

Ternium S.A.
Form 6-K
August 03, 2016

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 8/2/2016

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

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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

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.A.'s consolidated financial statements as of June 30, 2016.

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/ Pablo Brizzio | By: /s/ Daniel Novegil |
| Name: Pablo Brizzio | Name: Daniel Novegil |
| Title: Chief Financial Officer | Title: Chief Executive Officer |

Dated: August 2, 2016

TERNIUM S.A.

Consolidated Condensed Interim Financial Statements

as of June 30, 2016

and for the six-month periods

ended on June 30, 2016 and 2015

29 Avenue de la Porte-Neuve, 3rd floor

L – 2227

R.C.S. Luxembourg: B 98 668

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TERNIUM S.A.

Consolidated Condensed Interim Financial Statements as of June 30, 2016

and for the six-month periods ended June 30, 2016 and 2015

(All amounts in USD thousands)

Consolidated Condensed Interim Income Statements

| | Notes | Three-month period ended June 30, | | Six-month period ended June 30, | |
|---|-------|--------------------------------------|---------------|------------------------------------|---------------|
| | | 2016 (Unaudited) | 2015 | 2016 (Unaudited) | 2015 |
| Net sales | 3 | 1,862,841 | 1,996,071 | 3,518,343 | 4,122,146 |
| Cost of sales | 3 & 4 | (1,389,727) | (1,689,751) | (2,676,536) | (3,418,054) |
| Gross profit | 3 | 473,114 | 306,320 | 841,807 | 704,092 |
| Selling, general and administrative expenses | 3 & 5 | (180,020) | (204,799) | (344,036) | (402,165) |
| Other operating income (expenses), net | 3 | 420 | 1,548 | (1,901) | 5,288 |
| Operating income | 3 | 293,514 | 103,069 | 495,870 | 307,215 |
| Finance expense | 6 | (23,870) | (24,445) | (36,526) | (48,494) |
| Finance income | 6 | 4,097 | 1,858 | 7,116 | 3,985 |
| Other financial income (expenses), net | 6 | 19,587 | 2,389 | 7,381 | 18,512 |
| Equity in earnings (losses) of non-consolidated companies | | 4,884 | (1,055) | 7,326 | (10,575) |
| Profit before income tax expense | | 298,212 | 81,816 | 481,167 | 270,643 |
| Income tax expense | | (123,959) | (31,324) | (183,332) | (124,360) |
| Profit for the period | | 174,253 | 50,492 | 297,835 | 146,283 |
| Attributable to: | | | | | |
| Owners of the parent | | 153,982 | 41,024 | 248,371 | 109,479 |
| Non-controlling interest | | 20,271 | 9,468 | 49,464 | 36,804 |
| Profit for the period | | 174,253 | 50,492 | 297,835 | 146,283 |
| | | 1,963,076,776 | 1,963,076,776 | 1,963,076,776 | 1,963,076,776 |

Weighted average number of shares
outstanding

| | | | | |
|---|------|------|------|------|
| Basic and diluted earnings (losses) per share for profit (loss) attributable to the equity holders of the company (expressed in USD per share) | 0.08 | 0.02 | 0.13 | 0.06 |
|---|------|------|------|------|

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2015.

TERNIUM S.A.

Consolidated Condensed Interim Financial Statements as of June 30, 2016

and for the six-month periods ended June 30, 2016 and 2015

(All amounts in USD thousands)

Consolidated Condensed Interim Statements of Comprehensive Income

| | Three-month period ended June 30, | | Six-month period ended June 30, | |
|--|---|-----------|------------------------------------|------------|
| | 2016 (Unaudited) | 2015 | 2016 (Unaudited) | 2015 |
| Profit for the period | 174,253 | 50,492 | 297,835 | 146,283 |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Currency translation adjustment | (15,835) | (28,276) | (104,242) | (62,533) |
| Currency translation adjustment from participation in non-consolidated companies | 60,827 | 20,390 | 60,556 | (106,297) |
| Changes in the fair value of derivatives classified as cash flow hedges and others | (261) | 9,020 | (1,486) | 1,203 |
| Income tax relating to cash flow hedges | 79 | (2,974) | 446 | (348) |
| Others from participation in non-consolidated companies | (1,370) | - | (2,716) | (1,620) |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of post employment benefit obligations | (251) | 1,031 | (275) | 1,374 |
| Other comprehensive income (loss) for the period, net of tax | 43,189 | (809) | (47,717) | (168,221) |
| Total comprehensive income (loss) for the period | 217,442 | 49,683 | 250,118 | (21,938) |
| Attributable to: | | | | |
| Owners of the parent | 199,215 | 47,496 | 237,544 | (26,777) |
| Non-controlling interest | 18,227 | 2,187 | 12,574 | 4,839 |
| Total comprehensive income (loss) for the period | 217,442 | 49,683 | 250,118 | (21,938) |

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2015.

TERNIUM S.A.

Consolidated Condensed Interim Financial Statements as of June 30, 2015

and for the six-month periods ended June 30, 2016 and 2015

(All amounts in USD thousands)

Consolidated Condensed Interim Statements of Financial Position

| | Notes | Balances as of June 30, 2016 (Unaudited) | December 31, 2015 | |
|---|-------|--|-------------------|-----------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment, net | 7 | 4,159,656 | 4,207,566 | |
| Intangible assets, net | 8 | 861,742 | 888,206 | |
| Investments in non-consolidated companies | 9 | 429,884 | 250,412 | |
| Deferred tax assets | | 88,423 | 98,058 | |
| Receivables, net | | 78,145 | 5,617,850 | 36,147 |
| | | | | 5,480,389 |
| Current assets | | | | |
| Receivables | | 82,006 | 89,484 | |
| Derivative financial instruments | | - | 1,787 | |
| Inventories, net | | 1,362,221 | 1,579,120 | |
| Trade receivables, net | | 690,922 | 511,464 | |
| Other investments | | 203,110 | 237,191 | |
| Cash and cash equivalents | | 178,930 | 2,517,189 | 151,491 |
| | | | | 2,570,537 |
| Non-current assets classified as held for sale | | | | |
| | | | 11,903 | 11,667 |
| | | | 2,529,092 | 2,582,204 |
| Total Assets | | 8,146,942 | 8,062,593 | |
| EQUITY | | | | |
| Capital and reserves attributable to the owners of the parent | | 4,094,015 | 4,033,148 | |
| Non-controlling interest | | 731,593 | 769,849 | |
| Total Equity | | 4,825,608 | 4,802,997 | |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Provisions | | 7,596 | 8,142 | |

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| | | | | |
|----------------------------------|-----------|-----------|---------|-----------|
| Deferred tax liabilities | 608,698 | | 609,514 | |
| Other liabilities | 303,351 | | 320,673 | |
| Trade payables | 13,396 | | 13,413 | |
| Borrowings | 511,433 | 1,444,474 | 607,237 | 1,558,979 |
| Current liabilities | | | | |
| Current income tax liabilities | 71,936 | | 41,064 | |
| Other liabilities | 196,103 | | 156,654 | |
| Trade payables | 581,079 | | 568,478 | |
| Derivative financial instruments | 11,873 | | 20,635 | |
| Borrowings | 1,015,869 | 1,876,860 | 913,786 | 1,700,617 |
| Total Liabilities | | 3,321,334 | | 3,259,596 |
| Total Equity and Liabilities | | 8,146,942 | | 8,062,593 |

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2015.

TERNIUM S.A.

Consolidated Condensed Interim Financial Statements as of June 30, 2016

and for the six-month periods ended June 30, 2016 and 2015

(All amounts in USD thousands)

Consolidated Condensed Interim Statements of Changes in Equity

| | Attributable to the owners of the parent (1) | | | | | Currency translation adjustment | Retained earnings | Total | Non-controlling interest |
|--|--|---------------------|----------------------------------|--------------|----------------------------------|---------------------------------|-------------------|------------|--------------------------|
| | Capital stock (2) | Treasury shares (2) | Initial public offering expenses | Reserves (3) | Capital stock issue discount (4) | | | | |
| Balance as of January 1, 2016 | 2,004,743 | (150,000) | (23,295) | 1,444,394 | (2,324,866) | (2,300,335) | 5,382,507 | 4,033,148 | 769,844 |
| Profit for the period | | | | | | | 248,371 | 248,371 | 49,464 |
| Other comprehensive income (loss) for the period | | | | | | | | | |
| Currency translation adjustment | | | | | | (7,520) | | (7,520) | (36,160) |
| Remeasurement of post employment benefit obligations | | | | (253) | | | | (253) | (22) |
| Cash flow hedges and others, net of tax | | | | (530) | | | | (530) | (510) |
| Others | | | | (2,524) | | | | (2,524) | (192) |
| Total comprehensive income (loss) for the period | - | - | - | (3,307) | - | (7,520) | 248,371 | 237,544 | 12,574 |
| | | | | | | | (176,677) | (176,677) | - |

| | | | | | | | | | | |
|---|-----------|-----------|----------|-----------|-------------|-------------|-----------|-----------|--|----------|
| Dividends paid in cash (5) | | | | | | | | | | |
| Dividends paid in cash to non-controlling interest | | | | | | | | - | | (50,829) |
| Balance as of June 30, 2016 (unaudited) | 2,004,743 | (150,000) | (23,295) | 1,441,087 | (2,324,866) | (2,307,855) | 5,454,201 | 4,094,015 | | 731,599 |

(1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 11 (iii).

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of June 30, 2016, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of June 30, 2016, the Company held 41,666,666 shares as treasury shares.

(3) 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 (1.4) million and reserves related to the acquisition of non-controlling interest in subsidiaries for USD (88.5) million.

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

(5) See note 10.

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 condensed interim financial statements may not be wholly distributable. See Note 11 (iii).

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2015.

TERNIUM S.A.

Consolidated Condensed Interim Financial Statements as of June 30, 2016

and for the six-month periods ended June 30, 2016 and 2015

(All amounts in USD thousands)

Consolidated Condensed Interim Statements of Changes in Equity

| | Attributable to the owners of the parent (1) | | | | | Currency translation adjustment | Retained earnings | Total | Non-controlling interest |
|--|--|---------------------|----------------------------------|--------------|----------------------------------|---------------------------------|-------------------|------------|--------------------------|
| | Capital stock (2) | Treasury shares (2) | Initial public offering expenses | Reserves (3) | Capital stock issue discount (4) | | | | |
| Balance as of January 1, 2015 | 2,004,743 | (150,000) | (23,295) | 1,475,619 | (2,324,866) | (1,836,057) | 5,551,057 | 4,697,201 | 937,500 |
| Profit for the period | | | | | | | 109,479 | 109,479 | 36,804 |
| Other comprehensive (loss) income for the period | | | | | | | | | |
| Currency translation adjustment | | | | | | (136,383) | | (136,383) | (32,441) |
| Remeasurement of post employment benefit obligations | | | | 945 | | | | 945 | 429 |
| Cash flow hedges, net of tax | | | | 688 | | | | 688 | 167 |
| Others | | | | (1,506) | | | | (1,506) | (114) |
| Total comprehensive loss for the period | - | - | - | 127 | - | (136,383) | 109,479 | (26,777) | 4,839 |
| Dividends paid in cash (5) | | | | | | | (176,677) | (176,677) | - |

| | | | | | | | | | | | |
|--|-----------|-----------|----------|-----------|-------------|-------------|-----------|-----------|---------|----------|----------|
| Dividends paid in cash to non-controlling interest | | | | | | | | | | - | (32,743) |
| Contributions from non-controlling shareholders in consolidated subsidiaries (6) | | | | | | | | | | - | 30,870 |
| Sale of participation in subsidiary companies (7) | | | | | | | | | | - | 1,509 |
| Acquisition of non-controlling interest (8) | | | | (29,626) | | | | | | (29,626) | (44,374) |
| Balance as of June 30, 2015 (unaudited) | 2,004,743 | (150,000) | (23,295) | 1,446,120 | (2,324,866) | (1,972,440) | 5,483,859 | 4,464,121 | 897,600 | | |

(1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 11 (iii).

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of June 30, 2015, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of June 30, 2015, the Company held 41,666,666 shares as treasury shares.

(3) 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 (0.4) million and reserves related to the acquisition of non-controlling interest in subsidiaries for USD (88.5) million.

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

(5) See note 10.

(6) Corresponds to the contribution made by Nippon Steel Corporation in connection with its participation in Tenigal, S.R.L. de C.V.

(7) Corresponds to the sale of the participation in Ferrasa Panamá S.A.

(8) Corresponds to the acquisition of the non-controlling interest in Ferrasa S.A.S.

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 condensed interim financial statements may not be wholly distributable. See Note 11 (iii).

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the fiscal year ended December 31, 2015.

TERNIUM S.A.

Consolidated Condensed Interim Financial Statements as of June 30, 2016

and for the six-month periods ended June 30, 2016 and 2015

(All amounts in USD thousands)

Consolidated Condensed Interim Statements of Cash Flows

| | Notes | Six-month period ended June 30, (Unaudited) | |
|--|-------|---|------------|
| | | 2016 | 2015 |
| Cash flows from operating activities | | | |
| Profit for the period | | 297,835 | 146,283 |
| Adjustments for: | | | |
| Depreciation and amortization | 7 & 8 | 199,922 | 218,419 |
| Income tax accruals less payments | | 54,623 | (23,440) |
| Equity in (earnings) losses of non-consolidated companies | | (7,326) | 10,575 |
| Interest accruals less payments | | 6,862 | 2,475 |
| Changes in provisions | | 1,715 | 1,819 |
| Changes in working capital (1) | | 47,050 | 386,123 |
| Results on the sale of participation in subsidiary company | | - | 1,739 |
| Net foreign exchange results and others | | 476 | 14,537 |
| Net cash provided by operating activities | | 601,157 | 758,530 |
| Cash flows from investing activities | | | |
| Capital expenditures | 7 & 8 | (230,175) | (227,470) |
| Investment in non-consolidated companies - Usiminas | 9 | (114,449) | - |
| Loans to non-consolidated companies | | (52,032) | - |
| Sale of participation in subsidiary company, net of cash disposed | | - | (673) |
| Decrease (Increase) in other investments | | 34,081 | (16,894) |
| Proceeds from the sale of property, plant and equipment | | 480 | 614 |
| Dividends received from non-consolidated companies | | 121 | - |
| Net cash used in investing activities | | (361,974) | (244,423) |
| Cash flows from financing activities | | | |
| Dividends paid in cash to company's shareholders | | (176,677) | (176,677) |
| Dividends paid in cash to non-controlling interest | | (50,829) | (32,743) |
| Contributions from non-controlling shareholders in consolidated subsidiaries | | - | 30,870 |
| Acquisition of non-controlling interest | | - | (74,000) |
| Proceeds from borrowings | | 610,500 | 401,963 |

| | | |
|--|------------|------------|
| Repayments of borrowings | (592,520) | (612,288) |
| Net cash used in financing activities | (209,526) | (462,875) |
| Increase in cash and cash equivalents | 29,657 | 51,232 |
| Movement in cash and cash equivalents | | |
| At January 1, | 151,491 | 213,303 |
| Effect of exchange rate changes | (2,218) | (613) |
| Increase in cash and cash equivalents | 29,657 | 51,232 |
| Cash and cash equivalents as of June 30, (2) | 178,930 | 263,922 |

(1) The working capital is impacted by non-cash movement of USD (45.1) million as of June 30, 2016 (USD (41.3) million as of June 30, 2015) due to the variations in the exchange rates used by subsidiaries with functional currencies different from the US dollar.

(2) It includes restricted cash of USD 85 and USD 89 as of June 30, 2016 and 2015, respectively. In addition, the Company had other investments with a maturity of more than three months for USD 203,110 and USD 168,139 as of June 30, 2016 and 2015, respectively.

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited consolidated Financial Statements and notes for the fiscal year ended December 31, 2015.

TERNIUM S.A.

Consolidated Condensed Interim Financial Statements as of June 30, 2016

and for the six-month periods ended June 30, 2016 and 2015

Notes to the Consolidated Condensed Interim Financial Statements

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

a) General information and basis of presentation

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 USD 1.00 per share. As of June 30, 2016, 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.

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 USD 4.0 billion. However, for the purpose of these consolidated condensed interim 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.

TERNIUM S.A.

Consolidated Condensed Interim Financial Statements as of June 30, 2016

and for the six-month periods ended June 30, 2016 and 2015

1. GENERAL INFORMATION AND BASIS OF PRESENTATION (continued)

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, 2015 and 2014, this special reserve amounted to USD 7.1 billion and USD 7.3 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.

The name and percentage of ownership of subsidiaries that have been included in consolidation in these Consolidated Condensed Interim Financial Statements is disclosed in Note 2 to the audited Consolidated Financial Statements for the year ended December 31, 2015.

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.

The preparation of Consolidated Condensed Interim Financial Statements requires management to make estimates and assumptions that might affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the statement of financial position, and also the reported amounts of revenues and expenses for the reported periods. Actual results may differ from these estimates.

Material intercompany transactions and balances have been eliminated in consolidation. However, the fact that the functional currency of the Company's subsidiaries differ, results in the generation of foreign exchange gains and losses that are included in the Consolidated Condensed Interim Income Statement under "Other financial income (expenses), net".

These Consolidated Condensed Interim Financial Statements have been approved for issue by the Board of Directors of Ternium on August 2, 2016.

2.ACCOUNTING POLICIES

These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” and are unaudited. These Consolidated Condensed Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in conformity with International Financial Reporting Standards as adopted by the European Union (“EU”). Recently issued accounting pronouncements were applied by the Company as from their respective dates.

These Consolidated Condensed Interim Financial Statements have been prepared following the same accounting policies used in the preparation of the audited Consolidated Financial Statements for the year ended December 31, 2015.

None of the accounting pronouncements issued after December 31, 2015, and as of the date of these Consolidated Condensed Interim Financial Statements have a material effect on the Company’s financial condition or result or operations.

TERNIUM S.A.

Consolidated Condensed Interim Financial Statements as of June 30, 2016

and for the six-month periods ended June 30, 2016 and 2015

3.SEGMENT INFORMATION

REPORTABLE OPERATING SEGMENTS

The Company is organized in two reportable segments: Steel and Mining.

The Steel segment includes the sales of steel products, which comprises slabs, hot rolled coils and sheets, cold rolled coils and sheets, tin plate, welded pipes, hot dipped galvanized and electro-galvanized sheets, pre-painted sheets, billets (steel in its basic, semi-finished state), wire rod and bars and other tailor-made products to serve its customers' requirements.

The Steel segment comprises three operating segments: Mexico, Southern Region and Other markets. These three segments have been aggregated considering the economic characteristics and financial effects of each business activity in which the entity engages; the related economic environment in which it operates; the type or class of customer for the products; the nature of the products; and the production processes. The Mexico operating segment comprises the Company's businesses in Mexico. The Southern region operating segment manages the businesses in Argentina, Paraguay, Chile, Bolivia and Uruguay. The Other markets operating segment includes businesses mainly in United States, Colombia, Guatemala, Costa Rica, El Salvador, Nicaragua and Honduras.

The Mining segment includes the sales of mining products, mainly iron ore and pellets, and comprises the mining activities of Las Encinas, an iron ore mining company in which Ternium holds a 100% equity interest and the 50% of the operations and results performed by Peña Colorada, another iron ore mining company in which Ternium maintains that same percentage over its equity interest. Both mining operations are located in Mexico.

Ternium's Chief Operating Decision Maker (CEO) holds monthly meetings with senior management, in which operating and financial performance information is reviewed, including financial information that differs from IFRS principally as follows:

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- The use of direct cost methodology to calculate the inventories, while under IFRS is at full cost, including absorption of production overheads and depreciation.
- The use of costs based on previously internally defined cost estimates, while, under IFRS, costs are calculated at historical cost (with the FIFO method).
- Other timing and non-significant differences.

Most information on segment assets is not disclosed as it is not reviewed by the CODM (CEO).

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3.SEGMENT INFORMATION (continued)

| | Six-month period ended June 30, 2016 (Unaudited) | | | |
|--|--|-----------|-------------------------------|--------------|
| | Steel | Mining | Inter-segment eliminations | Total |
| IFRS | | | | |
| Net sales | 3,517,234 | 92,250 | (91,141) | 3,518,343 |
| Cost of sales | (2,672,381) | (95,767) | 91,612 | (2,676,536) |
| Gross profit | 844,853 | (3,517) | 471 | 841,807 |
| Selling, general and administrative expenses | (338,289) | (5,747) | - | (344,036) |
| Other operating income, net | (820) | (1,081) | - | (1,901) |
| Operating income - IFRS | 505,744 | (10,345) | 471 | 495,870 |
| Management view | | | | |
| Net sales | 3,517,234 | 96,525 | (95,416) | 3,518,343 |
| Operating income | 484,576 | (3,760) | 1,943 | 482,759 |
| Reconciliation items: | | | | |
| Differences in Cost of sales | | | | 13,111 |
| Operating income - IFRS | | | | 495,870 |
| Financial income (expense), net | | | | (22,029) |
| Equity in losses of non-consolidated companies | | | | 7,326 |
| Income before income tax expense - IFRS | | | | 481,167 |
| Depreciation and amortization - IFRS | (177,825) | (22,097) | - | (199,922) |

| | Six-month period ended June 30, 2015 (Unaudited) | | | |
|--|--|------------|-------------------------------|--------------|
| | Steel | Mining | Inter-segment eliminations | Total |
| IFRS | | | | |
| Net sales | 4,120,767 | 106,638 | (105,259) | 4,122,146 |
| Cost of sales | (3,401,440) | (116,800) | 100,186 | (3,418,054) |
| Gross profit | 719,327 | (10,162) | (5,073) | 704,092 |
| Selling, general and administrative expenses | (395,309) | (6,856) | - | (402,165) |
| Other operating income, net | 5,375 | (87) | - | 5,288 |
| Operating income - IFRS | 329,393 | (17,105) | (5,073) | 307,215 |
| Management view | | | | |
| Net sales | 4,120,767 | 116,574 | (115,195) | 4,122,146 |

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| | | | | |
|--|------------|-----------|----------|------------|
| Operating income | 467,366 | (3,098) | (2,322) | 461,947 |
| Reconciliation items: | | | | |
| Differences in Cost of sales | | | | (154,731) |
| Operating income - IFRS | | | | 307,215 |
| Financial income (expense), net | | | | (25,997) |
| Equity in losses of non-consolidated companies | | | | (10,575) |
| Income before income tax expense - IFRS | | | | 270,643 |
| Depreciation and amortization - IFRS | (192,787) | (25,632) | - | (218,419) |

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3. SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

There are no revenues from external customers attributable to the Company's country of incorporation (Luxembourg).

For purposes of reporting geographical information, net sales are allocated based on the customer's location. Allocation of non-current assets is based on the geographical location of the underlying assets.

| | Six-month period ended June 30, 2016 (Unaudited) | | | |
|------------------------|--|-----------------|---------------|-----------|
| | Mexico | Southern region | Other markets | Total |
| Net sales | 2,183,368 | 916,070 | 418,905 | 3,518,343 |
| Non-current assets (1) | 4,153,864 | 626,302 | 241,232 | 5,021,398 |

| | Six-month period ended June 30, 2015 (Unaudited) | | | |
|------------------------|--|-----------------|---------------|-----------|
| | Mexico | Southern region | Other markets | Total |
| Net sales | 2,367,678 | 1,271,762 | 482,706 | 4,122,146 |
| Non-current assets (1) | 4,191,348 | 917,730 | 262,706 | 5,371,784 |

(1) Includes Property, plant and equipment and Intangible assets.

4. COST OF SALES

Six-month period ended
June 30,

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2016 2015
(Unaudited)

| | | |
|--|--------------|-------------|
| Inventories at the beginning of the year | 1,579,120 | 2,134,034 |
| Translation differences | (57,912) | (36,660) |
| Plus: Charges for the period | | |
| Raw materials and consumables used and other movements | 1,807,753 | 2,341,044 |
| Services and fees | 39,979 | 46,076 |
| Labor cost | 260,099 | 307,790 |
| Depreciation of property, plant and equipment | 155,424 | 169,928 |
| Amortization of intangible assets | 18,622 | 23,666 |
| Maintenance expenses | 220,856 | 244,315 |
| Office expenses | 3,673 | 3,293 |
| Insurance | 4,364 | 4,853 |
| Change of obsolescence allowance | 3,806 | 1,940 |
| Recovery from sales of scrap and by-products | (9,870) | (15,347) |
| Others | 12,843 | 9,612 |
| Less: Inventories at the end of the period | (1,362,221) | (1,816,490) |
| Cost of Sales | 2,676,536 | 3,418,054 |

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5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

| | Six-month period ended | |
|--|------------------------|---------|
| | June 30, | 2015 |
| | 2016 | |
| | (Unaudited) | |
| Services and fees | 29,126 | 36,205 |
| Labor cost | 94,442 | 115,352 |
| Depreciation of property, plant and equipment | 6,839 | 7,003 |
| Amortization of intangible assets | 19,037 | 17,822 |
| Maintenance and expenses | 1,692 | 2,486 |
| Taxes | 49,378 | 65,320 |
| Office expenses | 18,742 | 21,154 |
| Freight and transportation | 117,253 | 129,097 |
| Increase (decrease) of allowance for doubtful accounts | 826 | (734) |
| Others | 6,701 | 8,460 |
| Selling, general and administrative expenses | 344,036 | 402,165 |

6. FINANCE EXPENSE, FINANCE INCOME AND OTHER FINANCIAL INCOME (EXPENSES) , NET

| | Six-month period ended | |
|--|------------------------|-----------|
| | June 30, | 2015 |
| | 2016 | |
| | (Unaudited) | |
| Interest expense | (35,385) | (47,477) |
| Debt issue costs | (1,141) | (1,017) |
| Finance expense | (36,526) | (48,494) |
| Interest income | 7,116 | 3,985 |
| Finance income | 7,116 | 3,985 |
| Net foreign exchange gain (loss) | 681 | 13,756 |
| Change in fair value of financial assets | 7,064 | (6,537) |
| Derivative contract results | 896 | 12,564 |
| Others | (1,260) | (1,271) |
| Other financial income (expenses), net | 7,381 | 18,512 |

7. PROPERTY, PLANT AND EQUIPMENT, NET

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| | Six-month period ended | |
|----------------------------------|------------------------|------------|
| | June 30, | |
| | 2016 | 2015 |
| | (Unaudited) | |
| At the beginning of the year | 4,207,566 | 4,481,027 |
| Currency translation differences | (91,375) | (55,272) |
| Additions | 218,063 | 212,961 |
| Disposals | (8,990) | (11,427) |
| Depreciation charge | (162,263) | (176,931) |
| Transfers and reclassifications | (3,345) | - |
| At the end of the period | 4,159,656 | 4,450,358 |

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8. INTANGIBLE ASSETS, NET

| | Six-month period ended | |
|----------------------------------|------------------------|-----------|
| | June 30, 2016 | 2015 |
| | (Unaudited) | |
| At the beginning of the year | 888,206 | 948,886 |
| Currency translation differences | (917) | (481) |
| Additions | 12,112 | 14,509 |
| Amortization charge | (37,659) | (41,488) |
| At the end of the period | 861,742 | 921,426 |

9. INVESTMENTS IN NON-CONSOLIDATED COMPANIES

| Company | Country of incorporation | Main activity | Voting rights as of | | Value as of | |
|--|-----------------------------|--|---------------------|----------------------|------------------|----------------------|
| | | | June 30, 2016 | December 31, 2015 | June 30, 2016 | December 31, 2015 |
| Usinas Siderurgicas de Minas Gerais S.A. - USIMINAS | Brazil | Manufacturing and selling of steel products | 32.88 % | 32.88 % | 420,825 | 239,960 |
| Other non-consolidated companies (1) | | | | | 9,059 | 10,452 |
| | | | | | 429,884 | 250,412 |

(1) It includes the investments held in Techgen S.A. de C.V., Finma S.A.I.F., Arhsa S.A., Techinst S.A., Recrotek S.R.L. de C.V. and Gas Industrial de Monterrey S.A. de C.V.

(a) *Usinas Siderurgicas de Minas Gerais S.A. - USIMINAS*

On January 16, 2012, the Company's wholly-owned Luxembourg subsidiary Ternium Investments S.à r.l. ("Ternium Investments"), together with the Company's Argentine majority-owned subsidiary Siderar S.A.I.C. ("Siderar"), Siderar's wholly-owned Uruguayan subsidiary Prosid Investments S.A. ("Prosid"), and Confab Industrial S.A., a Brazilian

subsidiary of Tenaris S.A. (“TenarisConfab”), joined Usiminas’ existing control group through the acquisition of 84.7, 30.0, and 25.0 million ordinary shares, respectively. The rights and obligations of the control group members are governed by a shareholders’ agreement. As a result of these transactions, the control group, which holds ordinary shares representing the majority of Usiminas’ voting rights, is formed as follows: Nippon Steel & Sumitomo Metal Corporation Group (“NSSMC”, formerly Nippon Group), with 46.1% of the voting rights within the control group; T/T Group (comprising TenarisConfab, Prosid, Siderar and Ternium Investments), with 43.3%; and Previdência Usiminas (Usiminas’ employee pension fund), with the remainder 10.6%.

On October 2, 2014, Ternium Investments entered into a purchase agreement with Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI for the acquisition of 51.4 million ordinary shares of Usiminas at a price of BRL 12 per share, for a total amount of BRL 616.7 million. On October 30, 2014, Ternium Investments completed the acquisition. These additional shares are not subject to the Usiminas shareholders agreement, but must be voted in accordance with the control group decisions.

On April 20, 2016, Ternium (through Ternium Investments, Siderar and Prosid) subscribed, in the aggregate, to 8.5 million preferred shares for a total subscription price of BRL 10.9 million (approximately USD 3.1 million). These preferred shares were issued on June 3, 2016.

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9. INVESTMENTS IN NON-CONSOLIDATED COMPANIES (continued)

On April 18, 2016, Usiminas' extraordinary general shareholders' meeting approved an issuance of 200 million ordinary shares for an aggregate amount of BRL 1 billion and Usiminas launched a multi-round subscription process. As of June 30, 2016, Ternium (through Ternium Investments, Siderar and Prosid) had paid an aggregate amount of BRL 382.2 million into Usiminas. On July 19, 2016, following the completion of the subscription process, Usiminas' extraordinary general shareholders' meeting homologated the capital increase, and Ternium (through Ternium Investments, Siderar and Prosid) was issued, in the aggregate, 76.4 million ordinary shares for a total subscription price of BRL 382.2 million (approximately USD 110.9 million). Following the issuance of these ordinary shares, Ternium (through Ternium Investments, Siderar and Prosid) owns a total of 242.6 million ordinary shares and 8.5 million preferred shares, representing 20.5% of Usiminas' capital, and the T/T Group owns 39.6% of Usiminas' ordinary shares and 1.8% of Usiminas' preferred shares. Ternium continues to hold 35.6% of Usiminas' voting rights within the control group and has a participation in Usiminas' results of 20.5%.

At June 30, 2016, Ternium held 166.1 million ordinary shares and 8.5 million preferred shares of Usiminas, and had paid the subscription price for shares not yet issued for a total amount of BRL 382.2 million. As of that date, the closing price of the Usiminas ordinary and preferred shares, as quoted on the BM&F Bovespa Stock Exchange, was BRL 5,08 (approximately USD 1,58) per ordinary share and BRL 1,97 (approximately USD 0,61) per preferred share, respectively. Accordingly, as of June 30, 2016, Ternium's ownership stake had a market value of approximately USD 389.1 million and a carrying value of USD 420.8 million.

Usiminas' financial statements as of June 30, 2016, described a downgraded economic scenario for the company that caused a significant impact on its financial leverage and cash generation. In addition, KPMG, Usiminas' external auditors, reiterated in their report on these financial statements an emphasis of matter paragraph that indicated the existence of "a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern", as they had done in their report on Usiminas' financial statements as of December 31, 2015.

Management believes the above-mentioned capital increase coupled with Usiminas' ongoing financial debt restructuring process are likely to contribute to improve Usiminas' financial situation and that, following the USD 191.9 million impairment of the Company's investment in Usiminas recorded in the fourth quarter of 2015 (which reduced the investment's book value as of December 31, 2015 to USD 240.0 million), no additional impairment is required to be recorded.

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The Company reviews periodically the recoverability of its investment in Usiminas. To determine the recoverable value, the Company estimates the value in use of the investment by calculating the present value of the expected cash flows or its fair value less costs of disposal.

As of June 30, 2016, the value of the investment in Usiminas is comprised as follows:

| Value of investment | USIMINAS |
|--|----------|
| As of January 1, 2016 | 239,960 |
| Share of results | 8,053 |
| Other comprehensive income | 58,363 |
| Cash paid for the acquisition of additional shares (*) | 114,449 |
| As of June 30, 2016 | 420,825 |
| (*) Homologated on July 19, 2016 | |

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9. INVESTMENTS IN NON-CONSOLIDATED COMPANIES (continued)

On July 27, 2016, Usiminas approved its consolidated interim accounts as of and for the six-months ended June 30, 2016, which state that revenues, post-tax loss from continuing operations and shareholders' equity amounted to USD 1,101 million, USD 74 million and USD 4,088 million, respectively.

| | USIMINAS | |
|--|---------------------|---|
| Summarized balance sheet (in million USD) | As of June 30, 2016 | |
| Assets | | |
| Non-current | 6,268 | |
| Current | 2,100 | |
| Total Assets | 8,368 | |
| Liabilities | | |
| Non-current | 1,964 | |
| Current | 1,820 | |
| Total Liabilities | 3,784 | |
| Minority interest | 496 | |
| Shareholders' equity | 4,088 | |
| | | |
| | USIMINAS | |
| | Six-month period | |
| Summarized income statement (in million USD) | ended | |
| | June 30, 2016 | |
| Net sales | 1,101 | |
| Cost of sales | (1,111) |) |
| Gross Profit | (10) |) |
| Selling, general and administrative expenses | (84) |) |
| Other operating income, net | (72) |) |
| Operating income | (166) |) |
| Financial expenses, net | 59 | |
| Equity in earnings of associated companies | 24 | |
| Loss before income tax | (83) |) |
| Income tax expense | 9 | |
| Net loss before minority interest | (74) |) |
| Minority interest in other subsidiaries | (2) |) |
| Net loss for the period | (76) |) |

(b) *Techgen S.A. de C.V.*

Techgen is a Mexican project company currently undertaking the construction and operation of a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico. As of February 2014, Ternium, Tenaris, and Tecpetrol International S.A. (a wholly-owned subsidiary of San Faustin S.A., the controlling shareholder of both Ternium and Tenaris) completed their initial investments in Techgen. Techgen is currently owned 48% by Ternium, 30% by Tecpetrol and 22% by Tenaris. Ternium and Tenaris also agreed to enter into power supply and transportation agreements with Techgen, pursuant to which Ternium and Tenaris will contract 78% and 22%, respectively, of Techgen's power capacity of between 850 and 900 megawatts. During 2015, each of Techgen's shareholders made additional investments in Techgen, primarily in the form of cash contributions and subordinated loans. During 2015 and 2016, Ternium made cash contributions of USD 9.6 million and granted a subordinated loan which amounted to USD 62.4 million. For commitments from Ternium in connection with Techgen, see note 11.

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10. DISTRIBUTION OF DIVIDENDS

During the annual shareholders' meeting held on May 4, 2016, the shareholders approved a distribution of dividends of USD 0.09 per share (USD 0.90 per ADS), or approximately USD 180.4 million in the aggregate. The dividend was paid on May 13, 2016.

11. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS

This note should be read in conjunction with Note 24 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2015. Significant changes or events since the date of issue of such financial statements are as follows:

(i) Tax claims and other contingencies

(a) *Siderar. AFIP – Income tax claim for fiscal years 1995 to 1999*

The Argentine tax authority (Administración Federal de Ingresos Públicos, or "AFIP") has challenged the deduction from income of certain disbursements treated by Siderar as expenses necessary to maintain industrial installations, alleging that these expenses should have been treated as investments or improvements subject to capitalization. Accordingly, AFIP made income tax assessments against Siderar with respect to fiscal years 1995 through 1999.

As of June 30, 2016, Siderar's aggregate exposure under these assessments (including principal, interest and fines) amounts to approximately USD 1.4 million. Siderar appealed each of these assessments before the National Tax Court, which, in successive rulings, reduced the amount of each of the assessments made by AFIP; the National Tax Court decisions were, however, further appealed by both Siderar and AFIP.

Based on recent National Tax Court decisions, management believes that there could be an additional potential cash outflow in connection with this assessment and, as a result, Siderar recognized a provision which, as of June 30, 2016, amounts to USD 0.4 million.

(b) Companhia Siderúrgica Nacional (CSN) – Tender offer litigation

In 2013, the Company was notified of a lawsuit filed in Brazil by Companhia Siderúrgica Nacional (CSN) and various entities affiliated with CSN against Ternium Investments S.à r.l., its subsidiary Siderar, and Confab Industrial S.A., a Brazilian subsidiary of Tenaris S.A. The entities named in the CSN lawsuit had acquired a participation in Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS (Usiminas) in January 2012. The CSN lawsuit alleges that, under applicable Brazilian laws and rules, the acquirers were required to launch a tag-along tender offer to all non-controlling holders of Usiminas ordinary shares for a price per share equal to 80% of the price per share paid in such acquisition, or BRL 28.8, and seeks an order to compel the acquirers to launch an offer at that price plus interest. If so ordered, the offer would need to be made to 182,609,851 ordinary shares of Usiminas not belonging to Usiminas' control group; Ternium Investments and Siderar's respective shares in the offer would be 60.6% and 21.5%.

On September 23, 2013, the first instance court issued its decision finding in favor of the defendants and dismissing the CSN lawsuit. The claimants appealed the court decision and the defendants filed their response to the appeal. It is currently expected that the court of appeals will issue its judgment on the appeal in 2016.

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11. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS
(continued)

Ternium is aware that on November 10, 2014, CSN filed a separate complaint with Brazil's securities regulator Comissão de Valores Mobiliários (CVM) on the same grounds and with the same purpose as the lawsuit referred to above. The CVM proceeding is underway and the Company has not yet been served with process or requested to provide its response.

Finally, on December 11, 2014, CSN filed a claim with Brazil's antitrust regulator Consejo Administrativo de Defesa Econômica (CADE). In its claim, CSN alleges that the antitrust clearance request related to the January 2012 acquisition, which was approved by CADE without restrictions in August 2012, contained a false and deceitful description of the acquisition aimed at frustrating the minority shareholders' right to a tag-along tender offer, and requests that CADE investigate and reopen the antitrust review of the acquisition and suspend the Company's voting rights in Usiminas until the review is completed. On May 6, 2015, CADE rejected CSN's claim. CSN did not appeal the decision and, on May 19, 2015 CADE formally closed the file.

Ternium believes that all of CSN's claims and allegations are groundless and without merit, as confirmed by several opinions of Brazilian legal counsels and previous decisions by CVM, including a February 2012 decision determining that the above mentioned acquisition did not trigger any tender offer requirement, and, more recently, the first instance court decision on this matter first referred to above. Accordingly, no provision was recorded in these Consolidated Condensed Interim Financial Statements.

(c) Shareholder claims relating to the October 2014 acquisition of Usiminas shares

On April 14, 2015, the staff of the Brazilian securities regulator, the Comissão de Valores Mobiliários (CVM), determined that Ternium's acquisition of 51.4 million ordinary shares of Usiminas, completed on October 30, 2014, triggered a requirement under applicable Brazilian laws and regulations for Usiminas' controlling shareholders to launch a tender offer to all non-controlling holders of Usiminas ordinary shares. The CVM staff's determination was made further to a request by Nippon Steel & Sumitomo Metal Corporation (NSSMC) and its affiliates, who alleged that Ternium's 2014 acquisition had exceeded a threshold that triggers the tender offer requirement. In the CVM staff's view, the 2014 acquisition exceeded the applicable threshold by 5.2 million shares. On April 29, 2015, Ternium filed an appeal to be submitted to the CVM's Board of Commissioners. On May 5, 2015, the CVM staff confirmed that the

appeal would be submitted to the Board of Commissioners and that the effects of the staff's decision would be stayed until such Board rules on the matter. On June 15, 2015, upon an appeal filed by NSSMC, the CVM staff changed its earlier decision and stated that the obligation to launch a tender offer would fall exclusively on Ternium. Ternium's appeal has been submitted to the CVM's Board of Commissioners and it is currently expected that such Board will rule on the appeal in the second half of 2016. In the event the appeal is not successful, under applicable CVM rules Ternium may elect to sell to third parties the 5.2 million shares allegedly acquired in excess of the threshold, in which case no tender offer would be required.

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11. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS
(continued)

(d) Potential Mexican income tax adjustment

In March 2015, the Mexican tax authorities, as part of a tax audit to Ternium Mexico with respect to fiscal year 2008, challenged the deduction by Ternium Mexico's predecessor IMSA Acero of a tax loss arising from an intercompany sale of shares in December 2008. Although the tax authorities have not yet determined the amount of their claim, they have indicated in a preliminary report that they have observations that may result in an income tax adjustment currently estimated at approximately USD 34 million, plus interest and fines.

Ternium Mexico requested an injunction from the Mexican courts against the audit observations, and also filed its defense and supporting documents with the Mexican tax authorities. The Company, based on the advice of counsel, believes that an unfavorable outcome in connection with this matter is not probable and, accordingly, no provision has been recorded in its financial statements.

(e) Tax claim on Argentine personal assets tax for 2008, 2009 and 2010

On June 28, 2016, Siderar was notified of a tax assessment by the Argentine tax authorities (AFIP) for allegedly omitted taxes in its capacity as substitute obligor for the personal assets tax for 2008, 2009 and 2010 over the investment held by its shareholder Ternium España S.L.U. In its assessment, AFIP challenged the availability of the benefits contemplated under the double taxation treaty between Argentina and Spain then in effect and ordered Siderar to pay taxes for approximately USD 5.2 million, plus interest for approximately USD 10.8 million. Siderar believes that it has meritorious defenses, will appeal AFIP's assessment before the National Tax Court, and will not be required to pay any amount while the appeal is pending. The Company, based on the advice of counsel, believes that it is not probable that the ultimate resolution of this assessment will result in a material obligation and, accordingly, no provision has been recorded in its financial statements.

(ii) Commitments

(a) Siderar entered into a contract with Tenaris, a related company of Ternium, for the supply of steam generated at the power generation facility that Tenaris owns in the compound of the Ramallo facility of Siderar. Under this contract, Tenaris has to provide 250 tn/hour of steam, and Siderar has the obligation to take or pay this volume. The amount of this outsourcing agreement totals USD 32.0 million and is due to terminate in 2018.

(b) Siderar, within the investment plan, has entered into several commitments to acquire new production equipment for a total consideration of USD 25.2 million.

(c) Siderar is a party to a long-term contract with Air Liquide Argentina S.A. for the supply of oxygen, nitrogen and argon. The agreement requires Siderar to take or pay minimum daily amounts of these gases for an aggregate amount of USD 29.5 million to satisfy Siderar's current production needs through 2021, and to make incremental purchases of these gases for an aggregate amount of USD 123.0 million to satisfy the requirements through 2031.

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11. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS
(continued)

(d) On December 20, 2000, Hylsa (Ternium Mexico's predecessor) entered into a 25-year contract with Iberdrola Energía Monterrey, S.A. de C.V. ("Iberdrola"), a Mexican subsidiary of Iberdrola Energía, S.A., for the supply to four of Ternium Mexico's plants of a contracted electrical demand of 111.2 MW. Iberdrola currently supplies approximately 25% of Ternium Mexico's electricity needs under this contract. Although the contract was to be effective through 2027, on April 28, 2014, Ternium Mexico and Iberdrola entered into a new supply contract and terminated the previous one. In consideration of the termination of the previous contract, Iberdrola has granted Ternium Mexico a credit of USD 750 thousand per MW of the 111.2 MW contracted capacity, resulting over time in a total value of USD 83.4 million. In addition, Iberdrola agreed to recognize to Ternium México USD 15.0 million through discounted rates. As a result of the above mentioned credit and discount, the company expects to incur in electricity rates comparable to those obtained in the past under the previous contract's terms for a period that is estimated to be approximately 2 years. Following such period, Ternium Mexico's rates under the contract will increase to market rates with a 2.5% discount; however, Ternium Mexico will be entitled to terminate the contract without penalty.

(e) Several Ternium Mexico's subsidiaries which have facilities throughout the Mexican territory are parties to a long term energy purchase agreement for purchased capacity of electricity with Tractebel Energía de Monterrey, S. de R.L. de C.V., distributed among each plant defined as a capacity user. Each capacity user is committed to pay Tractebel for the purchased capacity and for the net energy delivered. Ternium Mexico is required to provide its best estimate of its expected nomination for capacity and energy under the specific limits and timelines. The monthly payments are calculated considering the capacity charges, energy charges, back-up power charges, and transmission charges, less any steam credits. The contracted amount is of USD 59.0 million and the contract will terminate in 2018.

(f) Following the maturity of a previously existing railroad freight services agreement during 2013, in April 2014, Ternium México and Ferrocarril Mexicano, S. A. de C. V. ("Ferromex") entered into a new railroad freight services agreement pursuant to which Ferromex will transport Ternium Mexico's products through railroads operated by Ferromex for a term of five years through 2019. Subject to Ternium's board approval, both Ternium Mexico and Ferromex would be required to make (within a period of 36 months) certain investments to improve the loading and unloading of gondolas. Ternium Mexico's total investment commitment would amount to approximately USD 15.5 million (out of which Ternium México has already invested the 59% as of June 30, 2016), while Ferromex's already invested the committed amount of approximately USD 5.1 million as of June 30, 2016. Under the agreement, Ternium Mexico has guaranteed to Ferromex a minimum average transport load of 200,000 metric tons per month in any six-month period. In the event that the actual per-month average transport loads in any six-month period were lower than such guaranteed minimum, Ternium Mexico would be required to compensate Ferromex for the shortfall so that Ferromex receives a rate equivalent to a total transport load of 1,200,000 metric tons for such six-month period.

However, any such compensation will not be payable if the lower transport loads were due to adverse market conditions, or to adverse operating conditions at Ternium Mexico's facilities.

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11. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS
(continued)

(g) Techgen is a party to gas transportation capacity agreements with Kinder Morgan Gas Natural de Mexico, S. de R.L. de C.V., Kinder Morgan Texas Pipeline LLC and Kinder Morgan Tejas Pipeline LLC for a transportation capacity of 150,000 MMBtu/Gas per day starting on August 1, 2016 and ending on July 31, 2036. As of June 30, 2016, the outstanding value of this commitment was approximately USD 285 million. Ternium's exposure under the guarantee in connection with these agreements amounts to USD 136.7 million, corresponding to the 48% of the agreements' outstanding value as of June 30, 2016.

(h) Techgen is a party to a contract with Kinder Morgan Texas Pipeline LLC for gas purchasing and transportation capacity up to 150,000 MMBtu/Gas per day starting on January 15, 2016 and ending on July 31, 2016 and Kinder Morgan Gas Natural de Mexico, S. de R.L. de C.V. for transportation capacity up to 150,000 MMBtu/Gas per day starting on December 1, 2015 and ending on July 31, 2016. As of June 30, 2016, the outstanding value of this commitment was approximately USD 10 million. Ternium's exposure under the guarantee in connection with these agreements amounts to USD 4.8 million, corresponding to the 48% of the agreements' outstanding value as of June 30, 2016.

(i) Ternium issued a Corporate Guarantee covering 48% of the obligations of Techgen under a syndicated loan agreement between Techgen and several banks led by Citigroup Global Markets Inc., Credit Agricole Corporate and Investment Bank, and Natixis, New York Branch acting as joint bookrunners. The loan agreement amounted to USD 800 million and the proceeds will be used by Techgen in the construction of the facility. As of June 30, 2016, disbursements under the loan agreement amounted USD 800 million, as a result the amount guaranteed by Ternium was approximately USD 384 million. The main covenants under the Corporate Guarantee are limitations on the sale of certain assets and compliance with financial ratios (e.g. leverage ratio). As of June 30, 2016, Techgen was in compliance with all of its covenants.

(iii) Restrictions on the distribution of profits

Under Luxembourg law, at least 5% of net income per year calculated in accordance with Luxembourg law and regulations must be allocated to a reserve until such reserve equals 10% of the share capital. At December 31, 2013, this reserve reached the above-mentioned threshold.

As of December 31, 2015, Ternium may pay dividends up to USD 5.2 billion in accordance with Luxembourg law and regulations.

Shareholders' equity under Luxembourg law and regulations comprises the following captions:

| | As of December 31, 2015 |
|--|----------------------------|
| Share capital | 2,004,743 |
| Legal reserve | 200,474 |
| Non distributable reserves | 1,414,122 |
| Reserve for own shares | 59,600 |
| Accumulated profit at January 1, 2015 | 5,157,688 |
| Loss for the year | (1,627,845) |
| Total shareholders' equity under Luxembourg GAAP | 7,208,782 |

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12. RELATED PARTY TRANSACTIONS

As of June 30, 2016, Techint Holdings S.à r.l. (“Techint”) owned 62.02% of the Company’s share capital and Tenaris Investments S.à r.l. (“Tenaris”) held 11.46% of the Company’s share capital. Each of Techint and Tenaris were controlled by San Faustin S.A., a Luxembourg company (“San Faustin”). Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin (“RP STAK”), a Dutch private foundation (Stichting), held shares in San Faustin sufficient in number to control San Faustin. No person or group of persons controls RP STAK.

The following transactions were carried out with related parties:

| | Six-month period ended June 30, | |
|--|------------------------------------|---------|
| | 2016 | 2015 |
| | (Unaudited) | |
| (i) Transactions | | |
| (a) Sales of goods and services | | |
| Sales of goods to other related parties | 11,371 | 44,442 |
| Sales of services and others to non-consolidated parties | 565 | 785 |
| Sales of services and others to other related parties | 414 | 614 |
| | 12,350 | 45,841 |
| (b) Purchases of goods and services | | |
| Purchases of goods from non-consolidated parties | 65,514 | 72,387 |
| Purchases of goods from other related parties | 30,664 | 31,048 |
| Purchases of services and others from non-consolidated parties | 4,954 | 6,843 |
| Purchases of services and others from other related parties | 61,904 | 59,845 |
| | 163,036 | 170,123 |
| (c) Financial results | | |
| Income with non-consolidated parties | 1,153 | - |
| | 1,153 | - |
| (d) Dividends received | | |
| Dividends received from non-consolidated parties | 121 | - |
| | 121 | - |
| (e) Other income and expenses | | |
| Income (expenses), net with non-consolidated parties | 969 | 3,385 |
| Income (expenses), net with other related parties | 356 | 350 |
| | 1,325 | 3,735 |

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| | June 30, 2016 (Unaudited) | December 31, 2015 |
|--|---------------------------------|----------------------|
| (ii) Period-end balances | | |
| (a) Arising from sales/purchases of goods/services | | |
| Receivables from non-consolidated parties | 63,556 | 11,392 |
| Receivables from other related parties | 6,033 | 6,689 |
| Advances to suppliers with other related parties | 1,991 | 3,622 |
| Payables to non-consolidated parties | (15,068) | (17,426) |
| Payables to other related parties | (41,555) | (25,019) |
| | 14,957 | (20,742) |

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13. FAIR VALUE MEASUREMENT

IFRS 13 requires for financial instruments that are measured at fair value, a disclosure of fair value measurements by level. See note 28 of the Consolidated Financial Statements as of December 31, 2015 for definitions of levels of fair values and figures at that date.

The following table presents the assets and liabilities that are measured at fair value:

| Description | Fair value measurement as of June 30, 2016 (in USD thousands): | | |
|--|---|---------|---------|
| | Total | Level 1 | Level 2 |
| Financial assets at fair value through profit or loss | | | |
| Cash and cash equivalents | 124,401 | 124,401 | - |
| Other investments | 120,858 | 115,847 | 5,011 |
| Total assets | 245,259 | 240,248 | 5,011 |
| Financial liabilities at fair value through profit or loss | | | |
| Derivative financial instruments | 11,873 | - | 11,873 |
| Total liabilities | 11,873 | - | 11,873 |
| | | | |
| Description | Fair value measurement as of December 31, 2015 (in USD thousands): | | |
| | Total | Level 1 | Level 2 |
| Financial assets at fair value through profit or loss | | | |
| Cash and cash equivalents | 76,650 | 76,650 | - |
| Other investments | 167,256 | 140,092 | 27,164 |
| Derivative financial instruments | 1,787 | - | 1,787 |
| Total assets | 245,693 | 216,742 | 28,951 |
| Financial liabilities at fair value through profit or loss | | | |
| Derivative financial instruments | 20,635 | - | 20,635 |

| | | | |
|-------------------|--------|---|--------|
| Total liabilities | 20,635 | - | 20,635 |
|-------------------|--------|---|--------|

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy and there were no financial assets and liabilities considered as Level 3.

Pablo Brizzio

Chief Financial Officer

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