

Ternium S.A.  
Form F-1/A  
January 27, 2006  
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As filed with the Securities and Exchange Commission on January 27, 2006

Registration No. 333-130950

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C.

**AMENDMENT NO. 1**

**TO**

**FORM F-1**

**REGISTRATION STATEMENT**

*UNDER THE SECURITIES ACT OF 1933*

**Ternium S.A.**

(Exact Name of Registrant as Specified in its Charter)

**Grand Duchy of Luxembourg**  
(Jurisdiction of

**3312**  
(Primary Standard Industrial

**Not Applicable**  
(I.R.S. Employer

Incorporation or Organization)

Classification Code Number)

Identification Number)

**46a, Avenue John F. Kennedy 2nd floor**

**L-1855 Luxembourg**

**(352) 4661-11-3815**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Registered Office)

**Giovanni Gallo**

**Techint Inc.**

**420 Fifth Avenue, 18<sup>th</sup> Floor**

**New York, New York 10018**

**(212) 376-6500**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

*Copies To:*

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**APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, check the following box. "

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**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION. DATED JANUARY 27, 2006**

**PROSPECTUS**

**24,844,720 American Depositary Shares**

**Ternium S.A.**

**(Organized under the laws of The Grand Duchy of Luxembourg)**

**Representing 248,447,200 Shares of Common Stock**

**\$            per ADS**

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We are selling 24,844,720 American Depositary Shares, or ADSs. Each ADS represents the right to receive 10 shares of our common stock.

The ADSs that we are selling are being offered in the United States and Canada by the underwriters named in this prospectus. We have granted the underwriters an option to purchase up to 3,726,708 additional ADSs to cover over-allotments.

An application has been made to list the ADSs on the New York Stock Exchange under the symbol TX. Prior to the offering, there has been no public market for our ADSs or our shares. It is estimated that the initial offering price will be in the range of \$16.50 to \$18.50 per ADS.

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Investing in the ADSs involves risks. See Risk Factors beginning on page 25.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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	<u>Per ADS</u>	<u>Total</u>
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds to us (before expenses)	\$	\$

The underwriters expect to deliver the ADSs to investors on or about , 2006.

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**Citigroup**

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**Deutsche Bank**

**JPMorgan**

**Morgan Stanley**

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**BNP PARIBAS Calyon Securities (USA) Inc. Hypo Vereinsbank**

, 2006

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We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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Until \_\_\_\_\_, 2006 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade our securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.



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**PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

**Certain defined terms**

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

References to the Company, we, us or our are exclusively to Ternium S.A., a joint stock corporation (*société anonyme* holding) organized under the laws of the Grand Duchy of Luxembourg;

References to Ternium refer to the flat and long steel manufacturing, processing and distribution businesses of various companies under the common control of San Faustín N.V. As part of a corporate reorganization, these companies were reorganized as our subsidiaries. See notes AP A and B to the combined consolidated financial statements of Ternium included elsewhere in this prospectus and Formation of Ternium and Related Party Transactions Corporate reorganization transactions;

References to Siderar are to Siderar S.A.I.C., a corporation (*sociedad anónima industrial y comercial*) organized under the laws of the Republic of Argentina ( Argentina );

References to Amazonia refer to Consorcio Siderurgia Amazonia Ltd., a holding company organized under the laws of the Cayman Islands;

References to Sidor are to Sidor C.A., a corporation (*compañía anónima*) organized under the laws of the Bolivarian Republic of Venezuela ( Venezuela );

References to Hylsamex are to Hylsamex, S.A. de C.V., a corporation (*sociedad anónima de capital variable*) organized under the laws of the United Mexican States ( Mexico );

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

References to the Ternium companies are to Ternium's manufacturing subsidiaries, namely Siderar, Sidor and Hylsamex and their respective subsidiaries;

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

References to Tenaris are to Tenaris S.A., a joint stock corporation (*société anonyme* holding) organized under the laws of Luxembourg and a shareholder of the Company that holds the Techint Group's interests in steel pipe manufacturing, processing and distribution;

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References to "ISL" are to Inversora Siderurgica Limited, a company organized under the laws of Gibraltar and the Company's principal shareholder;

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

References to the "Techint Group" are to an international group of companies with operations in the steel, energy, engineering, construction and public service sectors over which San Faustín exercises either control or significant influence; and

References to the "Techintrade Commercial Network," the "Techintrade Network" or "Techintrade" are to an international group of companies that markets and provides worldwide distribution services for products offered primarily by Ternium.

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

References to "billions" are to thousands of millions.



**Table of Contents****Presentation of financial information****Summary**

For convenience, the table below summarizes the financial information included in this prospectus.

<b>Financial Information</b>	<b>Period</b>	<b>Combined / consolidated entities</b>	<b>Accounting Principle</b>	<b>Status</b>	<b>Page No.</b>
Ternium pro forma	Annual 2004	Siderar, Ylopa, Techintrade, Amazonia and Hylsamex	IFRS	Unaudited	62
	Interim June 30, 2005	Siderar, Ylopa, Techintrade, Amazonia and Hylsamex	IFRS	Unaudited	54, 70
Ternium	Annual 2003	Siderar, Ylopa and Techintrade	IFRS	Audited	F-49
	Annual 2004	Siderar, Ylopa and Techintrade	IFRS	Audited	F-49
	Interim June 30, 2004	Siderar, Ylopa and Techintrade	IFRS	Unaudited	F-6
	Interim June 30, 2005	Siderar, Amazonia, Ylopa and Techintrade	IFRS	Audited	F-6
Amazonia	Annual 2003	Sidor	IFRS	Audited	F-100
	Annual 2004	Sidor	IFRS	Audited	F-100
Hylsamex	Annual 2002	Hylsamex and subsidiaries	Mexican GAAP	Audited	F-164
	Annual 2003	Hylsamex and subsidiaries	Mexican GAAP	Audited	F-164
	Annual 2004	Hylsamex and subsidiaries	Mexican GAAP	Audited	F-164
	Interim June 30, 2004	Hylsamex and subsidiaries	Mexican GAAP	Unaudited	F-152
	Interim June 30, 2005	Hylsamex and subsidiaries	Mexican GAAP	Unaudited	F-152

***Presentation of unaudited pro forma combined consolidated financial information for Ternium***

The unaudited pro forma combined consolidated financial data of Ternium included in this prospectus have been compiled to show what the Company's financial condition as of June 30, 2005 and its financial results for the year ended December 31, 2004 and for the six-month period ended June 30, 2005 might have been had the following (collectively, the Pro Forma Transactions) been in place as of the balance sheet date or since January 1, 2004, as the case may be:

the capitalization in February 2005 of certain debt instruments convertible into shares of Amazonia described elsewhere in this prospectus;

the acquisition in August 2005 of Hylsamex and the interests of Hylsamex's former controlling shareholder, Alfa, in Amazonia and Ylopa described elsewhere herein;

the acquisition of Usiminas's interests in Siderar, Amazonia and Ylopa and of Sivensa's interest in Amazonia in exchange for shares of the Company described elsewhere in this prospectus; and

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this offering and the consummation of the transactions contemplated in the Corporate Reorganization Agreement, the related payment of indebtedness and the conversion of the Subordinated Convertible Loans described elsewhere in this prospectus. For this purpose, we estimate that the gross proceeds from this offering will be USD500 million if the underwriters exercise their over-allotment option in full, at an assumed initial public offering price of USD17.50 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus).

See Use of Proceeds, Formation of Ternium and Related Party Transactions Corporate reorganization transactions and Hylsamex acquisition financing.

However, the pro forma financial information may not reflect what our actual financial condition and results of operations would have been if the above-mentioned transactions had been in place as of such dates and if we had operated on that basis during such periods. We have compiled our unaudited pro forma combined consolidated financial data in accordance with IFRS and a reconciliation of such information to U.S. GAAP is also being provided. IFRS differs in certain significant respects from U.S. GAAP.

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### ***Presentation of financial information for Ternium***

The audited combined consolidated financial statements of Ternium as of December 31, 2003 and 2004 and for the years then ended included in this prospectus combine and consolidate the results and other financial data of each of Siderar, Ylopa and Techintrade, and recognize the investment in Amazonia under the equity method, as of each such date and for each of the periods then ended, on the basis that such companies were under the common control of San Faustín as of each such date and for each such period. The effect of this presentation is to show the combined historical results, financial condition and other data of the various companies under the common control of San Faustín as though these companies had been our subsidiaries at the dates and during the periods presented.

The audited combined consolidated condensed interim financial statements of Ternium as of June 30, 2005 and for the six-month period then ended included in this prospectus combine and consolidate, in addition to the consolidated results and other financial data of each of Siderar, Ylopa and Techintrade, the results and other financial data of Amazonia, which company came under the control of San Faustín in February 2005. As a result of the consolidation of Amazonia's results and other financial data, Ternium's results and other financial data for the six months ended June 30, 2005 are likely to vary significantly from the results and other financial data for the six months ended June 30, 2004 and for the years ended December 31, 2003 and 2004.

Unless otherwise indicated, the financial information relating to Ternium contained in this prospectus for the years ended December 31, 2003 and 2004 and for the six months ended June 30, 2004 and 2005 and as of December 31, 2003 and 2004 and June 30, 2004 and 2005 has been prepared in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, or IFRS, and is presented in U.S. dollars. IFRS differs in certain significant respects from generally accepted accounting principles as applied in the United States, or U.S. GAAP. For a discussion of these differences, as they relate to Ternium, and a reconciliation of net income and shareholders' equity to U.S. GAAP, see notes AP T and 32 and 33 to Ternium's combined consolidated financial statements and note 17 to Ternium's combined consolidated condensed interim financial statements included in this prospectus.

### ***Presentation of financial information for Amazonia***

Also contained in this prospectus are the consolidated financial statements of Amazonia as of December 31, 2003 and 2004 and for the years then ended. The combined consolidated financial statements of Ternium as of December 31, 2003 and 2004, and for the periods then ended, do not combine or consolidate such financial statements. According to Rule 3-09 of Regulation S-X, we are required to file separate financial statements of significant equity investees, such as Amazonia. The financial information relating to Amazonia contained in this prospectus as of and for the years ended December 31, 2003 and 2004 has been specially prepared for use in this prospectus in accordance with IFRS and is presented in U.S. dollars. IFRS differs in certain significant respects from U.S. GAAP. For a discussion of these differences, as they relate to Amazonia, and a reconciliation of net income and shareholders' equity to U.S. GAAP, see note 37 to Amazonia's consolidated financial statements included in this prospectus.

### ***Presentation of financial information for Hylsamex***

Also contained in this prospectus are the consolidated financial statements of Hylsamex as of December 31, 2003 and 2004 and as of June 30, 2005 and for the periods ended December 31, 2002, 2003 and 2004 and June 30, 2004 and 2005. The Company, together with Siderar, acquired a 99.3% equity interest in Hylsamex on August 22, 2005 (which percentage has since increased to 99.8% as further described in this prospectus). According to Rule 3-05 of Regulation S-X, we are required to file separate financial statements of businesses acquired or to be acquired if the acquisition meets the conditions set forth therein. Hylsamex is an acquired business and meets such conditions under Rule 3-05 of Regulation

S-X.

The financial information relating to Hylsamex contained in this prospectus as of December 31, 2003 and 2004 and as of June 30, 2004 and 2005 and for the periods ended December 31, 2002, 2003 and 2004 and

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June 30, 2004 and 2005 has been prepared in accordance with generally accepted accounting principles as applied in Mexico, commonly referred to as Mexican GAAP. Mexican GAAP differs in certain significant respects from U.S. GAAP. For a discussion of these differences, as they relate to Hylsamex, and a reconciliation of net income and shareholders' equity to U.S. GAAP, see note 16 to Hylsamex's consolidated financial statements as of and for the years ended December 31, 2002, 2003 and 2004 and note 16 to Hylsamex's interim consolidated financial statements at June 30, 2004 and 2005 and for the six-month periods then ended included in this prospectus.

The financial information relating to Hylsamex contained in this prospectus is presented in constant Mexican pesos as of June 30, 2005. The financial statements of Hylsamex included in this prospectus were prepared giving effect to Bulletin B-10 Recognition of Effect of Inflation on Financial Information, as amended, and Bulletin B-12, Statements of Changes in Financial Position, issued by the Mexican Institute of Public Accountants, or the MIPA, each of which became effective in 1990, and Bulletin B-15, Foreign Currency Transactions and Translation of Financial Statements of Foreign Operations, also issued by the MIPA and adopted by Hylsamex in 1998. Generally, Bulletin B-10 provides for the recognition of the effects of inflation by requiring Mexican companies to restate inventories and fixed assets at current replacement cost, to restate all other non-monetary assets and non-monetary liabilities as well as the components of shareholders' equity using the Mexican consumer price index and to record gains or losses in purchasing power from holding monetary liabilities or assets. The Third Amendment to Bulletin B-10 requires restatement of all financial statements to constant Mexican pesos as of the date of the most recent balance sheet presented. The Fifth Amendment to Bulletin B-10 was issued effective January 1, 1997, by the MIPA. Under the Fifth Amendment, Mexican companies are no longer permitted to restate fixed assets at current replacement cost, but are instead required to restate them using the Mexican consumer price index or inflation factors of the country of origin in the case of imported assets. Bulletin B-12 specifies the appropriate presentation of the statement of changes in financial position when the financial statements have been adjusted for inflation and restated in constant Mexican pesos in accordance with Bulletin B-10. Bulletin B-12 identifies the sources and applications of resources representing differences between beginning and ending financial statement balances in constant Mexican pesos. Bulletin B-15 prescribes the methodology for foreign currency transactions and the recognition of inflation in the financial information of foreign subsidiaries. Unless otherwise noted, all data in the consolidated financial statements of Hylsamex included in this prospectus and all other Hylsamex financial data included throughout this prospectus and relating to dates or periods covered by the consolidated financial statements have been adjusted for inflation and restated in constant Mexican pesos as of June 30, 2005.

## Currencies

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

References to dollars, U.S. dollars, \$ or USD are to United States dollars;

References to Argentine pesos or ARP are to the lawful currency of Argentina;

References to Venezuelan bolívares or VEB are to the lawful currency of Venezuela; and

References to Mexican pesos or MXN are to the lawful currency of Mexico.

On January 25, 2006, the exchange rate between the Argentine peso and the U.S. dollar (as published by *Banco Central de la República Argentina*, or the Argentine Central Bank) was ARP3.0415=USD1.00; the noon buying rate for the Venezuelan bolívar as certified for customs purposes by the Federal Reserve Bank of New York was VEB2,144.60=USD1.00; and the noon buying rate for the Mexican peso as published by the Federal Reserve Bank of New York was MXN10.50=USD1.00. Those rates may differ from the actual rates used in the preparation of Ternium's combined consolidated financial statements or in the preparation of Amazonia's or Hylsamex's consolidated financial statements. We do not represent that Argentine pesos, Venezuelan bolívares or Mexican pesos could have been or could be converted into U.S. dollars or that

U.S. dollars could have been or

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could be converted into Argentine pesos, Venezuelan bolívares or Mexican pesos at these rates or at any other rates. See Exchange Rates Argentine pesos, Exchange Rates Venezuelan bolívares and Exchange Rates Mexican pesos for additional information regarding the exchange rates between the U.S. dollar and the Argentine peso, the Venezuelan bolívar and the Mexican peso, respectively.

**Rounding**

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

**No Internet site is part of this prospectus**

Ternium and Sidor maintain an Internet site at [www.ternium.com](http://www.ternium.com) and [www.sidor.com](http://www.sidor.com), respectively. Information contained in or otherwise accessible through these websites is not a part of this prospectus. All references in this prospectus to these Internet sites are inactive textual references to these uniform resource locators, or URLs, and are for your informational reference only. We assume no responsibility for the information contained on these sites.

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**SUMMARY**

*To understand the offering and the businesses of Ternium more fully, you should read this entire prospectus carefully, especially the risks of investing in our ADSs discussed under Risk Factors and Ternium's combined consolidated financial statements and notes to those financial statements included elsewhere in this prospectus.*

**Overview**

The Company holds the Techint Group's investments in flat and long steel manufacturing, processing and distribution businesses, including its controlling direct and indirect equity interests in Argentina's largest steel company, Siderar, Venezuela's largest steel company, Sidor, the recently acquired Hylsamex, one of Mexico's largest steel companies, and Techintrade.

Ternium is one of the leading flat and long steel producers in Latin America and a strong competitor in the Americas, with strategic presence in several major steel markets through a broad network of distribution, sales and marketing services. We believe Ternium is among the largest producers of crude steel in Latin America, with manufacturing, processing and finishing facilities that have aggregate annual production capacity of approximately 11.6 million tons. Of this total production capacity, 2.8 million tons correspond to Ternium's operations in Argentina, 5.0 million tons to its operations in Venezuela and 3.8 million tons to its operations in Mexico. The Company believes that it is one of the lowest cost steel producers in the Americas due to its integrated operations, state-of-the-art steel production facilities, access to diversified sources of low-cost raw materials and other production inputs and operating efficiencies.

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

Ternium primarily sells its steel products in the regional markets of North, Central and South America, where its manufacturing facilities are located, allowing it to provide specialized products and delivery services to its clients. We believe that Ternium is the leading supplier of flat steel products in Argentina and of flat and long steel products in Venezuela, a significant competitor in the Mexican market for flat and long steel products, and a competitive player in the international steel market for flat and long steel products. Ternium maintains a strategic presence in several other major steel markets, such as Europe, Asia (mainly China) and Africa, through its broad network of commercial offices, which allows it to reach clients outside its regional markets and place products in case of slower demand in domestic economies, achieve improved effectiveness in the supply of its products and maintain a fluid commercial relationship with its clients by providing continuous services and assistance.

On a pro forma basis giving effect to the Pro Forma Transactions, in 2004, approximately 44.9% of Ternium's sales were made to South and Central America, 48.7% to North America, 4.3% to Europe and 2.2% to the rest of the world. In the first half of 2005, these percentages were approximately 46.2%, 45.9%, 5.7% and 2.1%, respectively.

In 2004, Ternium's net sales were USD1.6 billion, gross profit was USD633.9 million, and net income attributable to equity holders was USD457.3 million. In the first half of 2005, Ternium's net sales were USD1.8 billion, gross profit was USD0.9 billion, and net income attributable to equity holders was USD477.6 million, which amounts reflect the consolidation of Amazonia since February 15, 2005.



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On a pro forma basis giving effect to the Pro Forma Transactions, in 2004, Ternium's net sales were USD5.5 billion, gross profit was USD2.4 billion, and net income attributable to equity holders was USD761.5 million, and in the first half of 2005 net sales were USD3.3 billion, gross profit was USD1.4 billion and net income attributable to equity holders was USD500.8 million.

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For information on Ternium's recent results of operation and consolidated financial condition, see Ternium's unaudited summary financial information for the nine-month period ended September 30, 2005, attached as Annex A to this prospectus.

### ***Corporate reorganization***

As a part of a recent corporate reorganization, the Techint Group reorganized the Company as a holding company for its flat and long steel interests by contributing all of its interests in Siderar, Sidor (through Amazonia and Ylopa) and Techintrade to the Company.

On August 22, 2005, we acquired, together with Siderar, an indirect 99.3% interest in the Mexican company Hylsamex and its subsidiaries, including Hylsa and Galvak, and the equity stakes owned by Hylsamex's former controlling shareholder, Alfa, S.A. de C.V., or Alfa, in Amazonia and Ylopa. We have subsequently been purchasing shares in the open market, subject to applicable law, and our and Siderar's indirect interest in Hylsamex has increased to 99.8%. As part of the financing for the acquisition, we or our affiliates entered into the following:

an amended and restated credit agreement, dated as of August 16, 2005, for an aggregate principal amount of USD1.0 billion, among I.I.I. BVI and the lenders named therein (as amended from time to time, the Ternium Credit Facility );

an amended and restated credit agreement, dated as of August 16, 2005, for an aggregate principal amount of USD380 million among Siderar, as borrower, and the lenders named therein, as lenders (as amended from time to time, the Siderar Credit Facility and, together with the Ternium Credit Facility, the Credit Facilities ); and

several convertible and subordinated loan agreements, dated as of various dates, for an aggregate principal amount of USD594.0 million, each among the Company, I.I.I. BVI, as borrower, and Usiminas, Tenaris or other Techint Group companies (collectively, the Subordinated Convertible Loan Agreements and the loans thereunder, the Subordinated Convertible Loans ).

Pursuant to the terms of the Subordinated Convertible Loan Agreements, on the date on which our ADSs are delivered to the underwriters of this offering, the Subordinated Convertible Loans will be converted into shares of the Company at a price per share equal to the price per share paid by the investors in this offering.

In September 2005, Tenaris exchanged its shares in Amazonia and Ylopa for shares of the Company, and in October 2005, Usiminas exchanged its shares in Siderar, Amazonia and Ylopa for shares of the Company.

In November 2005, Siderúrgica del Turbio S.A. SIDETUR ( Sidetur ), a subsidiary of Siderúrgica Venezolana SIVENSA, S.A. ( Sivensa ), exchanged with ISL its interest in Amazonia for shares of the Company (the Sivensa Exchange ). ISL is expected, under the terms of the Corporate Reorganization Agreement (as defined below), to contribute such interest in Amazonia to the Company in exchange for shares of the Company simultaneously with, or as soon as practicable after, the settlement of the offering.

ISL and the Company will enter into a reorganization agreement (the Corporate Reorganization Agreement ) pursuant to which ISL will commit to deliver shares of the Company to the underwriters of this offering and to the Subordinated Lenders (as defined herein) in an amount sufficient to satisfy the Company's obligation to deliver shares of the Company to the underwriters of this offering and to the Subordinated Lenders

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pursuant to the terms of this offering and the Subordinated Convertible Loan Agreements. As provided in the Corporate Reorganization Agreement, after ISL's delivery of such shares, ISL will contribute all of its assets and liabilities (including the credit against the Company arising from such delivery of shares, its interest in Amazonia resulting from the Sivensa Exchange and any remaining shares of the Company) to the Company in exchange for that number of newly issued shares of the Company equal to the number of shares of the Company held by ISL prior to the Sivensa Exchange.

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We believe that the corporate reorganization of the Techint Group's flat and long steel manufacturing, processing and distribution businesses under the Company will, among other things, allow Ternium to benefit from consolidation in the steel industry, create a platform for growth and realize cost savings and synergies, and will result in increased visibility, improved access to the capital markets and lower costs of capital.

Below is a simplified diagram of Ternium's corporate structure after giving effect to the Pro Forma Transactions, which forms the basis for the preparation and presentation of Ternium's unaudited pro forma combined consolidated financial statements included in this prospectus.

For additional information on Ternium's corporate reorganization and corporate structure, see "Formation of Ternium and Related Party Transactions" and "Business Subsidiaries."

### ***Ternium's competitive strengths***

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

***State-of-the-art, low cost producer.*** The combination of a portfolio of state-of-the-art, low cost steel production mills (some of which are located near proprietary iron ore mines), access to diversified sources of low-cost raw materials and cost-competitive energy and labor sources and other production inputs and operating efficiencies makes Ternium a low cost producer of steel and value-added products;

***Strong market position and extensive market reach.*** Ternium has leading market participation in Argentina and Venezuela and has a strong market position in Mexico. The location of its production facilities gives Ternium favorable access to some of the most important regional markets in the Americas, including the North American Free Trade Agreement, or NAFTA, *Mercado Común del Sur*, or Mercosur, and the *Comunidad Andina de Naciones*, or Andean Community. Additionally, through its broad distribution network and commercial capabilities, Ternium has access to some of the most relevant steel markets in the world;

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

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***Strong financial position.*** We believe that, after giving effect to this offering, we will have a solid financial position. In particular, our relatively low debt to equity capital structure, together with our strong cash flow generation, provide us with the flexibility and resources to enhance existing businesses through investment projects and to make strategic investments and acquisitions.

### ***Ternium's business strategy***

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

The main elements of this strategy are:

***Further integrate Ternium's operations.*** We have recently changed our functional organization from three independent companies to one company organized under business units with specific geographic and functional responsibilities. Integrating the operations of our subsidiaries is expected to allow Ternium to better serve its clients, to increase the diversification of its products, to benefit from enhanced flexibility and operative synergies and to rationalize its cost structure;

***Enhance Ternium's position as a low cost producer.*** We believe that further integration of Ternium's operating facilities, including the recently acquired Hylsamex, should improve utilization levels of its plants, increase efficiency and further reduce production costs from levels that we already consider to be among the most competitive in the steel industry;

***Implementing Ternium's best practices.*** We believe that the implementation of Ternium's commercial and production best practices in acquired new businesses should generate additional benefits and savings. For example, we believe that the implementation of Ternium's cost control procedures and performance analysis in Hylsamex will improve control over production variables and lead to future cost savings;

***Focus on higher margin value-added products.*** We intend to continue to shift Ternium's sales mix towards higher margin value-added products, such as cold rolled sheets and coated and tailor-made products, and services, such as just-in-time delivery and inventory management. In addition, the acquisition of Hylsamex will allow Ternium to expand its offerings of value-added products, such as galvanized products and panels;

***Maximize the benefits arising from Ternium's broad distribution network.*** We intend to maximize the benefits arising from Ternium's broad network of distribution, sales and marketing services to reach clients in major steel markets with a comprehensive range of value-added products and services and to continue to expand its customer base and improve its product mix. In addition, the acquisition of Hylsamex is expected to allow us to increase Ternium's participation in the North American market; and

***Pursue strategic growth opportunities.*** The Techint Group has a history of strategically growing its businesses through acquisitions. In addition to strongly pursuing organic growth, we intend to identify and pursue growth-enhancing strategic opportunities to consolidate Ternium's presence in its markets, expand its offerings of value-added products and increase its distribution capabilities.

### ***Risks Related to Our Business***

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Our business is subject to certain risks that could impact our competitive position and strengths, as well as our ability to execute our business strategy. Many of these risks are beyond our control, such as factors affecting the global demand for steel products, our exposure to the fluctuations in the cost of raw materials, our

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dependence on a limited number of key suppliers of raw materials and the cyclical nature of the industries and markets that we serve. Furthermore, these risks include those generally associated with being a producer of steel products in Latin America, including foreign exchange exposure and political risk. In addition, intense competition from other steel producers could reduce Ternium's market share in the countries where the Ternium companies operate, and the capital intensive nature of the steel industry and Ternium's dependence on the availability of capital resources to continue to modernize and upgrade its facilities and to expand its operations could affect the implementation of our strategy. For additional risks relating to Ternium's business and this offering, see "Risk Factors" beginning on page 26 of this prospectus.

***Our corporate information***

We were organized as a joint stock corporation (*société anonyme* holding) in the Grand Duchy of Luxembourg on December 22, 2003. Our registered office is located at 46a, Avenue John F. Kennedy – 2nd floor, L-1855 Luxembourg and our telephone number is (352) 4661-11-3815. We have appointed Techint Inc. as our agent for service of process in the United States, located at 420 Fifth Avenue, 18th Floor, New York, New York 10018.

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**The Offering**

Offering	We are offering 24,844,720 ADSs through the underwriters.
Over-allotment Option	We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 3,726,708 additional ADSs, solely to cover over-allotments. Under the Corporate Reorganization Agreement, ISL will commit to deliver shares of the Company to the underwriters of this offering in an amount sufficient to satisfy the Company's obligation under the over-allotment option.
ADSs	Each ADS represents 10 shares held by The Bank of New York, as depositary. The ADSs will be evidenced by American Depositary Receipts, or ADRs. See Description of American Depositary Shares.
Voting Rights	The holders of our shares have one vote per share. The holders of our ADSs will be able to exercise voting rights with respect to the underlying shares only in accordance with the terms of the deposit agreement. See Description of American Depositary Shares Voting rights.
Use of Proceeds	We estimate that we will receive net proceeds (after deduction of the underwriting discount) from the offering of approximately USD422.8 million (USD486.2 million if the underwriters over-allotment option is exercised in full) at an assumed initial public offering price of USD17.50 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus). We intend to use all of the net proceeds we receive from the offering (after the payment of approximately USD6.25 million in fees and expenses) to pay down the indebtedness acquired pursuant to the Ternium Credit Facility. The Ternium Credit Facility was entered into with lenders (including affiliates of Citigroup Global Markets Inc., J.P. Morgan Securities Inc., BNP Paribas Securities Corp., Caylon Securities (USA) Inc. and Bayerische Hypo- und Vereinsbank AG ) for an aggregate principal amount of USD1.0 billion in two equal tranches, Tranche A with a maturity of three years and bearing interest at the annual rate of LIBOR plus an applicable margin that ranges from 75 to 400 basis points and Tranche B with a maturity of five years and bearing interest at the annual rate of LIBOR plus an applicable margin that ranges from 137.5 to 300 basis points. The Ternium Credit Facility was entered into in order to finance the acquisition of Hylsamex. For further details on the Ternium Credit Facility, see Formation of Ternium and Related Party Transactions Hylsamex acquisition financing and Management's Discussion and Analysis of Financial Condition and Results of Operations Ternium Recent events.
Shares Outstanding After the Offering	2,055,507,828 shares (including shares in the form of ADSs) will be outstanding upon completion of the offering, conversion of the Subordinated Convertible Loans and consummation of the



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transactions contemplated in the Corporate Reorganization Agreement (assuming the underwriters' over-allotment option is exercised in full).

Listings and Trading Markets

An application has been made to list the ADSs on the NYSE under the symbol TX.

Indicative Timetable of Principal Events

*Date (2006)*

*Event*

Price determination date January 31

Public offering commences January 12

Public offering closes January 31

Trading of ADSs on the New York Stock Exchange commences February 1

Delivery of ADSs February 3

The above timetable is only indicative as it assumes, among other things, that the date of our admission to the New York Stock Exchange is February 1, 2006.

The Company expects to deliver the ADSs against payment therefor on February 3, 2006, which will be the third business day following the date of the pricing of the ADSs.

Investors should consult the NYSE's announcement of the trading date on the Internet (at the NYSE website <http://www.nyse.com>), in major news publications, or check with their brokers on the date on which trading will commence.

Taxation

In the opinion of our Luxembourg counsel, Elvinger Hoss & Prussen, holders of ADSs who are non-resident in Luxembourg are not, except as described in "Taxation - Grand Duchy of Luxembourg - Ownership and disposition of the Company's ADSs," subject to Luxembourg income tax, wealth tax or capital gains taxes with respect to their ADSs, and no withholding tax applies in Luxembourg on dividends distributed by the Company. No taxes apply in Luxembourg on dividends received by holders who are not resident in Luxembourg and who do not maintain a permanent establishment in Luxembourg to which the holding of the ADSs is effectively connected.

In the opinion of our special U.S. counsel, Sullivan & Cromwell LLP, a U.S. holder of ADRs will be treated, for U.S. federal income tax purposes, as the owner of the shares represented by those ADRs and will not be subject to U.S. federal income tax upon the exchange of shares for ADRs or ADRs for shares. A U.S. holder that is not a tax-exempt entity will be subject to U.S. federal income tax upon the gross amount of any dividends paid out of our accumulated earnings and profits on such U.S. holder's ADSs. If certain holding period and

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other requirements are satisfied, such dividends will be treated as qualified dividend income, which if paid to noncorporate U.S. holders in tax years beginning before January 1, 2009 is taxed at a maximum rate of 15%.

Certain Fees and Expenses

ADR holders will be charged a fee for each issuance of ADSs and for each surrender of ADSs in exchange for deposited securities. The fee in each case is USD5.00 or less for each 100 ADSs (or any portion thereof) issued or surrendered. To the extent permitted by the rules of any stock exchange on which ADSs are listed for trading, ADR holders will be charged a fee of \$.02 or less per ADS for any cash distribution to them, and certain other fees and expenses. See Description of American Depositary Shares Fees and expenses.

Risk Factors

An investment in the ADSs involves significant risks that a prospective investor should consider carefully. See Risk Factors beginning on page 25.

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**SUMMARY FINANCIAL AND OPERATING DATA**

***Unaudited pro forma combined consolidated financial information of Ternium***

*The following summary unaudited pro forma combined consolidated financial and other data for Ternium should be read in conjunction with Selected Financial and Operating Data Unaudited pro forma combined consolidated financial information of Ternium, Management's Discussion and Analysis of Financial Condition and Results of Operations and Business and Ternium's historical combined consolidated financial statements and Amazonia's and Hylsamex's historical consolidated financial statements and the notes thereto included elsewhere in this prospectus.*

The summary unaudited pro forma combined consolidated financial data of Ternium included in this prospectus have been compiled to show what our financial condition as of June 30, 2005 and our financial results for the year ended December 31, 2004 and for the six-month period ended June 30, 2005 might have been had the following been in place as of the balance sheet date or since January 1, 2004, as the case may be:

the capitalization in February 2005 of certain debt instruments convertible into shares of Amazonia described elsewhere in this prospectus;

the acquisition in August 2005 of Hylsamex and the interests of Hylsamex's former controlling shareholder, Alfa, in Amazonia and Ylopa described elsewhere herein;

the acquisition of Usiminas's interests in Siderar, Amazonia and Ylopa and the completion of the Sivensa Exchange; and

this offering and the consummation of the transactions contemplated in the Corporate Reorganization Agreement, the related payment of indebtedness and the conversion of the Subordinated Convertible Loans described elsewhere in this prospectus. For this purpose, we estimate that the gross proceeds from this offering will be USD500 million if the underwriters exercise their over-allotment option in full, at an assumed initial public offering price of USD17.50 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus).

See Use of Proceeds, Formation of Ternium and Related Party Transactions Corporate reorganization transactions and Hylsamex acquisition financing.

However, the pro forma financial information may not reflect what our actual financial condition and results of operations would have been if the above-mentioned transactions had been in place as of such dates and if we had operated on that basis during such periods. We have compiled our unaudited pro forma combined consolidated financial data in accordance with IFRS and a reconciliation of such information to U.S. GAAP is also being provided. IFRS differs in certain significant respects from U.S. GAAP.

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For the six-month period ended June 30, 2005

<i>Thousands of U.S. dollars (except for per share data)</i>	Pro forma adjustments							
	I	II	III	IV	V	VI	VII	VIII
	Historical consolidated	Amazonia	Acquisition of Hylsamex related debt	Hylsamex consolidation	Usiminas and Sivensa acquisitions	Pro forma as adjusted	Offering and conversion	Pro forma as further adjusted
Summary unaudited pro forma combined consolidated income statement data								
IFRS								
Net sales	\$ 1,827,845	\$ 260,933		\$ 1,178,532		\$ 3,267,310		\$ 3,267,310
Cost of sales	(905,920)	(111,818)		(850,512)		(1,868,250)		(1,868,250)
Gross profit	\$ 921,925	\$ 149,115		\$ 328,020		\$ 1,399,060		\$ 1,399,060
Selling, general and administrative expenses	(185,227)	(37,098)		(78,711)		(301,036)		(301,036)
Other operating income (expenses), net	(7,797)	327		1,482		(5,988)		(5,988)
Operating income	\$ 728,901	\$ 112,344		\$ 250,791		\$ 1,092,036		\$ 1,092,036
Financial expenses, net	(102,723)	(59,044)	\$ (3,310)	(14,099)		(179,176)		(179,176)
Interest related to credit facilities			(47,846)			(47,846)	\$ 17,626	(30,220)
Subordinated convertible loans interest			(11,299)			(11,299)	11,299	
Excess of fair value of net assets acquired over cost	188,356	(188,356)						
Equity in earnings (losses) of associated companies	19,123	(23,237)				(4,114)		(4,114)
Income (loss) before income tax (expense) benefit	\$ 833,657	\$ (158,293)	\$ (62,455)	\$ 236,692		\$ 849,601	\$ 28,925	\$ 878,526
Income tax (expense) benefit	(105,717)	10,297	5,978	(75,339)		(164,781)		(164,781)
Net income (loss) for the period	\$ 727,940	\$ (147,996)	\$ (56,477)	\$ 161,353		\$ 684,820	\$ 28,925	\$ 713,745
Attributable to:								
Equity holders of the Company	\$ 477,609	\$ (210,316)	\$ (51,010)	\$ 185,230	\$ 70,334	\$ 471,847	\$ 28,925	\$ 500,772
Minority interest	250,331	62,320	(5,467)	(23,877)	(70,334)	212,973		212,973
	\$ 727,940	\$ (147,996)	\$ (56,477)	\$ 161,353		\$ 684,820	\$ 28,925	\$ 713,745
Number of shares (thousands)	1,168,944				261,409	1,430,353	625,155	2,055,508
Combined earnings per share	\$ 0.41					\$ 0.33	\$ 0.05	\$ 0.24
U.S. GAAP								
Net income attributable to equity holders of the Company under IFRS	\$ 477,609	\$ (210,316)	\$ (51,010)	\$ 185,230	\$ 70,334	\$ 471,847	\$ 28,925	\$ 500,772
Capitalization of interest cost PP&E	(22)					(22)		(22)
Change in fair value of financial assets through profit and loss	50,819					50,819		50,819
Troubled debt restructuring	5,212					5,212		5,212
	(155)					(155)		(155)

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Capitalization of interest cost intangible  
assets  
Inventory valuation

(2,265)

(2,265)

(2,265)

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For the six-month period ended June 30, 2005

<i>Thousands of U.S. dollars (except for per share data)</i>	Pro forma adjustments							
	I	II	III	IV	V	VI	VII	VIII
	Historical combined consolidated	Amazonia	Acquisition of Hylsamex related debt	Hylsamex consolidation	Usiminas and Sivensa acquisitions	Pro forma as adjusted	Offering and conversion	Pro forma as further adjusted
Accounting for pension plans	\$ (846)					\$ (846)		\$ (846)
Valuation of fixed assets PP&E	64,149					64,149		64,149
Excess of fair value of net assets acquired over cost	(188,356)	\$ 188,356						
Excess of fair value of net assets acquired over cost depreciation expense	10,105					10,105		10,105
Intangible assets and other assets	(415)					(415)		(415)
Deferred income tax	(25,028)					(25,028)		(25,028)
Minority interest	(84,956)	32,411		\$ 3,555	\$ 7,264	(41,726)		(41,726)
<b>Net income (loss) under U.S. GAAP</b>	<b>\$ 305,851</b>	<b>\$ (10,451)</b>	<b>\$ (51,010)</b>	<b>\$ 188,785</b>	<b>\$ 77,598</b>	<b>\$ 531,675</b>	<b>\$ 28,925</b>	<b>\$ 560,600</b>
<b>Combined earnings per share</b>	<b>\$ 0.26</b>					<b>\$ 0.37</b>	<b>\$ 0.05</b>	<b>\$ 0.27</b>

Column I shows the historical combined consolidated data of Ternium derived from our audited combined consolidated condensed interim financial statements for the six-month period ended June 30, 2005, which already reflects the consolidation of Amazonia since February 15, 2005.

Column II includes Amazonia's results between January 1, 2005 and February 15, 2005 and eliminates primarily non-recurrent results relating to the capitalization as of February 15, 2005 of certain debt instruments convertible into shares of Amazonia.

Column III reflects the effect of interest expense under the Credit Facilities and Subordinated Convertible Loans entered into in connection with the Hylsamex acquisition in Ternium's financial results for the six-month period ended June 30, 2005, and the acquisition of Amazonia's and Ylopa's shares held by Alfa.

Column IV shows the consolidation of Hylsamex's results of operations for the six-month period ended June 30, 2005.

Column V gives effect to the acquisition of Usiminas's interests in Siderar, Amazonia and Ylopa in exchange for 227,608,254 shares of the Company and the contribution of ISL's interest in Amazonia in exchange for 33,800,735 shares of the Company in accordance with the terms of the Corporate Reorganization Agreement.

Column VI shows the cumulative pro forma effect of the transactions in columns II, III, IV and V.

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Column VII gives effect to this offering, the partial payment of indebtedness under the Ternium Credit Facility, the conversion of the indebtedness under the Subordinated Convertible Loans into shares of the Company and the consummation of the remaining transactions contemplated in the Corporate Reorganization Agreement.

Column VIII shows the cumulative pro forma effect of the transactions in columns VI and VII.

For further details, see Selected Financial and Operating Data Unaudited pro forma combined consolidated financial information of Ternium.

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For the year ended December 31, 2004

<i>Thousands of U.S. dollars (except for per share data)</i>	Pro forma adjustments							
	I	II	III	IV	V	VI	VII	VIII
	Historical consolidated	Amazonia	Acquisition of Hylsamex related debt	Hylsamex consolidation	Usiminas and Sivensa acquisitions	Pro forma as adjusted	Offering and conversion	Pro forma as further adjusted
Summary unaudited pro forma combined consolidated income statement data								
IFRS								
Net sales	\$ 1,598,925	\$ 1,637,962		\$ 2,266,123		\$ 5,503,010		\$ 5,503,010
Cost of sales	(965,004)	(610,792)		(1,559,173)		(3,134,969)		(3,134,969)
Gross profit	\$ 633,921	\$ 1,027,170		\$ 706,950		\$ 2,368,041		\$ 2,368,041
Selling, general and administrative expenses	(118,952)	(270,967)		(122,703)		(512,622)		(512,622)
Other operating expenses, net	(798)	(18,383)		6,645		(12,536)		(12,536)
Operating income	\$ 514,171	\$ 737,820		\$ 590,892		\$ 1,842,883		\$ 1,842,883
Financial income (expenses), net	202,289	(500,433)	\$ (2,724)	(91,608)		(392,476)		(392,476)
Interest related to credit facilities			(95,694)			(95,694)	\$ 35,253	(60,441)
Subordinated convertible loans interest			(22,597)			(22,597)	22,597	
Equity in earnings (losses) of associated companies	209,201	(210,145)				(944)		(944)
Income (loss) before income tax (expense) benefit	\$ 925,661	\$ 27,242	\$ (121,015)	\$ 499,284		\$ 1,331,172	\$ 57,850	\$ 1,389,022
Income tax (expense) benefit	(177,486)	11,227	10,592	(160,243)		(315,910)		(315,910)
Net income (loss)	\$ 748,175	\$ 38,469	\$ (110,423)	\$ 339,041		\$ 1,015,262	\$ 57,850	\$ 1,073,112
Attributable to:								
Equity holders of the Company	\$ 457,339	\$ (78,540)	\$ (100,735)	\$ 333,089	\$ 92,484	\$ 703,637	\$ 57,850	\$ 761,487
Minority interest	290,836	117,009	(9,688)	5,952	(92,484)	311,625		311,625
	\$ 748,175	\$ 38,469	\$ (110,423)	\$ 339,041		\$ 1,015,262	\$ 57,850	\$ 1,073,112
Number of shares (thousands)	1,168,944				261,409	1,430,353	625,155	2,055,508
Combined earnings (loss) per share	\$ 0.39					\$ 0.49	\$ 0.09	\$ 0.37



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For the year ended December 31, 2004

	Pro forma adjustments							
	I	II	III	IV	V	VI	VII	VIII
<i>Thousands of U.S. dollars (except for per share data)</i>	Historical combined consolidated	Amazonia	Acquisition of Hylsamex related debt	Hylsamex consolidation	Usiminas and Sivensa acquisitions	Pro forma as adjusted	Offering and conversion	Pro forma as further adjusted
<b>U.S. GAAP</b>								
Net income attributable to equity holders of the Company (under IFRS)	\$ 457,339	\$ (78,540)	\$ (100,735)	\$ 333,089	\$ 92,484	\$ 703,637	\$ 57,850	\$ 761,487
Capitalization of interest cost PP&E	152	272				424		424
Changes in fair value of financial assets through profit and loss	(1,361)					(1,361)		(1,361)
Capitalization of interest cost Intangible assets	313	429				742		742
Inventory valuation	(1,628)	1,498				(130)		(130)
Accounting for pension plans	(164)	(556)				(720)		(720)
Valuation of fixed assets PP&E	79,493	76,192				155,685		155,685
Equity in investments in associated companies Amazonia	(76,926)	76,926						
Deferred income tax	(27,101)	244,165				217,064		217,064
Accounting for convertible debt		(16,657)				(16,657)		(16,657)
Troubled debt restructuring		8,569				8,569		8,569
Other assets valuation		45				45		45
Minority interest	(5,462)	(233,545)		32,979	41,720	(164,308)		(164,308)
<b>Net income under U.S. GAAP</b>	<b>\$ 424,655</b>	<b>\$ 78,798</b>	<b>\$ (100,735)</b>	<b>\$ 366,068</b>	<b>\$ 134,204</b>	<b>\$ 902,990</b>	<b>\$ 57,850</b>	<b>\$ 960,840</b>
<b>Combined earnings per share</b>	<b>\$ 0.36</b>					<b>\$ 0.63</b>	<b>\$ 0.09</b>	<b>\$ 0.47</b>

Column I shows the historical combined consolidated data of Ternium derived from our audited combined consolidated financial statements for the year ended December 31, 2004, included in this prospectus.

Column II shows the consolidation of Amazonia's results of operation for the year ended December 31, 2004. On February 15, 2005, Amazonia came under the control of San Faustín upon the capitalization of certain debt instruments convertible into shares of Amazonia.

Column III reflects the effect of interest expense under the Credit Facilities and Subordinated Convertible Loans entered into in connection with the Hylsamex acquisition in Ternium's financial results for the year ended December 31, 2004, and the acquisition of Amazonia's and Ylopa's shares held by Alfa.

Column IV shows the consolidation of Hylsamex's results of operations under IFRS for the year ended December 31, 2004.

Column V gives effect to the acquisition of Usiminas's interests in Siderar, Amazonia and Ylopa in exchange for 227,608,254 shares of the Company and the contribution of ISL's interest in Amazonia in exchange for 33,800,735 shares of the Company in accordance with the terms of the Corporate Reorganization Agreement.

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Column VI shows the cumulative pro forma effect of the transactions in columns II, III, IV and V.

Column VII gives effect to this offering, the partial payment of indebtedness under the Ternium Credit Facility, the conversion of the indebtedness under the Subordinated Convertible Loans into shares of the Company and the consummation of the remaining transactions contemplated in the Corporate Reorganization Agreement.

Column VIII shows the cumulative pro forma effect of the transactions in columns VI and VII.

For further details, see Selected Financial and Operating Data Unaudited pro forma combined consolidated financial information of Ternium.

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At June 30, 2005

	Pro forma adjustments						VII Pro forma as further adjusted
	I Historical combined consolidated	II Acquisition of Hylsamex related debt	III Hylsamex consolidation	IV Usiminas and Sivensa acquisitions	V Pro forma as adjusted	VI Offering and conversion <sup>(*)</sup>	
<i>(Thousands of U.S. dollars)</i>							
Summary unaudited pro forma combined consolidated balance sheet data							
IFRS							
Non-current assets:							
Property, plant and equipment, net	\$ 3,508,133		\$ 2,041,277		\$ 5,549,410		\$ 5,549,410
Goodwill			451,087		451,087		451,087
Intangible assets, net	15,607		226,975		242,582		242,582
Other investments	13,095				13,095		13,095
Investments in associated companies	7,002		427		7,429		7,429
Receivables, net	51,837	\$ 25,129			76,966		76,966
Deferred tax assets			5,679		5,679		5,679
<b>Total non-current assets</b>	<b>\$ 3,595,674</b>	<b>\$ 25,129</b>	<b>\$ 2,725,445</b>		<b>\$ 6,346,248</b>		<b>\$ 6,346,248</b>
Current assets:							
Other assets			\$ 1,048		\$ 1,048		\$ 1,048
Other receivables	\$ 216,500		130,578		347,078		347,078
Inventories	590,057		348,610		938,667		938,667
Trade receivables	329,949		308,418		638,367		638,367
Other investments	760		2,323		3,083		3,083
Cash and cash equivalents	586,012	\$ 1,948,893	(2,050,512)		484,393	\$ (20,000)	464,393
<b>Total current assets</b>	<b>\$ 1,723,278</b>	<b>\$ 1,948,893</b>	<b>\$ (1,259,535)</b>		<b>\$ 2,412,636</b>	<b>\$ (20,000)</b>	<b>\$ 2,392,636</b>
<b>Total assets</b>	<b>\$ 5,318,952</b>	<b>\$ 1,974,022</b>	<b>\$ 1,465,910</b>		<b>\$ 8,758,884</b>	<b>\$ (20,000)</b>	<b>\$ 8,738,884</b>
Shareholder's equity	\$ 1,443,473		\$ (87,727)	\$ 365,680	\$ 1,721,426	\$ 1,074,022	\$ 2,795,448
Minority interest	2,114,883		(60,691)	(365,680)	1,688,512		1,688,512
Non-current liabilities:							
Provisions	46,221				46,221		46,221
Deferred income tax	603,972		272,834		876,806		876,806
Other liabilities	91,615		249,761		341,376		341,376
Borrowings	239,123	1,974,022	543,035		2,756,180	(1,094,022)	1,662,158
<b>Total non-current liabilities</b>	<b>\$ 980,931</b>	<b>\$ 1,974,022</b>	<b>\$ 1,065,630</b>		<b>\$ 4,020,583</b>	<b>\$ (1,094,022)</b>	<b>\$ 2,926,561</b>
Current liabilities:							
Provisions	\$ 1,044				\$ 1,044		\$ 1,044
Current tax liabilities	98,712		\$ 36,395		135,107		135,107
Other liabilities	127,883		254,084		381,967		381,967
Trade payables	347,810		183,436		531,246		531,246
Borrowings	204,216		74,783		278,999		278,999

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Total current liabilities	\$ 779,665		\$ 548,698		\$ 1,328,363		\$ 1,328,363
Total liabilities	\$ 1,760,596	\$ 1,974,022	\$ 1,614,328		\$ 5,348,946	\$ (1,094,022)	\$ 4,254,924
Total equity and liabilities	\$ 5,318,952	\$ 1,974,022	\$ 1,465,910		\$ 8,758,884	\$ (20,000)	\$ 8,738,884
<b>U.S. GAAP</b>							
Shareholders' equity under IFRS	\$ 1,443,473		\$ (87,727)	\$ 365,680	\$ 1,721,426	\$ 1,074,022	\$ 2,795,448
Capitalization of interest cost PP&E	8,200				8,200		8,200
Inventory valuation	(11,696)				(11,696)		(11,696)
Capitalization of interest cost intangible assets	513				513		513
Accounting for pension plans	5,436				5,436		5,436

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At June 30, 2005							
Pro forma adjustments							
(Thousands of U.S. dollars)	I	II	III	IV	V	VI	VII
	Historical combined consolidated	Acquisition of Hylsamex related debt	Hylsamex consolidation	Usiminas and Sivensa acquisitions	Pro forma as adjusted	Offering and conversion <sup>(*)</sup>	Pro forma as further adjusted
Valuation of fixed assets PP&E	\$ (1,514,897)				\$ (1,514,897)		\$ (1,514,897)
Troubled debt restructuring	(21,659)				(21,659)		(21,659)
Revaluation reserve	(91,696)				(91,696)		(91,696)
Excess of fair value of net assets acquired over cost	(285,388)				(285,388)		(285,388)
Excess of fair value of net assets acquired over cost accumulated depreciation	10,105				10,105		10,105
Intangible assets and other assets	(1,042)				(1,042)		(1,042)
Deferred income tax	629,981				629,981		629,981
Purchase accounting differences			\$ 146,054	\$ 226,164	372,218		372,218
Minority interest	562,442				562,442		562,442
<b>Total shareholders equity under U.S. GAAP</b>	<b>\$ 733,772</b>		<b>\$ 58,327</b>	<b>\$ 591,844</b>	<b>\$ 1,383,943</b>	<b>\$ 1,074,022</b>	<b>\$ 2,457,965</b>

(\*) For purposes of this adjustment, we estimate that the gross proceeds from this offering will be USD500 million if the underwriters exercise their over-allotment option in full, at an assumed initial public offering price of USD17.50 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus).

Column I shows the audited combined consolidated condensed interim balance sheet of Ternium at June 30, 2005, which already reflects the consolidation of Amazonia.

Column II reflects the effect of the disbursements under the Credit Facilities (USD1,380 million) and the Subordinated Convertible Loan Agreements (USD594 million) entered into in connection with the Hylsamex acquisition, and the acquisition of Amazonia's and Ylopa's shares held by Alfa.

Column III shows the consolidation of Hylsamex's balance sheet at June 30, 2005.

Column IV gives effect to the acquisition of Usiminas's interests in Siderar, Amazonia and Ylopa in exchange for 227,608,254 shares of the Company and the contribution of ISL's interest in Amazonia in exchange for 33,800,735 shares of the Company in accordance with the terms of the Corporate Reorganization Agreement.

Column V shows the cumulative pro forma effect of the transactions in columns II, III and IV.

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Column VI gives effect to this offering, the partial payment of indebtedness under the Ternium Credit Facility, the conversion of the indebtedness under the Subordinated Convertible Loans into shares of the Company and the consummation of the remaining transactions contemplated in the Corporate Reorganization Agreement.

Column VII shows the cumulative pro forma effect of the transactions in columns V and VI.

For further details, see Selected Financial and Operating Data Unaudited pro forma combined consolidated financial information of Ternium.

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***Ternium***

*The following summary selected combined consolidated financial and other data for Ternium should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations Ternium and Business and Ternium's combined consolidated financial statements and the notes thereto included elsewhere in this prospectus, and are qualified in their entirety by reference to the information therein.*

The summary selected combined consolidated financial data of Ternium have been derived from its combined consolidated financial statements, which are prepared in accordance with IFRS for each of the periods and at the dates indicated. The audited combined consolidated financial statements as of December 31, 2003 and 2004 and for the years then ended and the audited combined consolidated condensed interim financial statements of Ternium as of June 30, 2005 and for the six-month period then ended have been audited by Price Waterhouse & Co. SRL, Argentina, an independent registered public accounting firm. The audited combined consolidated financial statements of Ternium as of December 31, 2003 and 2004 and for the years then ended included in this prospectus combine and consolidate the results and other financial data of each of Siderar, Ylopa and Techintrade, and recognize the investment in Amazonia under the equity method, as of each such date and for each of the periods then ended, on the basis that such companies were under the common control of San Faustín as of each such date and for each such period. The effect of this presentation is to show the combined historical results, financial condition and other data of the various companies under the common control of San Faustín as though these companies had been our subsidiaries at the dates and during the periods presented. The audited combined consolidated condensed interim financial statements of Ternium as of June 30, 2005 and for the six-month period then ended included in this prospectus combine and consolidate, in addition to the consolidated results and other financial data of each of Siderar, Ylopa and Techintrade, the results and other financial data of Amazonia, which company came under the control of San Faustín on February 15, 2005. As a result of the consolidation of Amazonia's results and other financial data, Ternium's results and other financial data for the six months ended June 30, 2005 are likely to vary significantly from the results and other financial data for the six months ended June 30, 2004 and for the years ended December 31, 2003 and 2004. Moreover, the results presented for interim periods are not necessarily indicative of results to be expected for the full fiscal years.

IFRS differs in certain significant respects from U.S. GAAP. See notes AP T and 32 and 33 to Ternium's audited combined consolidated financial statements as of December 31, 2003 and 2004 and for the years then ended and note 17 to Ternium's combined consolidated condensed interim financial statements as of June 30, 2004 and 2005 and for the six months then ended included in this prospectus, which provide a description of the principal differences between IFRS and U.S. GAAP as they relate to Ternium's combined consolidated financial statements and a reconciliation to U.S. GAAP of net income and shareholders' equity for the periods and at the dates indicated therein. For a discussion of the currencies used in this prospectus, exchange rates and accounting principles affecting the financial information contained in this prospectus, see Exchange Rates and Presentation of Financial and Other Information.

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	For the year ended		For the six-month period ended	
	December 31,		June 30,	
<i>In thousands of U.S. dollars (except for per share data)</i>	2003	2004	2004	2005
<b>Selected combined consolidated income statement data</b>				
<b>IFRS</b>				
Net sales	\$ 1,056,566	\$ 1,598,925	\$ 670,503	\$ 1,827,845
Cost of sales	(671,720)	(965,004)	(381,990)	(905,920)
Gross profit	\$ 384,846	\$ 633,921	\$ 288,513	\$ 921,925
General and administrative expenses	(51,557)	(58,428)	(28,666)	(88,553)
Selling expenses	(62,786)	(60,524)	(30,299)	(96,674)
Other operating (expenses) income, net	(5,721)	(798)	65	(7,797)
Operating income	\$ 264,782	\$ 514,171	\$ 229,613	\$ 728,901
Other financial (expenses) income, net <sup>(1)</sup>	\$ 1,693	\$ (1,140)	\$ (2,762)	\$ (36,609)
(Loss) income from participation account	73,913	203,429	91,469	(66,114)
Financial (expenses) income, net	\$ 75,606	\$ 202,289	\$ 88,707	\$ (102,723)
Excess of fair value of net assets acquired over cost				188,356
Equity in (losses) earnings of associated companies	110,250	209,201	104,522	19,123
Income before income tax	450,638	925,661	422,842	833,657
Income tax	(94,087)	(177,486)	(79,081)	(105,717)
Net income for the period/year <sup>(2)</sup>	\$ 356,551	\$ 748,175	\$ 343,761	\$ 727,940
Attributable to:				
Equity holders of the Company	218,215	457,339	211,855	477,609
Minority interest	138,336	290,836	131,906	250,331
	\$ 356,551	\$ 748,175	\$ 343,761	\$ 727,940
Weighted average number of shares outstanding <sup>(3)</sup>	1,168,943,632	1,168,943,632	1,168,943,632	1,168,943,632
Basic and diluted earning per share for profit attributable to the equity holders of the Company during the period <sup>(3)</sup>	\$ 0.19	\$ 0.39	\$ 0.18	\$ 0.41
<b>U.S. GAAP</b>				
Net sales	\$ 1,056,566	\$ 1,598,925	\$ 670,503	\$ 2,088,778
Net income <sup>(4)</sup>	264,173	424,655	192,244	305,851

(1) Other financial (expenses) income, net includes the following: interest expense, interest income, net foreign exchange transaction (losses) gains and changes in fair value of derivative instruments, bank commissions and other bank charges and others.

(2)



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For IFRS purposes, net income for the period is shown gross of the interest of minority shareholders in controlled subsidiaries. The portion of net income attributable to the equity holders of the Company and to minority shareholders is disclosed separately. Under U.S. GAAP, net income for the period is shown net of minority interest.

- (3) Ternium's combined earnings per share for each of the periods presented have been calculated based on the assumption that 1,168,943,632 shares were issued and outstanding in each of the periods presented. See Formation of Ternium and Related Party Transactions Corporate reorganization transactions.
- (4) We are not presenting net income from continuing operations since it is identical to net income for all periods presented.

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<i>In thousands of U.S. dollars</i>	<b>At December 31,</b>		<b>At June 30,</b>
	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Selected combined consolidated balance sheet data</b>			
<b>IFRS</b>			
<b>Non-current assets</b>	\$ 1,610,810	\$ 1,728,410	\$ 3,595,674
Property, plant and equipment, net	1,275,699	1,244,691	3,508,133
Other non-current assets	335,111	483,719	87,541
<b>Current assets</b>	576,078	918,220	1,723,278
Cash and cash equivalents	129,020	194,875	586,012
Other current assets	447,058	723,345	1,137,266
<b>Total assets</b>	2,186,888	2,646,630	5,318,952
Capital and reserve attributable to equity holders	701,821	1,026,725	1,443,473
Minority interest	550,264	745,126	2,114,883
<b>Non-current liabilities</b>	677,649	359,510	980,931
Borrowings	283,914	1,008	239,123
Deferred income tax	374,907	337,473	603,972
Other non-current liabilities	18,828	21,029	137,836
<b>Current liabilities</b>	257,154	515,269	779,665
Borrowings	80,238	121,998	204,216
Other current liabilities	176,916	393,271	575,449
<b>Total liabilities</b>	934,803	874,779	1,760,596
<b>Total equity and liabilities</b>	2,186,888	2,646,630	5,318,952
<b>U.S. GAAP</b>			
Total assets	\$ 1,201,734	\$ 2,115,271	\$ 3,459,060
Non-current liabilities	311,054	44,647	393,182
Total shareholders' equity	382,703	954,255	733,772
		<b>For the year ended December 31,</b>	<b>For the six-month period ended June 30,</b>
<i>In thousands of U.S. dollars (except total production and employee data)</i>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Other information (IFRS)</b>			
Depreciation and amortization	\$ 85,479	\$ 99,192	\$ 117,628
Net cash provided by operating activities	346,318	517,565	601,136
Net cash provided by (used in) investment activities	(157,796)	(91,701)	8,793
Net cash used in financing activities	(171,961)	(359,887)	(490,193)
<b>Operating data (unaudited)</b>			
Total production of flat and long steel products (in thousands of tons)	2,471	2,268	2,367
Employees (at period end)	4,795	4,791	10,436

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***Amazonia***

*The following summary selected consolidated financial and other data for Amazonia should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations Amazonia and Business and Amazonia's consolidated financial statements and the notes thereto included elsewhere in this prospectus, and are qualified in their entirety by reference to the information therein.*

The summary selected consolidated financial data of Amazonia have been derived from its consolidated financial statements, which have been specially prepared for use in this prospectus in accordance with IFRS for each of the periods and at the dates indicated. The audited consolidated financial statements as of December 31, 2003 and 2004 and for the two years in the period ended December 31, 2004 included in this prospectus have been audited by Price Waterhouse & Co. SRL, Argentina, an independent registered public accounting firm. The combined consolidated financial statements of Ternium as of December 31, 2003 and 2004, and for the periods then ended, do not combine or consolidate such financial statements. According to Rule 3-09 of Regulation S-X, we are required to file separate financial statements of significant equity investees, such as Amazonia.

IFRS differs in certain significant respects from U.S. GAAP. See note 37 to Amazonia's consolidated financial statements included in this prospectus, which provides a description of the principal differences between IFRS and U.S. GAAP as they relate to Amazonia's consolidated financial statements and a reconciliation to U.S. GAAP of net income and shareholders' equity for the periods and at the dates indicated therein. For a discussion of the currencies used in this prospectus, exchange rates and accounting principles affecting the financial information contained in this prospectus, see Exchange Rates and Presentation of Financial and Other Information.

**Table of Contents****Amazonia**

<i>In thousands of U.S. dollars</i>	<b>For the year ended December 31,</b>	
	<b>2003</b>	<b>2004</b>
<b>Selected consolidated income statement data</b>		
<b>IFRS</b>		
Net sales	\$ 1,203,638	\$ 1,914,308
Cost of sales	(731,254)	(816,831)
Gross profit	\$ 472,384	\$ 1,097,477
General and administrative expenses	(127,134)	(138,006)
Selling expenses	(116,141)	(145,712)
Other operating (expenses) income, net	(13,827)	(18,383)
Operating income	\$ 215,282	\$ 795,376
Other financial (expenses) income, net	(292,017)	(178,917)
Loss from participation account	(124,785)	(343,556)
Financial (expenses) income, net	\$ (416,802)	\$ (522,473)
Gain on restructuring of debt	508,005	
Equity in loss of associated companies		(1,238)
Income before income tax and asset tax (expense) benefit	306,485	271,665
Income tax and asset tax (expense) benefit	73,051	(8,342)
Net income for the year <sup>(1)</sup>	\$ 379,536	\$ 263,323
Attributable to:		
Equity holders of the Company	367,080	146,324
Minority interest	12,456	116,999
	\$ 379,536	\$ 263,323
<b>U.S. GAAP</b>		
Net sales	\$ 1,203,638	\$ 1,914,308
Net income <sup>(1)(2)</sup>	320,064	318,540

- (1) For IFRS purposes, net income for the period is shown gross of the interest of minority shareholders in controlled subsidiaries. The portion of net income attributable to the equity holders of the Company and to minority shareholders is disclosed separately. Under U.S. GAAP, net income for the period is shown net of minority interest.
- (2) We are not presenting net income from continuing operations since it is identical to net income for all periods presented.

**Table of Contents****Amazonia**

<i>In thousands of U.S. dollars</i>	At December 31,	
	2003	2004
<b>Selected consolidated balance sheet data</b>		
<b>IFRS</b>		
<b>Non-current assets</b>	\$ 2,119,597	\$ 1,775,801
Property, plant and equipment, net	2,111,055	1,716,925
Other non-current assets	8,542	58,876
<b>Current assets</b>	519,663	881,875
Cash and cash equivalents	103,912	211,481
Other current assets	415,751	670,394
<b>Total assets</b>	<b>\$ 2,639,260</b>	<b>\$ 2,657,676</b>
Shareholders' equity	\$ 723,545	\$ 746,157
Minority interest	577,194	595,912
<b>Non-current liabilities</b>	959,664	693,640
Borrowings	799,067	529,312
Deferred income tax	43,951	39,653
Other non-current liabilities	116,646	124,675
<b>Current liabilities</b>	378,857	621,967
Borrowings	84,328	216,713
Other current liabilities	294,529	405,254
<b>Total liabilities</b>	<b>1,338,521</b>	<b>1,315,607</b>
<b>Total equity and liabilities</b>	<b>\$ 2,639,260</b>	<b>\$ 2,657,676</b>
<b>U.S. GAAP</b>		
Total assets	\$ 1,520,597	\$ 2,034,245
Non-current liabilities	972,010	714,954
Total shareholders' equity	45,206	351,537
	<b>For the year ended December 31,</b>	
<i>In thousands of U.S. dollars (except total production and employee data)</i>	2003	2004
<b>Other information (IFRS)</b>		
Depreciation and amortization	\$ 143,996	\$ 118,101
Net cash flows provided by operating activities	246,290	415,443
Net cash flows used in investment activities	(59,386)	(140,582)
Net cash flows used in financing activities	(148,363)	(149,974)
<b>Operating Data (unaudited)</b>		
Total production of flat and long steel products (in thousands of tons)	2,818	3,057
Employees (at period end)	5,693	5,678

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***Hylsamex***

*The following summary selected consolidated financial and other data for Hylsamex should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations Hylsamex and Hylsamex's consolidated financial statements and the notes thereto included elsewhere in this prospectus, and are qualified in their entirety by reference to the information therein. The Company acquired Hylsamex subsequently to the periods presented in Hylsamex's consolidated financial statements included herein, and neither San Faustín nor any of its affiliates controlled or managed Hylsamex during the periods presented in such financial statements. Accordingly, except for the restatement into constant Mexican pesos as of June 30, 2005, such financial statements were not prepared by or at the direction of the Company.*

The selected consolidated financial data of Hylsamex have been derived from its consolidated financial statements, which are prepared in accordance with Mexican GAAP for each of the periods and at the dates indicated, in each case restated in constant Mexican pesos as of June 30, 2005. The audited consolidated financial statements as of December 31, 2003 and 2004 and for the years ended December 31, 2002, 2003 and 2004 have been audited by PricewaterhouseCoopers SC, Mexico, an independent registered public accounting firm. The results presented for interim periods are not necessarily indicative of the results to be expected for the full fiscal years.

Mexican GAAP differs in certain significant respects from U.S. GAAP. See note 16 to Hylsamex's consolidated financial statements included in this prospectus, which provides a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to Hylsamex's consolidated financial statements and a reconciliation of net income and shareholders' equity to U.S. GAAP for the periods and at the dates indicated therein. For a discussion of currencies used in this prospectus, exchange rates and accounting principles affecting the financial information contained in the prospectus, see Exchange Rates and Presentation of Financial and Other Information.

**Table of Contents****Hylsamex**

	For the year		For the six-month	
	ended December 31,		period ended June 30,	
<i>In millions of constant Mexican pesos as of June 30, 2005</i>	2003	2004	2004	2005
<b>Consolidated Income Statement Data</b>				
<b>Mexican GAAP</b>				
Net sales	MXN 16,948	MXN 26,986	MXN 12,355	MXN 13,207
Cost of sales	(14,940)	(18,093)	(8,468)	(9,601)
Gross margin	MXN 2,008	MXN 8,893	MXN 3,887	MXN 3,606
Operating expenses	(1,270)	(1,435)	(697)	(879)
Operating income	MXN 738	MXN 7,458	MXN 3,190	MXN 2,727
Other income (expense), net	(38)	(50)	(41)	16
Comprehensive financing expenses, net	(1,642)	(646)	(516)	(140)
Equity in net income (losses) of associated company	318	788	302	253
Income (loss) before the following provisions	MXN (624)	MXN 7,550	MXN 2,935	MXN 2,856
Income tax and asset tax	(224)	(902)	(712)	(691)
Employees profit sharing	(18)	(359)	(19)	(117)
Consolidated net income (loss)	MXN (866)	MXN 6,289	MXN 2,204	MXN 2,048
Net income (loss) corresponding to minority interest	18	51	(47)	(52)
Net income (loss) corresponding to majority interest	MXN (884)	MXN 6,238	MXN 2,157	MXN 1,996
<b>U.S. GAAP</b>				
Net sales	MXN 16,948	MXN 26,986	MXN 12,355	MXN 13,207
Net income <sup>(1)</sup>	(1,382)	6,586	2,455	2,255

(1) We are not presenting net income from continuing operations since it is identical to net income for all periods presented.

**Table of Contents****Hylsamex**

<i>In millions of constant Mexican pesos as of June 30, 2005</i>	At December 31,		At June 30,
	2003	2004	2005
<b>Consolidated Balance Sheet Data</b>			
<b>Mexican GAAP</b>			
<b>Current assets</b>	MXN 7,004	MXN 10,243	MXN 10,157
Cash and cash equivalents	1,018	1,425	1,585
Other current assets	5,986	8,818	8,572
<b>Non-current assets</b>	24,684	24,143	23,556
Property, plant and equipment	21,753	20,897	20,421
Other non-current assets	2,931	3,246	3,135
<b>Total assets</b>	31,688	34,386	33,713
<b>Current liabilities</b>	3,819	4,575	4,491
Current portion of long-term debt	776	334	782
Other current liabilities	3,043	4,241	3,709
<b>Non-current liabilities</b>	16,728	11,100	9,642
Long-term debt	12,322	7,220	5,888
Notes payable to Alfa	487		
Deferred income tax	2,530	2,720	2,523
Estimated liabilities for seniority premiums and pension plans	1,389	1,160	1,231
<b>Total liabilities</b>	20,547	15,675	14,133
<b>Total majority interest</b>	9,159	16,650	17,472
<b>Minority interest in subsidiaries</b>	1,982	2,061	2,108
<b>Total liabilities, minority interest and shareholders equity</b>	MXN 31,688	MXN 34,386	MXN 33,713
<b>U.S. GAAP</b>			
Total assets	MXN 30,787	MXN 34,320	MXN 33,464
Non-current liabilities	18,268	12,868	11,335
Shareholders equity	6,718	14,816	15,530
			<b>For the six-month</b>
			<b>period ended</b>
		<b>For the year ended</b>	<b>June 30,</b>
		<b>December 31,</b>	
<i>In millions of constant Mexican pesos as of June 30, 2005</i>			
<i>(except for total production and employee data)</i>	2003	2004	2005
<b>Other information (Mexican GAAP)</b>			
Depreciation and amortization	MXN 1,449	MXN 1,439	MXN 741
Resources provided by operations	421	5,304	2,520
Resources (used in) provided by financing activities	664	(4,390)	(2,004)
Resources used in investing activities	(709)	(505)	(356)
<b>Operating data (unaudited)</b>			
Total production of flat and long steel products (in thousands of tons)	2,511	3,303	1,460



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Employees (at period end)	7,219	7,386	7,409
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**RISK FACTORS**

*An investment in our shares or our ADSs is subject to the risks described below. You should carefully review the following risk factors, together with the other information contained in this prospectus, before deciding whether this investment is suited to your particular circumstances. Any of these risks could have a material adverse effect on Ternium's business, financial condition and results of operations, which could in turn affect the price of our shares or our ADSs.*

**Risks relating to the steel industry**

*The demand for Ternium's products is cyclical.*

The steel industry is highly cyclical in nature and is characterized by intense competition. The financial condition and results of operations of steel companies are generally affected by various factors, including fluctuations in gross domestic product, related market demand, global production capacity, tariffs, cyclicalities in the industries that purchase steel products and other factors beyond Ternium's control. The demand for and prices of Ternium's products are directly affected by these fluctuations. For example, the Ternium companies depend on construction activity within their primary markets for a large proportion of their sales. Construction activity is cyclical and significantly affected by changes in global and local economic conditions. A prolonged recession in the construction sector, or in any of the other industry sectors that purchase Ternium's products, in Argentina, Venezuela or Mexico, where most of Ternium's operations are conducted and domestic sales are targeted, could result in a significant decrease in Ternium's operational and sales performance. In addition, like other manufacturers of steel-related products, the Ternium companies have fixed and semi-fixed costs that cannot adjust rapidly to fluctuations in the demand for their products. If demand for Ternium's products falls significantly, the impossibility of rapidly adjusting these costs could adversely affect Ternium's profitability.

Like other steel companies, Ternium is vulnerable to events affecting the steel industry as a whole, such as imbalances between supply and demand. For example, the impact of new production facilities could result in imbalances between supply and demand. Moreover, due to high start-up costs, the economics of operating a steel mill continuously could encourage mill operators to maintain high levels of output, even in times of low demand, which exacerbates the pressures on industry profit margins. Although the demand for steel has grown in recent years, the world steel industry has been affected in the past by generally sluggish demand and substantial excess worldwide steel production. As a result of the general excess capacity in the industry, the world steel industry was subject to substantial downward pricing pressure, which negatively impacted the results of steel companies in the second half of 2000 and the entire year of 2001. For example, as a result of these adverse trends, Sidor experienced significant financial losses and consequently restructured its debt in 2000 and again in 2003. International steel prices generally improved beginning in 2003. However, this new period of high prices for steel have encouraged reactivation of and investment in production capacity, and, consequently, oversupply has led to a decline in steel prices beginning in the last quarter of 2004. If an event occurs that has a negative effect on the steel industry, such as excess production capacity or increased competition in the main steel markets, Ternium's ability to expand sales and increase production in general will be constrained, and as a result, it may not be able to maintain its recent rate of growth in revenues. Furthermore, due to the highly cyclical nature of the steel industry, recent results may not be indicative of future performance, and historical results may not be comparable to future results. Investors should not rely on the results of a single period, particularly a period of peak prices, as an indication of Ternium's annual results or future performance.

*Demand for Ternium's products could decline as a result of fluctuations in Ternium's customers' inventory levels which could, in turn, cause a decline in Ternium's sales and revenue.*

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Inventory levels of steel products held by companies that purchase Ternium's products can vary significantly from period to period. These fluctuations can temporarily affect the demand for Ternium's products, as customers draw from existing inventory during periods of low investment in construction and the other industry sectors that purchase Ternium's products and accumulate inventory during periods of high investment and, as a result, these

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companies may not purchase additional steel products or maintain their current purchasing volume. Accordingly, Ternium may not be able to increase or maintain its current levels of sales volumes or prices.

### ***Price fluctuations or shortages in the supply of raw materials and energy could adversely affect Ternium's profits.***

Like other manufacturers of steel-related products, Ternium's operations require substantial amounts of raw materials and energy from domestic and foreign suppliers. In particular, the Ternium companies consume large quantities of iron ore, scrap, ferroalloys, electricity, coal, natural gas, oxygen and other gases in operating their blast and electric furnaces. The availability and price of a significant portion of the raw materials and energy Ternium requires are subject to market conditions and government regulation affecting supply and demand. For example, shortages of natural gas in Argentina and the consequent supply restrictions imposed by the government could lead to production cutbacks at Ternium's facilities in Argentina. See Risks relating to the countries in which we operate Argentina Argentina currently has an energy crisis, and restrictions on the supply of energy to Ternium's operations in Argentina could curtail Ternium's production and negatively impact Ternium's results of operations. In the past, Ternium has been able to procure sufficient supplies of raw materials and energy inputs to meet its production needs; however, it could be unable to procure adequate supplies in the future. Any protracted interruption, discontinuation or other disruption of the supply of principal inputs to the Ternium companies (including as a result of strikes, lockouts or other problems) would result in lost sales and would have a material adverse effect on Ternium's business. For further information related to raw materials and energy requirements, see Business Raw materials and energy.

Furthermore, estimated amounts of reserves of iron ore from Hylsamex's mines or from those of Ternium's suppliers may not be recovered, and these suppliers may revise their reserve estimates based on actual production experience. Reserves may not conform to geological, metallurgical or other expectations, and the volume and quality of iron ore recovered may be below the expected levels.

As the steel industry is highly competitive with respect to price, product quality, customer service and technological advances, worldwide competition in the steel industry has frequently limited the ability of steel producers to raise the price of finished products to recover higher raw material and energy costs. Accordingly, increased purchase costs of raw materials and energy may not be recoverable through increased product prices, which would reduce Ternium's gross profit and revenues. Furthermore, limited availability could cause Ternium to curtail production, which could adversely affect Ternium's sales and profitability. For further information related to raw materials, see Business Raw materials and energy.

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

The Ternium companies depend on certain key suppliers for their requirements of raw materials and energy. The Ternium companies have entered into long-term contracts for the supply of a substantial portion of their principal inputs, and it is expected that they will maintain and renew these contracts. However, if any of the key suppliers fails to deliver or there is a failure to renew these contracts, the Ternium companies could face limited access to raw materials and energy, higher costs and delays resulting from the need to obtain their raw material and energy requirements from other suppliers.

For example, expenditures for iron ore constitute one of Sidor's largest individual raw material costs. Currently, Sidor purchases all of its iron ore from a single producer in Venezuela at agreed-upon formula prices under a long-term supply agreement expiring in 2017. If Sidor is not able to continue this long-term relationship or to continue purchasing iron ore from such supplier at the agreed-upon prices, it could be unable to obtain sufficient quantities of iron ore from alternative suppliers at prices comparable to those offered by its current supplier and, accordingly, its gross profit could decline. Following a public announcement by the Venezuelan government that sought to pressure Sidor to renegotiate the terms of

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the agreement for the supply of iron ore, as permitted under the contract's hardship provision, on November 11, 2005, Sidor and CVG Ferrominera del Orinoco, C.A. ( FMO ) amended the pricing terms of the contract. The amended formula is expected to increase

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Sidor's cost of iron ore from approximately USD19 to approximately USD30 per ton in fiscal year 2006. Furthermore, under the revised contract, the pricing formula may be adjusted every two years, on the basis of public policy, Sidor's competitiveness and the evolution of international steel prices. See Risks relating to the countries in which we operate Venezuela and Management's Discussion and Analysis of Financial Condition and Results of Operations Amazonia Overview. See Business Raw materials and energy Venezuela Iron Ore, Electricity and Natural gas.

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

Ternium's subsidiaries have a substantial market share in their countries of operation where they maintain long-term relationships with their clients. Any fall in demand in these markets due to weak economic conditions or other reasons could adversely affect the operations of these subsidiaries and could redirect sales and the focus of Ternium's business to other markets. Competition in the global and regional markets could also be affected by antidumping and countervailing duties imposed on some producers in major steel markets and by the removal of barriers to imported products in those countries where the Ternium companies direct their sales. For further information please refer to

Business Regulation Trade regulations. Also, Ternium's foreign competitors would benefit from any fall in the value of their domestic currencies relative to the U.S. dollar, reducing their operating costs and making their products more competitive.

The market for Ternium's steel products is highly competitive, particularly with respect to price, quality and service. In both the global and regional markets, Ternium competes against other global and local producers of flat and long steel products, which in some cases have greater financial and operating resources. In addition, several competitors are implementing modernization programs and expanding their production capacity for products that could compete with those of Ternium. To the extent that these producers become more efficient, Ternium could confront stronger competition and could fail to preserve its current shares of the relevant geographic or product markets. See

Business Competition. Moreover, competition from alternative materials (including plastic, aluminum, ceramics, glass, wood and concrete) could adversely affect the demand for, and consequently the market prices of, certain steel products, and, accordingly, could affect the sales volume and revenue of Ternium and its subsidiaries.

In addition, there has been a trend in recent years toward steel industry consolidation among Ternium's competitors, and smaller competitors in the steel market today could become larger competitors in the future. For example, Aceralia, Arbed and Usinor merged in February 2002 to create Arcelor, and LNM Holdings and Ispat International merged in October 2004 to create Mittal Steel, which subsequently acquired International Steel Group. Competition from global steel manufacturers with expanded production capacity such as Mittal Steel and Arcelor, and new market entrants, especially from China, could result in significant price competition, declining margins and reductions in revenue. Ternium's larger competitors could u