for its increased GHG capture levels. In Argentina, Siderar s GHG-specific emission levels are close to the industry average for blast furnace technology.

Other Initiatives

During 2011, we completed in Mexico a plan to replace and eliminate the use of mercuric chloride, a toxic mercuric salt, as a means to determine the iron ore content. In addition, we eliminated the use of anhydrous ammonia in our galvanizing processes, which was utilized as an input in the production of hydrogen.

Corporate Governance

The Company

The Company is a public limited liability company (*société anonyme*) organized under the laws of Grand-Duchy 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*.

Shares; Shareholders Meetings

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 December 31, 2011, there were 2,004,743,442 shares issued.

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):

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);

any issuance of shares against a contribution other than in cash;

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

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.

Our articles of association provide that our annual ordinary general shareholders meetings must take place in Luxembourg on the first Wednesday of every May at 2:30 p.m., Luxembourg time. At these meetings, our annual financial statements are approved and the members of our board of directors are elected. 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 at the meeting. There are no limitations currently imposed by Luxembourg law on the rights of non-resident shareholders to hold or vote the Company's shares.

American Depositary Shares (ADSs)

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 depositary, 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 depositary how to exercise the voting rights for the shares which underlie their ADSs.

Share and ADS Repurchases

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. The ordinary general shareholders' meeting held on June 2, 2010 authorized the Company and the Company's subsidiaries to acquire shares of the Company, including shares represented by American Depositary Shares, or ADSs, 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, among other conditions, the maximum number of shares, including shares represented by ADSs, acquired pursuant to the 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 ADSs are traded, such lower amount as may not be exceeded pursuant to any applicable laws or regulations of such market, and that the purchase price per ADS 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 ADSs in the New York Stock Exchange during the five trading days in which transactions in the ADSs were recorded in the New York Stock Exchange preceding (but excluding) the day on which the ADSs are purchased. In the case of purchases of Shares other than in the form of ADSs, the maximum and minimum per Share purchase prices shall be equal to the prices that would have applied in case of an ADS purchase pursuant to the formula above *divided by* the number of underlying shares represented by an ADS at the time of the relevant purchase.

As of the date of this report, Ternium held 41,666,666 shares of the Company. Those shares were purchased from Usiminas on February 15, 2011, concurrently with the closing of an underwritten public offering by Usiminas of Ternium ADSs.

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 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 disposition that are within its corporate purpose and are not specifically reserved in the articles of association or by applicable law to the general shareholders meeting.

The board of directors is required to meet as often as required by the interests of the Company and at least four times per year. In 2011, the Company's board of directors met seven times. 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 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. The Company's current board of directors is composed of nine directors, three of whom are independent directors.

Audit Committee

The board of directors has an audit committee consisting of three independent directors. 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. Under the Company's articles of association and the audit committee charter, the audit committee:

- assists the board of directors in fulfilling its oversight responsibilities relating to the integrity of the financial statements of the Company, including periodically reporting to the board of directors on its activity and the adequacy of the Company's systems of internal control over financial reporting;

- is responsible for making recommendations for the appointment, compensation, retention and oversight of, and assessment of the independence of the Company's independent auditors;

- reviews material transactions between the Company or its subsidiaries with related parties (other than transactions that were reviewed and approved by the independent members of the board of directors or other governing body of any subsidiary of the Company) to determine whether their terms are consistent with market conditions or are otherwise fair to the Company and its subsidiaries; and

- performs such other duties imposed to 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 board of directors.

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 the Company's management and employees and, subject to applicable laws, its subsidiaries.

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. As part of their duties, the auditors report directly to the audit committee.

PricewaterhouseCoopers S.à.r.l., Réviseur d'entreprises agréé, was appointed as the Company's independent auditor for the fiscal year ended December 31, 2011, at the ordinary general shareholders' meeting held on June 1, 2011.

Board of Directors and Senior Management

Board of Directors

Chairman

Paolo Rocca

Ubaldo Aguirre (*)

Roberto Bonatti

Carlos Condorelli

Pedro Pablo Kuczynski (*)

Adrián Lajous (*)

Bruno Marchettini

Daniel Novegil

Gianfelice Rocca

Secretary

Raúl Darderes

(*) Audit Committee Members
Senior Management

Chief Executive Officer

Daniel Novegil

Chief Financial Officer

Pablo Brizzio

Mexico Area Manager

Máximo Vedoya

Siderar Executive Vice President

Martín Berardi

International Area Manager

Juan Pablo Trípodí

Planning and Operations General Director

Oscar Montero

Engineering and Environment Director

Luis Andreozzi

Human Resources Director

Miguel Angel Punte

Chief Information Officer

Roberto Demidchuck

Quality and Product Director

Rubén Herrera

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Management's Discussion and Analysis of Financial Condition and Results of Operations

The review of Ternium's financial condition and results of operations is based on, and should be read in conjunction with, the Company's consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 (including the notes thereto), which are included elsewhere in this annual report.

The Company prepares its consolidated financial statements in conformity with IFRS. Financial and operational information is presented in U.S. dollars and metric tons.

Overview

Ternium's operating income in 2011 was USD1.3 billion, compared to USD1.1 billion in 2010. This USD211.3 million year-over-year increase mainly reflects a 769,000 ton increase in shipments and a USD126 higher revenue per ton, partially offset by a USD109 higher flat and long steel operating cost per ton⁷, which increased mainly due to higher raw material costs. Ternium's net income was USD649.9 million, a decrease of USD129.6 million year-over-year mainly due to a USD431.1 million lower net financial result, partially offset by the above mentioned USD211.3 million higher operating income and a USD90.7 million lower income tax expense. The year-over-year change in net financial results included a USD360.1 million lower net foreign exchange result primarily due to the impact of the Mexican Peso's 13.1% depreciation on Ternium's Mexican subsidiary's U.S. dollar denominated debt in 2011, compared with a 5.4% Mexican Peso appreciation in 2010, and a USD49.6 million lower interest income on the Sidor financial asset.

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

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

Net Sales

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

⁷ Flat and long steel products operating cost per ton is equal to flat and long steel products cost of sales plus flat and long steel products SG&A, divided by shipments.

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The following table shows Ternium's total consolidated net sales, shipments and revenue per ton for 2011 and 2010:

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

Total net sales **9,157.2** **7,382.0** **24%**

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

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

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

Cost of sales

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

Selling, general and administrative expenses

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

Other operating (expenses) income, net

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

⁸ Primarily includes iron ore, pig iron and pre-engineered metal buildings.

[illegible][illegible]

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

[illegible]

Other products segment

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

Net financial results

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

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

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

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

Equity in earnings of associated companies

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

Income tax expense

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

Net income attributable to non-controlling interest

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

Liquidity and capital resources

We obtain funds from our operations, as well as from short-term and long-term borrowings from financial institutions. These funds are primarily used to finance our working capital and capital expenditures requirements, and our acquisitions. In addition, during 2010 and 2011, we had cash inflows of USD0.9 billion in connection with compensation payments for the nationalization of our participation in Sidor. We hold money market investments, time deposits and variable-rate or fixed-rate securities from investment grade issuers. During 2010 and 2011, we decreased our financial indebtedness, from USD2.3 billion at the end of 2009 to USD2.0 billion at the end of 2011, using primarily cash provided by operating activities.

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

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

In USD thousands	September 30, For the year ended December 31,	September 30, For the year ended December 31,
	2011	2010
Net cash provided by operating activities	647,135	806,825
Net cash provided by (used in) investing activities	121,649	(470,128)
Net cash used in financing activities	(364,570)	(654,118)
Increase (Decrease) in cash and cash equivalents	404,214	(317,421)
Effect of exchange rate changes	(25,039)	1,039
Cash and cash equivalents at the beginning of the year	1,779,416	2,095,798
Cash and cash equivalents at the end of the year	2,158,591	1,779,416

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

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

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

Operating activities

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

a decrease in net income from continuing operations of USD129.6 million; and

a negative income tax accruals less payments adjustment of USD255.9 million in 2011, compared to a positive income tax accruals less payments adjustment of USD226.8 million in 2010, partially offset by

a positive net foreign exchange results and others adjustment of USD184.8 million in 2011, compared to a negative net foreign exchange results and others adjustment of USD77.6 million in 2010, mainly due to the fluctuation of the Mexican peso versus the U.S. dollar;

a negative interest income adjustment of the Sidor financial asset of USD11.4 million in 2011, compared to a negative interest income adjustment of the Sidor financial asset of USD61.0 million in 2010; and

an increase in working capital of USD397.8 million in 2011, compared to an increase in working capital of USD448.0 million in 2010, following the recovery from the 2008 – 2009 global economic downturn.

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

	September 30, Change in inventory Dec 11 / Dec 10 (in millions of USD)	September 30, Change in inventory Dec 11 / Dec 10 (in millions of USD)	September 30, Change in inventory Dec 11 / Dec 10 (in millions of USD)
	Price	Volume	Total
Finished goods	52.1	(10.6)	41.5
Goods in process	96.7	25.7	122.4
Raw materials, supplies and allowances	191.6	57.8	249.4
Total	340.4	72.9	413.3
Investing activities			

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

a decrease in net cash used in other investing activities, net, of USD1.4 billion, consisting mainly of financial investments with maturity of more than three months, which decreased USD588.2 million in 2011, compared to an increase of USD820.7 million in 2010; and

a decrease in net cash used in acquisition of business of USD68.4 million, due to the acquisition of Ferrasa in 2010, partially offset by

a decrease of USD634.3 million in the proceeds from the Sidor financial asset (from USD767.4 million in 2010 to USD133.1 million in 2011); and

an increase of USD251.2 million in capital expenditures (from USD350.1 million in 2010 to USD601.3 million in 2011).

Financing activities

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

a decrease in repayments of borrowings, net, of USD554.5 million, consisting of net proceeds from borrowings of USD34.0 million in 2011, compared to net repayment of borrowings of USD520.5 million in 2010, partially offset by

a repurchase of treasury shares of USD150.0 million in 2011;

an increase in dividends paid in cash by subsidiary companies of USD102.3 million; and

an increase in dividends paid in cash to company's shareholders of USD47.0 million.

Principal sources of funding

Funding policy

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

Financial liabilities

Our financial liabilities consist of loans with financial institutions and some pre-accorded overdrafts transactions. As of December 31, 2011, these facilities were mainly denominated in U.S. dollars (68.3% of total financial liabilities), Argentine pesos (23.2% of total financial liabilities, subsequently hedged to the U.S. dollar) and Colombian pesos (6.3% of total financial liabilities). Total financial debt increased from USD1.9 billion as of December 31, 2010, to USD2.0 billion as of December 31, 2011. During 2011, Ternium's bank borrowings (inclusive of principal and interest accrued thereon) increased by USD50.4 million, principally due to the increase in short term borrowings, partially offset by the repayment of principal and interest on borrowings related to prior acquisitions. As of December 2011, current borrowings were 52.3% of total borrowings, none of which corresponded to borrowings with related parties. In addition, as of December 31, 2011 Ternium had a committed USD700 million syndicated term loan facility for the purchase of Usiminas shares, a transaction that was subsequently executed on January 16, 2012. For further information on the Usiminas shares purchase transaction please see Recent Developments .

The weighted average interest rates at December 31, 2011 was 3.42%, calculated using the rates set for each instrument in its corresponding currency and weighted using the U.S. dollar-equivalent outstanding principal amount of those instruments at December 31, 2011, after giving effect to any derivative financial instruments used to mitigate currency and interest rate risk.

Most significant borrowings

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

In Millions of USD

	September 30,	September 30,	September 30,	September 30, Outstanding principal amount as of December 31, 2011	September 30, Maturity
Date	Borrower	Type	Original principal amount		
July 2007	Ternium México	Syndicated loan	3,485.0	1,292.0 ⁹	July 2014

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

As of December 31, 2011, we were in compliance with all covenants under our loan agreements. For further information on our derivative financial instruments and borrowings please see notes 23 and 24 to our audited consolidated financial statements included in this annual report.

⁹ On February 1, 2008, we completed the sale of our interests in Steelscape, Inc., ASC Profiles Inc., Varco Pruden Buildings Inc. and Metl-Span LLC to BlueScope Steel North America Corporation, a subsidiary of BlueScope Steel Limited, for a total consideration of USD727 million. On February 28, 2008, we applied USD700.0 million of the proceeds of such sale to partially prepay loans under the syndicated loan agreement. Beginning in January 26, 2009 and until July 26, 2011 we paid six semi-annual installments of USD249 million each. On April 6, 2011, Ternium Mexico partially refinanced the final installment, extending its maturity from July 2012 to July 2014.

Recent Developments

Acquisition of Participation in Usiminas

On November 27, 2011, the Company's wholly-owned Luxembourg subsidiary Ternium Investments S.à.r.l., together with Siderar (and Siderar's wholly-owned Uruguayan subsidiary Prosid Investments S.C.A.), and Confab Industrial S.A., a majority-owned Brazilian subsidiary of Tenaris S.A. (TenarisConfab), entered into share purchase agreements with Camargo Corrêa, Votorantim and *Caixa dos Empregados da Usiminas* (Usiminas employee pension fund, or CEU) for the acquisition of 139.7 million ordinary shares of Usiminas, representing 27.7% (out of which 22.7% corresponds to Ternium) of Usiminas' voting capital, at a price of BRL36 (approximately USD19.0) per ordinary share. Ternium Investments and Siderar financed their BRL4.1 billion share (approximately USD2.2 billion) with cash on hand and, in the case of Ternium Investments, a USD700 million syndicated term loan.

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

Following the closing of the transaction, Messrs. Daniel Novegil, Roberto Vidigal and Alcides Morgante were appointed as members of Usiminas' board of directors, together with their alternates, to replace the board members nominated by Camargo Correa and Votorantim. In addition, Usiminas' board of directors appointed Julián Eguren, previously a senior executive with Ternium, as chief executive officer (*Diretor-Presidente*) of Usiminas.

With strategically located facilities near the main consumers of steel in Brazil and iron ore mines in the Serra Azul region, Usiminas is organized under four main business units: Mining, Steel, Steel Processing and Capital Goods. In 2010, Usiminas had net sales of BRL13.0 billion (approximately USD7.4 billion).

TERNIUM S.A.

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2011 and 2010 and

for the years ended December 31, 2011, 2010 and 2009

29, Avenue de la Porte-Neuve, 3rd floor

L 2227

R.C.S. Luxembourg : B 98 668

TERNIUM S.A.

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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.:

We have audited the accompanying consolidated statement of financial position of Ternium S.A. and its subsidiaries as of 31 December, 2011, and the related consolidated income statement, comprehensive income, changes in equity and cash flows for the year ended 31 December, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of 31 December, 2010 and for each of the two years in the period ended 31 December, 2010 were audited by Price Waterhouse & Co. S.R.L. (Argentina) whose report dated 30 June, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ternium S.A. and its subsidiaries at 31 December, 2011, and the results of their operations and their cash flows for the year ended 31 December, 2011 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.

PricewaterhouseCoopers S.à r.l.

Luxembourg, 22 February 2012

Represented by
Mervyn R. Martins

TERNIUM S.A.**Consolidated financial statements****as of December 31, 2011 and 2010 and****for the years ended December 31, 2011, 2010 and 2009**

(All amounts in USD thousands)

CONSOLIDATED INCOME STATEMENT

	September 30, Notes	September 30, 2011	September 30, Year ended December 31, 2010	September 30, 2009
Continuing operations				
Net sales		9,157,198	7,382,004	4,958,983
Cost of sales	6	(7,094,252)	(5,665,254)	(4,110,370)
Gross profit		2,062,946	1,716,750	848,613
Selling, general and administrative expenses	7	(786,161)	(665,306)	(531,530)
Other operating (expenses) income, net	9	(11,566)	2,493	(20,700)
Operating income		1,265,219	1,053,937	296,383
Interest expense		(100,712)	(72,969)	(105,810)
Interest income		28,689	27,347	21,141
Interest income Sidor financial asset	27	11,390	61,012	135,952
Other financial (expenses) income, net	10	(239,997)	115,112	81,639
Equity in earnings of associated companies	14	1,293	1,688	1,110
Income before income tax expense		965,882	1,186,127	430,415
Income tax expense	11	(315,974)	(406,657)	(91,314)
Income from continuing operations		649,908	779,470	339,101
Discontinued operations				
Income from discontinued operations	27			428,023
Profit for the year		649,908	779,470	767,124
Attributable to:				
Equity holders of the Company	26	513,541	622,076	717,400
Non-controlling interest		136,367	157,394	49,724
		649,908	779,470	767,124

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Weighted average number of shares outstanding	26	1,968,327,917	2,004,743,442	2,004,743,442
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Basic and diluted earnings per share (expressed in USD per share)
for profit:

- From continuing operations attributable to the equity holders of the Company	0.26	0.31	0.15
--	------	------	------

- From discontinued operations attributable to the equity holders of the Company			0.21
--	--	--	------

- For the year attributable to the equity holders of the Company	0.26	0.31	0.36
--	------	------	------

The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.

Consolidated financial statements

as of December 31, 2011 and 2010 and

for the years ended December 31, 2011, 2010 and 2009

(All amounts in USD thousands)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	September 30, 2011	September 30, Year ended December 31, 2010	September 30, 2009
Profit for the year	649,908	779,470	767,124
Other comprehensive income:			
Currency translation adjustment	(433,633)	35,915	(93,922)
Changes in the fair value of derivatives classified as cash flow hedges	14,134	14,729	35,881
Income tax relating to cash flow hedges	(6,701)	(4,419)	(9,112)
Other comprehensive (loss) income for the year, net of tax	(426,200)	46,225	(67,153)
Total comprehensive income for the year	223,708	825,695	699,971
Attributable to:			
Equity holders of the Company	172,863	684,635	698,789
Non-controlling interest	50,845	141,060	1,182
	223,708	825,695	699,971

The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.**Consolidated financial statements**

as of December 31, 2011 and 2010 and

for the years ended December 31, 2011, 2010 and 2009

(All amounts in USD thousands)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	September 30, Notes	September 30, December 31, 2011	September 30, December 31, 2010	September 30, December 31, 2010
ASSETS				
Non-current assets				
Property, plant and equipment, net	12	4,032,675		4,262,896
Intangible assets, net	13	986,072		1,129,348
Investments in associated companies	14	9,311		8,212
Sidor financial asset	27			74,549
Other investments	15	14,087		35,575
Deferred tax assets	21	8,101		12,387
Receivables, net	16	124,201		56,471
Trade receivables, net	17	7,526	5,181,973	5,579,438
Current assets				
Receivables	16	105,591		94,573
Derivative financial instruments	23	50		212
Inventories, net	18	2,137,024		1,953,390
Trade receivables, net	17	735,002		663,502
Sidor financial asset	27	136,294		183,439
Other investments	19	281,676		848,400
Cash and cash equivalents	19	2,158,591	5,554,228	1,779,416
				5,522,932
Non-current assets classified as held for sale			10,373	9,961
			5,564,601	5,532,893
Total assets		10,746,574		11,112,331
EQUITY				
Capital and reserves attributable to the company's equity holders				
			5,756,372	5,880,740
Non-controlling interest			1,084,827	1,135,361
Total equity			6,841,199	7,016,101
LIABILITIES				
Non-current liabilities				
Provisions	20	15,340		16,144
Deferred income tax	21	748,999		877,742

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Other liabilities	22	200,845		201,312	
Trade payables		21,096			
Derivative financial instruments	23			18,822	
Borrowings	24	948,495	1,934,775	1,426,574	2,540,594

Current liabilities

Current tax liabilities		106,625		294,902	
Other liabilities	22	114,776		123,610	
Trade payables		677,747		588,086	
Derivative financial instruments	23	29,902		35,955	
Borrowings	24	1,041,550	1,970,600	513,083	1,555,636

Total liabilities			3,905,375		4,096,230
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Total equity and liabilities			10,746,574		11,112,331
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The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.**Consolidated financial statements****as of December 31, 2011 and 2010 and****for the years ended December 31, 2011, 2010 and 2009**

(All amounts in USD thousands)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital stock (2)	Treasury shares (3)	Attributable to the Company's equity holders (1) Initial public offering expenses (4)	Reserves (4)	Capital stock issue discount (5)	Currency translation adjustment	Retained earnings	Total	Non- controlling interest	Total Equity
Balance at January 1, 2011	2,004,743		(23,295)	1,635,126	(2,324,866)	(517,432)	5,106,464	5,880,740	1,135,361	7,016,101
Profit for the year							513,541	513,541	136,367	649,908
Other comprehensive income (loss) for the year										
Currency translation adjustment						(346,921)		(346,921)	(86,712)	(433,633)
Cash flow hedges, net of tax				6,243				6,243	1,190	7,433
Total comprehensive income for the year				6,243		(346,921)	513,541	172,863	50,845	223,708
Repurchase of own shares to Usiminas (3)		(150,000)						(150,000)		(150,000)
Dividends paid in cash (6)				(99,329)			(47,902)	(147,231)		(147,231)
Dividends paid in cash by subsidiary companies									(140,579)	(140,579)
Contributions from non-controlling shareholders in consolidated subsidiaries									39,200	39,200
Balance at December 31, 2011	2,004,743	(150,000)	(23,295)	1,542,040	(2,324,866)	(864,353)	5,572,103	5,756,372	1,084,827	6,841,199

(1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 25 (iii).

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of December 31, 2011, there were 2,004,743,442 shares issued. All issued shares are fully paid.

- (3) See Note 30.
- (4) Include legal reserve under Luxembourg law for USD 200.5 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD (14.9) million and reserves related to the acquisition of non-controlling interest in subsidiaries according to IAS 27 for USD (58.5) million.
- (5) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.
- (6) Represents USD 0.075 per share (USD 0.75 per ADS).
Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 25 (iii). The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.**Consolidated financial statements****as of December 31, 2011 and 2010 and****for the years ended December 31, 2011, 2010 and 2009**

(All amounts in USD thousands)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Company's equity holders (1)								
	Capital stock (2)	Initial public offering expenses	Reserves (3)	Capital stock issue discount (4)	Currency translation adjustment	Retained earnings	Total	Non- controlling interest	Total Equity
Balance at January 1, 2010	2,004,743	(23,295)	1,726,216	(2,324,866)	(570,844)	4,484,388	5,296,342	964,897	6,261,239
Profit for the year						622,076	622,076	157,394	779,470
Other comprehensive income (loss) for the year:									
Currency translation adjustment					53,412		53,412	(17,497)	35,915
Cash flow hedges, net of tax			9,147				9,147	1,163	10,310
Total comprehensive income for the year			9,147		53,412	622,076	684,635	141,060	825,695
Dividends paid in cash (5)			(100,237)				(100,237)		(100,237)
Dividends paid in cash by subsidiary companies								(38,304)	(38,304)
Contributions from non-controlling shareholders in consolidated subsidiaries								4,900	4,900
Acquisition of business (See Note 3)								62,808	62,808
Balance at December 31, 2010	2,004,743	(23,295)	1,635,126	(2,324,866)	(517,432)	5,106,464	5,880,740	1,135,361	7,016,101

- (1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 25 (iii).
- (2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of December 31, 2010, there were 2,004,743,442 shares issued. All issued shares are fully paid.
- (3) Include legal reserve under Luxembourg law for USD 200.5 million, distributable reserves under Luxembourg law for USD 101.4 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD (22.4) million and reserves related to the acquisition of non-controlling interest in subsidiaries according to IAS 27 for USD (58.5) million.

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(4) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.

(5) Represents USD 0.05 per share (USD 0.50 per ADS).

Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 25 (iii). The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.**Consolidated financial statements****as of December 31, 2011 and 2010 and****for the years ended December 31, 2011, 2010 and 2009**

(All amounts in USD thousands)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Company's equity holders (1)								
	Capital stock (2)	Initial public offering expenses	Reserves	Capital stock issue discount (3)	Currency translation adjustment	Retained earnings	Total	Non- controlling interest	Total Equity
Balance at January 1, 2009	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 25 (iii).

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of December 31, 2009, there were 2,004,743,442 shares issued. All issued shares are fully paid.

(3) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.

(4) On February 5, 2009, Ternium Internacional España S.L.U. acquired from its related company Siderca S.A.I.C., 53,452 shares of Siderar S.A.I.C., representing 0.015% of that company's share capital, for an aggregate purchase price of USD 196 thousand. After this acquisition, Ternium increased its ownership in Siderar to 60.94%.

As permitted by IFRS 3, the Company accounted for this acquisition under the economic entity model, which requires that the acquisition of an additional equity interest in a controlled subsidiary be accounted for at its carrying amount, with the difference arising on purchase price allocation being recorded directly in equity.

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Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 25 (iii). The accompanying notes are an integral part of these consolidated financial statements

TERNIUM S.A.

Consolidated financial statements

as of December 31, 2011 and 2010 and

for the years ended December 31, 2011, 2010 and 2009

(All amounts in USD thousands)

CONSOLIDATED STATEMENT OF CASH FLOWS

	September 30, Notes	September 30, 2011	September 30, Year ended December 31, 2010	September 30, 2009
Cash flows from operating activities				
Income from continuing operations:		649,908	779,470	339,101
Adjustments for:				
Depreciation and amortization	12 & 13	405,842	383,300	385,105
Income tax accruals less payments	31 (b)	(255,945)	226,820	(49,342)
Equity in earnings of associated companies	14	(1,293)	(1,688)	(1,110)
Interest accruals less payments	31 (b)	43,047	(59)	10,706
Impairment charge	25 (ii)			27,022
Changes in provisions	20	29,932	5,543	4,614
Changes in working capital	31 (b)	(397,806)	(447,973)	635,179
Interest income Sidor financial asset	27 (i)	(11,390)	(61,012)	(135,952)
Net foreign exchange results and others		184,840	(77,576)	(53,565)
Net cash provided by operating activities		647,135	806,825	1,161,758
Cash flows from investing activities				
Capital expenditures	12 & 13	(601,343)	(350,124)	(208,590)
Acquisition of business:				
Purchase consideration	3		(75,000)	(196)
Cash acquired	3		6,593	
Decrease (Increase) in other investments	15 & 19	588,212	(820,672)	43,163
Proceeds from the sale of property, plant and equipment		1,696	1,693	3,245
Proceeds from Sidor financial asset	27	133,084	767,382	953,611
Dividends received from associated companies	14		302	
Contributions in associated companies	14		(302)	
Net cash provided by (used in) investing activities		121,649	(470,128)	791,233
Cash flows from financing activities				
Dividends paid in cash to company's shareholders		(147,231)	(100,237)	
Dividends paid in cash by subsidiary companies		(140,579)	(38,304)	
Contributions from non-controlling shareholders in consolidated subsidiaries		39,200	4,900	
Repurchase of treasury shares	30	(150,000)		
Proceeds from borrowings		666,180	35,441	219,037
Repayments of borrowings		(632,140)	(555,918)	(1,141,625)

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Net cash used in financing activities	(364,570)	(654,118)	(922,588)	
Increase (Decrease) in cash and cash equivalents	404,214	(317,421)	1,030,403	
Movement in cash and cash equivalents				
At January 1,	1,779,416	2,095,798	1,065,552	
Effect of exchange rate changes	(25,039)	1,039	(157)	
Increase (Decrease) in cash and cash equivalents	404,214	(317,421)	1,030,403	
Cash and cash equivalents at December 31, (1)	19	2,158,591	1,779,416	2,095,798

(1) In addition, the Company had restricted cash for USD 248 and USD 12,343 as of December 31, 2011 and 2010, respectively. As of December 31, 2009, there were no restricted cash. Additionally, the Company had other investments with a maturity of more than three months for USD 281,676 and USD 848,400 at December 31, 2011 and 2010, respectively.
The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.

Notes to the Consolidated Financial Statements

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TERNIUM S.A.

Notes to the Consolidated Financial Statements (Contd.)

1 General information

Ternium S.A. (the Company or Ternium), was incorporated on December 22, 2003 to hold investments in flat and long steel manufacturing and distributing companies. The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD1.00 per share. As of December 31, 2011, there were 2,004,743,442 shares issued. All issued shares are fully paid.

Following a corporate reorganization carried out during fiscal year 2005, in January 2006 the Company successfully completed its registration process with the United States Securities and Exchange Commission (SEC). Ternium s ADSs began trading on the New York Stock Exchange under the symbol TX on February 1, 2006. The Company s initial public offering was settled on February 6, 2006. On January 31, 2011, the Company filed with the SEC a registration statement on form F-3 relating to sales of equity and debt securities.

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

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

As part of the Company s corporate reorganization in connection with the termination of Luxembourg s 1929 holding company regime, on December 6, 2010, the Company contributed its equity holdings in all its subsidiaries and all its financial assets to its Luxembourg wholly-owned subsidiary Ternium Investments S.à.r.l., or Ternium Investments, in exchange for newly issued corporate units of Ternium Investments. As the assets contributed were recorded at their historical carrying amount in accordance with Luxembourg GAAP, the Company s December 2010 contribution of such assets to Ternium Investments resulted in a non-taxable revaluation of the accounting value of the Company s assets under Luxembourg GAAP. The amount of the December 2010 revaluation was equal to the difference between the historical carrying amounts of the assets contributed and the value at which such assets were contributed and amounted to USD4.0 billion. However, for the purpose of these consolidated financial statements, the assets contributed by Ternium to its wholly-owned subsidiary Ternium Investments were recorded based on their historical carrying amounts in accordance with IFRS, with no impact on the financial statements.

Following the completion of the corporate reorganization, and upon its conversion into an ordinary Luxembourg holding company, the Company voluntarily recorded a special reserve exclusively for tax-basis purposes. As of December 31, 2011 and 2010, this special tax reserve amounted to USD 7.7 billion and USD 7.9 billion, respectively. The Company expects that, as a result of its corporate reorganization, its current overall tax burden will not increase, as all or substantially all of its dividend income will come from high income tax jurisdictions. In addition, the Company expects that dividend distributions for the foreseeable future will be imputed to the special reserve and therefore should be exempt from Luxembourg withholding tax under current Luxembourg law.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) issued and effective or issued and early adopted as at the time of preparing these statements (February 2012), as issued by the International Accounting Standards Board, and adopted by the European Union. These consolidated financial statements are presented in thousands of United States dollars (USD), except otherwise indicated.

Elimination of all material intercompany transactions and balances between the Company and their respective subsidiaries have been made in consolidation.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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Certain comparative amounts have been reclassified to conform to changes in presentation in the current period. These reclassifications do not have a material effect on the Company's consolidated financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on February 22, 2012.

TERNIUM S.A.**Notes to the Consolidated Financial Statements (Contd.)****2 Basis of presentation (continued)**

Detailed below are the companies whose financial statements have been included in these consolidated financial statements.

Company	Country of Organization	Main activity	Percentage of ownership at December 31,		
			2011	2010	2009
Ternium S.A.	Luxembourg	Holding	100.00%	100.00%	100.00%
Ternium Investments S.à.r.l. (1)	Luxembourg	Holding	100.00%	100.00%	
Ternium Solutions A.G. (2)	Switzerland	Services	100.00%		
Ternium Brasil S.A. (3)	Brazil	Holding	100.00%	100.00%	100.00%
Siderúrgica do Norte Fluminense S.A. (4)	Brazil	Manufacturing and selling of steel products	100.00%	100.00%	
Ylopa Servicios de Consultoria Lda. (5)	Portugal	Holding		94.38%	94.38%
Consorcio Siderurgia Amazonia S.L.U. (6)	Spain	Holding	94.38%	94.38%	94.38%
Secor- Servicios Corporativos S.A. (6)	Venezuela	Holding	94.38%	94.38%	94.38%
Ternium Internacional España S.L.U. (3)	Spain	Marketing of steel products	100.00%	100.00%	100.00%
Siderar S.A.I.C. (7)	Argentina	Manufacturing and selling of flat steel products	60.94%	60.94%	60.94%
Impeco S.A. (8)	Argentina	Manufacturing of pipe products	60.97%	60.97%	60.97%
Prosid Investments S.C.A. (8)	Uruguay	Holding	60.94%	60.94%	60.94%
Inversiones Basilea S.A. (9)	Chile	Purchase and sale of real estate and other	60.94%	60.94%	60.94%
Ternium Mexico S.A. de C.V. (10)	Mexico	Holding	88.72%	88.72%	88.71%
Hylsa S.A. de C.V. (11)	Mexico	Manufacturing and selling of steel products	88.72%	88.72%	88.71%
Las Encinas S.A. de C.V. (11)	Mexico	Exploration, exploitation and pelletizing of iron ore	88.72%	88.72%	88.71%
Ferropak Comercial S.A. de C.V. (11)	Mexico	Scrap services company	88.72%	88.72%	88.71%
Ferropak Servicios S.A. de C.V. (11)	Mexico	Services	88.72		