Ternium S.A.
Form 6-K
May 05, 2009

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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934
As of 5/5/2009
Ternium S.A.
(Translation of Registrant s name into English)
Ternium S.A.
46a, Avenue John F. Kennedy
L-1855 Luxembourg
(Address of principal executive offices)
Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or 40-F.

Form 20-F þ Form 40-F o

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

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
Not applicable

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

This report contains Terniums notice of Annual General Meeting of Shareholders, the Shareholder Meeting Brochure and Proxy Statement and Ternium s 2008 Annual Report.

SIGNATURE

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

TERNIUM S.A.

By: /s/ Raúl Darderes

Name: Raúl Darderes

Title: Secretary to the Board of Directors

Dated: May 5, 2009

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May 5, 2009

Dear Ternium Shareholders and ADR holders,

I am pleased to invite you to attend the Annual General Meeting of Shareholders of TERNIUM S.A., *société anonyme holding* (the Company), to be held on Wednesday, June 3, 2009, at the Company s registered office in Luxembourg, located at 46A, avenue John F. Kennedy, L-1855 Luxembourg (the Meeting). The Meeting will begin promptly at 2:30 p.m., local time.

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

The Notice and Agenda for the Meeting, the Shareholder Meeting Brochure and Proxy Statement and the Company s 2008 annual report (which includes the Company s consolidated financial statements as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006, and the Company s annual accounts as at December 31, 2008, together with the board of directors and the independent auditors reports thereon), are available free of charge at the Company s registered office in Luxembourg and on our website at http://www.ternium.com/en/investor/. They may also be obtained upon request, by calling +352 26 68 31 52 or +1 800 555 2470 (the latter number is toll free if you call from the United States).

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

Yours sincerely,

Paolo Rocca

Chairman

THE BANK OF NEW YORK MELLON
101 Barclay Street
New York, NY 10286

Re: TERNIUM S.A.

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

The Company has announced that its Annual General Meeting of Shareholders will be held on June 3, 2009, at 2:30 p.m. (Central European Time). The meeting will take place at the Company s registered office in Luxembourg, located at 46A, avenue John F. Kennedy L-1855 Luxembourg. **A copy of the Company s Notice of Annual General Meeting of Shareholders, which includes the agenda for such meeting, is available on the Company s website at http://www.ternium.com/en/investor/.**

The enclosed dedicated proxy form is provided to allow you to give voting instructions in respect of the Shares represented by your ADRs. The Notice of Annual General Meeting of Shareholders, the Shareholder Meeting Brochure and Proxy Statement and the Company s 2008 annual report (which includes the Company s consolidated financial statements as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006; and the Company s annual accounts as at December 31, 2008, together with the Board of Directors and independent auditors reports thereon), are available on the Company s website at http://www.ternium.com/en/investor/ and may also be obtained upon request at +352 26 68 31 52 or +1-800-555-2470 (the latter number is toll free if you call from the United States). They are also available free of charge at the Company s registered office in Luxembourg.

Each holder of ADRs as of April 29, 2009 is entitled to instruct The Bank of New York Mellon, as Depositary (the Depositary), as to the exercise of the voting rights pertaining to the Shares represented by such holder s ADRs. Elegible holders of ADRs who desire to give voting instructions in respect of the Shares represented by their ADRs must complete, date and sign a proxy form and return it to The Bank of New York Mellon Shareowner Services, P.O. Box 3549, S. Hackensack New Jersey 07606-9249, U.S.A. Attention: Proxy Processing, **by 5:00 p.m., New York City time, on May 29, 2009**. If the Depositary receives properly completed instructions by 5:00 p.m., New York City time, on May 29, 2009, then it shall endeavor, insofar as practicable, to vote or cause to be voted the shares underlying such ADRs in the manner prescribed by the instructions. However, if by 5:00 p.m., New York City time, on May 29, 2009, the Depositary receives no instructions from the holder of ADRs, or the instructions received are not in proper form, then the Depositary shall deem such holder to have instructed the Depositary to **give, and the Depositary shall give, a discretionary proxy to a person designated by the Company with respect to that amount of Shares underlying such ADRs to vote that amount of Shares underlying such ADRs in favor of any proposals or recommendations of the Company (including any recommendation by the Company to vote that amount of shares underlying such ADRs on any issue in accordance with the majority shareholders vote on that issue) as determined by the appointed proxy**. No instruction shall be deemed given and no discretionary proxy shall be given with respect to any matter as to which the Company informs the Depositary that (x) it does not wish such proxy given, (y) substantial opposition exists, or (z) the matter materially and adversely affects the rights of the holders of ADRs.

Any holder of ADRs is entitled to revoke or revise any instructions previously given to the Depositary by filing with the Depositary a written revocation or duly executed instructions bearing a later date at any time prior to **5:00 p.m., New York City time, on May 29, 2009**. No instructions, revocations or revisions thereof will be accepted by the Depositary after that time.

In order to avoid the possibility of double vote, **the Company s ADR books will be closed for cancellations from April 29, 2009, until May 29, 2009.**

IF YOU WANT YOUR VOTE TO BE COUNTED, THE DEPOSITARY MUST RECEIVE YOUR VOTING INSTRUCTIONS PRIOR TO 5:00 P.M. (NEW YORK CITY TIME) ON MAY 29, 2009.

THE BANK OF NEW YORK MELLON

Depositary

May 5, 2009
New York, New York

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TERNIUM S.A.
Société Anonyme Holding
46A, Avenue John F. Kennedy
L-1855, Luxembourg
RCS Luxembourg B 98 668

Notice of the Annual General Meeting of Shareholders
to be held on June 3, 2009 at 2:30 p.m. C.E.T.

Notice is hereby given to holders of shares of TERNIUM S.A., *société anonyme holding* (the Company), that the Annual General Meeting of Shareholders of the Company will be held on June 3, 2009, at 2:30 p.m. (Central European Time). The meeting will be held at the Company s registered office in Luxembourg, located at 46A, avenue John F. Kennedy L-1855 Luxembourg. The items listed below will be submitted to the vote of the shareholders.

Agenda

1. Consideration of the Board of Directors and independent auditor s reports on the Company s consolidated financial statements. Approval of the Company s consolidated financial statements as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006.

2. Consideration of the Board of Directors and independent auditor s reports on the Company s annual accounts. Approval of the Company s annual accounts as at December 31, 2008.

3. Allocation of results.

4. Discharge to the members of the Board of Directors for the exercise of their mandate throughout the year ended December 31, 2008.

5. Election of the members of the Board of Directors.

6. Compensation of the members of the Board of Directors.

7. Appointment of the independent auditors for the fiscal year ending December 31, 2009 and approval of their fees.

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

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

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10. Authorization to the Board of Directors of the Company or the board of directors or other governing bodies of the Company s subsidiaries to acquire shares of the Company.

Pursuant to the Company s Articles of Association, resolutions at the Annual General Meeting of Shareholders will be passed by a simple majority of the votes cast, irrespective of the number of shares present or represented.

Procedures for attending the meeting

Any shareholder who holds one or more share(s) of the Company on May 29, 2009 (the Record Date) shall be admitted to the Annual General Meeting of Shareholders of the Company. Holders of shares as of the Record Date may also vote by proxy.

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

Holders of American Depositary Receipts (the ADRs) as of April 29, 2009 are entitled to instruct The Bank of New York Mellon, as Depositary, as to the exercise of the voting rights pertaining to the Company s shares represented by such holder s ADRs. Elegible holders of ADRs who desire to give voting instructions in respect of the shares represented by their ADRs at the Meeting must complete, date and sign a proxy form and return it to The Bank of New York Mellon Shareowner Services, P.O. Box 3549, S. Hackensack New Jersey 07606-9249, U.S.A. Attention: Proxy Processing, by **5:00 p.m., New York City time, on May 29, 2009**.

The Shareholder Meeting Brochure and Proxy Statement (which contains reports on each item of the agenda for the meeting, and further details on voting procedures) and the forms furnished by the Company in connection with the meeting, may be obtained from the Company s registered office located at 46A, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, between 10:00 a.m. and 5:00 p.m. (local time).

Copies of the Shareholder Meeting Brochure and Proxy Statement and the Company s 2008 annual report (which includes the Company s consolidated financial statements as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006; and the Company s annual accounts as at December 31, 2008, together with the board of directors and the independent auditors reports thereon) are available on our website at http://www.ternium.com/en/investor/ and may also be obtained upon request, by calling +352 26 68 31 52 or +1 800 555 2470 (the latter number is toll free if you call from the United States). These documents are also available free of charge at the Company s registered office in Luxembourg.

Raúl H. Darderes

Secretary to the Board of Directors

May 5, 2009

Luxembourg

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TERNIUM S.A.
Société Anonyme Holding
46A, Avenue John F. Kennedy
L-1855, Luxembourg
RCS Luxembourg B 98 668

SHAREHOLDER MEETING BROCHURE AND PROXY STATEMENT

Annual General Meeting of Shareholders to be held on June 3, 2009 at 2:30 p.m. C.E.T.

This Shareholder Meeting Brochure and Proxy Statement is furnished by TERNIUM S.A., *société anonyme holding* (the Company), in connection with the Annual General Meeting of Shareholders of the Company (the Meeting) to be held on June 3, 2009, starting at 2:30 p.m., Central European Time, for the purposes set forth in the accompanying Notice of the Annual General Meeting of Shareholders (the Notice), at the Company s registered office in Luxembourg, located at 46A, avenue John F. Kennedy L-1855 Luxembourg.

As of April 29, 2009, there were issued and outstanding 2,004,743,442 ordinary shares, USD 1.00 par value each, of the Company (the Shares), including Shares (the Deposited Shares) deposited with The Bank of New York Mellon (the Depositary) under the Deposit Agreement, dated as of January 31, 2006 (the Deposit Agreement), among the Company, the Depositary and owners and beneficial owners from time to time of American Depositary Receipts (the ADRs) issued thereunder. The Deposited Shares are represented by American Depositary Shares, which are evidenced by the ADRs (one ADR equals ten Deposited Shares).

Each Share entitles the holder thereof to one vote at General Meetings of Shareholders of the Company.

Any holder of one or more Share(s) as of May 29, 2009 shall be admitted to the Meeting. Holders of Shares as of May 29, 2009 may also vote by proxy.

Each holder of ADRs as of April 29, 2009 is entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the Shares represented by such holder s ADRs. Elegible holders of ADRs who desire to give voting instructions in respect of the Shares represented by their ADRs must complete, date and sign a proxy form and return it to The Bank of New York Mellon Shareowner Services, P.O. Box 3549, S. Hackensack New Jersey 07606-9249, U.S.A. Attention: Proxy Processing, by **5:00 p.m., New York City time, on May 29, 2009**. If the Depositary receives properly completed instructions by **5:00 p.m., New York City time, on May 29, 2009**, then it shall endeavor, insofar as practicable, to vote or cause to be voted the shares underlying such ADRs in the manner prescribed by the instructions. However, if by **5:00 p.m., New York City time, on May 29, 2009**, the Depositary receives no instructions from the holder of ADRs, or the instructions received are not in proper form, then the Depositary shall deem such holder to have instructed the Depositary to give, and the Depositary shall give, a discretionary proxy to a person designated by the Company with respect to that amount of Shares underlying such ADRs to vote that amount of Shares underlying such ADRs in favor of any proposals or recommendations of the Company (including any recommendation by the Company to vote that amount of shares underlying such ADRs on any issue in accordance with the majority shareholders vote on that issue) as determined by the appointed proxy. No instruction shall be deemed given and no discretionary proxy shall be given with respect to any matter as to which the Company informs the Depositary that (x) it does not wish such proxy given, (y) substantial opposition exists, or (z) the matter materially and adversely affects the rights of the holders of ADRs. Any holder of ADRs is entitled to revoke or revise any instructions previously given to the Depositary by filing with the Depositary a written revocation or duly executed instructions bearing a later date at any time prior to **5:00 p.m., New York City time, on May 29, 2009**. No instructions, revocations or revisions thereof will be accepted by the Depositary after that time. In order to avoid the possibility of double vote, the Company s ADR books will be closed for cancellations from April 29, 2009 until May 29, 2009.

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Holders of ADRs maintaining non-certificated positions must follow voting instructions outlined by their broker or custodian bank.
Holders of ADRs traded in the New York stock exchange need not have their ADRs blocked for trading.
The Meeting will appoint a chairperson *pro tempore* to preside over the Meeting. The chairperson *pro tempore* will have broad authority to conduct the Meeting in an orderly and timely manner and to establish rules for shareholders who wish to address the Meeting; the chairperson may exercise broad discretion in recognizing shareholders who wish to speak and in determining the extent of discussion on each item of the agenda.
Pursuant to the Company s Articles of Association, resolutions at the Meeting will be passed by a simple majority of the votes cast, irrespective of the number of shares present or represented.
The Meeting is called to address and vote on the following agenda:

1. **Consideration of the Board of Directors and independent auditor s reports on the Company s consolidated financial statements. Approval of the Company s consolidated financial statements as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006**

The Board of Directors recommends a vote FOR approval of the Company s consolidated financial statements as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006, after due consideration of the reports from each of the Board of Directors and the independent auditor on such consolidated financial statements.
The consolidated balance sheets of the Company and its subsidiaries and the related consolidated income statements, consolidated statements of changes in shareholders equity, consolidated cash flow statements and the notes to such consolidated financial statements, the report from the independent auditor on such consolidated financial statements and management s discussion and analysis on the Company s results of operations and financial condition are included in the Company s 2008 annual report, a copy of which is available on our website at http://www.ternium.com/en/investor/ and may also be obtained upon request, by calling +352 26 68 31 52 or +1 (800) 555 2470 (the latter number is toll free if you call from the United States). Copies of the Company s 2008 annual report are also available free of charge at the Company s registered office in Luxembourg.

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2. **Consideration of the Board of Directors and independent auditor s reports on the Company s annual accounts. Approval of the Company s annual accounts as at December 31, 2008**

The Board of Directors recommends a vote FOR approval of the Company s annual accounts as at December 31, 2008, after due consideration of the Board of Directors management report and the report from the independent auditor on such annual accounts. These documents are included in the Company s 2008 annual report, a copy of which is available on our website at http://www.ternium.com/en/investor/ and may also be obtained upon request, by calling +352 26 68 31 52 or +1 (800) 555 2470 (the latter number is toll free if you call from the United States). Copies of the Company s 2008 annual report are also available free of charge at the Company s registered office in Luxembourg.

3. **Allocation of results**

The Board of Directors recommends a vote FOR approval of the allocation of the profits of the year ended December 31, 2008 of USD 225,455,160.00 to the Company s retained earnings account.

4. **Discharge to the members of the Board of Directors for the exercise of their mandate throughout the year ended December 31, 2008**

In accordance with applicable Luxembourg law and regulations, it is proposed that, upon approval of the Company s annual accounts as at December 31, 2008, the members of the Board of Directors be discharged from any liability in connection with the management of the Company s affairs during such year.

5. **Election of the Members of the Board of Directors**

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

Under the Company s Articles of Association and applicable U.S. laws and regulations, effective on February 1, 2006, the Company is required to have an Audit Committee comprised solely of directors who are independent.

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

It is proposed that the number of members of the Board of Directors be maintained at eleven and that all of the current members of the Board of Directors be re-elected.

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Set forth below is summary biographical information of each of the candidates:
1) Mr. Ubaldo Aguirre*. Mr. Aguirre has served on the Company s board of directors since 2006. He is a managing director of Aguirre, Gonzalez and Marx S.A., an Argentine investment banking firm, and also serves as a member of the board of directors of Juan Minetti S.A., a subsidiary of Holcim, the Swiss cement producer. Since 2005, he also serves as chairman of the board of directors of Permasur S.A. and since 2000 as member of the board of directors of URS Argentina S.A. Mr. Aguirre formerly served as director and chairman of the audit committee of Siderar S.A.I.C. (Siderar). Mr. Aguirre began his career at the World Bank in Washington, D.C. In addition, Mr. Aguirre has been a member of the boards of each of Argentina s Central Bank where he was responsible for that country s external borrowing program and financial negotiations Banco de la Nación Argentina and Banco Nacional de Desarrollo. He also served as the Republic of Argentina s financial representative for Europe in Geneva and negotiator on behalf of the Republic of Argentina with the Paris Club. Mr. Aguirre, aged 60, is an Argentine citizen.
2) Mr. Roberto Bonatti. Mr. Bonatti has served as a director of the Company since 2005. He is a grandson of Agostino Rocca, founder of the Techint group, a group of companies controlled by San Faustin N.V. (San Faustin). Throughout his career in the Techint group he has been involved specifically in the engineering and construction and corporate sectors. He was first employed by the Techint group in 1976, as deputy resident engineer in Venezuela. In 1984, he became a director of San Faustín, and since 2001 he has served as its president. In addition, Mr. Bonatti currently serves as president of Techint Compañía Técnica Internacional S.A.C.I. and Tecpetrol S.A. (Tecpetrol). He is also a member of the board of directors of Tenaris S.A. (Tenaris), Siderca S.A.I.C. (Siderca) and Siderar. Mr. Bonatti, aged 59, is an Italian citizen.
3) Mr. Wilson Nélio Brumer. Mr. Brumer has served as a director of the Company since 2008. He is chairman of the board of directors of Usinas Siderurgicas de Minas Gerais S/A USIMINAS (Usiminas), a position to which he was appointed on April 29, 2008. He was Secretary of State of Economic Development in the State of Minas Gerais, Brazil. He also served as Chairman and Vice-Chairman of the Board of Directors of Companhia Vale Do Rio Doce, Chairman of the Board of Directors of BHP Billiton in Brazil, and President of Acesita S.A. Throughout his career, Mr. Brumer served as member of the Board of Directors of several Brazilian companies and entities related to the steel industry. Mr. Brumer, aged 60, is a Brazilian citizen.
4) Mr. Marco Antônio Soares da Cunha Castello Branco. Mr. Castello Branco has served as a director of the Company since 2008. He currently serves as President-CEO of Usiminas, a position to which he was appointed on April 29, 2008. He has held several positions within Mannesman (now Vallourec & Mannesmann Tubes) including Commercial Director and Chairman of the Board of Directors. Mr. Castello Branco, aged 48, is a Brazilian citizen.
5) Mr. Carlos Alberto Condorelli. Mr. Condorelli has served as a director of the Company since 2005. He is currently a member of the board of directors of Tenaris. He began his career within the Techint group in 1975 as an analyst in the accounting and administration department of Siderar. He has held several positions within Tenaris and other Techint group companies, including chief financial officer of Tenaris, finance and administration director of Tubos de Acero de México, S.A. (Tamsa), and president of the board of directors of Empresa Distribuidora La Plata S.A., an Argentine utilities company. Mr. Condorelli, aged 58, is an Argentine citizen.
6) Mr. Pedro Pablo Kuczynski*. Mr. Kuczynski has served as a member of the Company s Board of Directors since 2007. He was Prime Minister of Peru in 2005-2006 and prior to that he was the Minister of Economy and Finance from 2001. He was the Republic of Peru s Minister of Energy and Mines in 1980-82. He was president until 2001 of a private equity firm he founded in 1992 after spending ten years as Chairman of First Boston International (today Credit Suisse) in New York. Since 2007, he is Senior Advisor to the Rohatyn Group, a firm specializing in emerging markets. He ran a bauxite mining company affiliated with Alcoa between 1977 and 1980. He began his career at the World Bank in 1961 and was in the 1970s head of its Policy Planning Division, Chief Economist for Latin America and Chief Economist of IFC. He was born in Peru in 1938 and educated in Peru and at Oxford and Princeton. Mr. Kuczynski, aged 70, is a U.S. and Peruvian national.

7) Mr. Adrian Lajous*. Mr. Lajous has served as a director of the Company since 2006. Mr. Lajous currently serves as the senior energy advisor to McKinsey & Company, chairman of the Oxford Institute for Energy Studies, president of Petrométrica, S.C. and non-executive director of Schlumberger, Ltd. and Trinity Industries Inc. Mr. Lajous began his career teaching economics at El Colegio de México and in 1977 was appointed director general for energy at Mexico s Ministry of Energy. Mr. Lajous joined Pemex in 1983, where he held a succession of key executive positions including executive coordinator for international trade, corporate director of planning, corporate director of operations and director of refining and marketing. From 1994 until 1999, he served as chief executive officer of Pemex and chairman of the boards of the Pemex Group of operating companies. Mr. Lajous, aged 65, is a Mexican citizen.

8) Mr. Bruno Marchettini. Mr. Marchettini has served on the Company s Board of Directors since 2006. Mr. Marchettini is senior advisor in technological matters for the Techint group. Mr. Marchettini has retired from executive positions and is presently engaged as a consultant by Siderar. Mr. Marchettini is a director of San Faustin and Techint Financial Corporation N.V. Mr. Marchettini, aged 67, is an Italian citizen.

9) Mr. Gianfelice Mario Rocca. Mr. Rocca has served as a director of the Company since 2006. He is a grandson of Agostino Rocca. He is chairman of the board of directors of San Faustín, a member of the board of directors of Tenaris, president of the Humanitas Group, and president of the board of directors of Techint Compagnia Tecnica Internazionale S.p.A. and of Tenova S.p.A. In addition, he sits on the board of directors or executive committees of several companies, including Allianz S.p.A, RCS Quotidiani and Buzzi Unicem. He is vice president of Confindustria, the leading association of Italian industrialists. He is a member of the Advisory Board of Allianz Group, of the Trilateral Commission and of the European Advisory Board of the Harvard Business School. Mr. Rocca, aged 61, is an Italian citizen.

10) Mr. Paolo Rocca. Mr. Rocca has served as the chairman of the Company s Board of Directors since 2005. He is a grandson of Agostino Rocca. He is also chairman and chief executive officer of Tenaris, chairman of the board of directors of Tamsa and vice president of Confab Industrial S.A. In addition, he is a member of the board of directors and vice president of San Faustín and a director of Techint Financial Corporation N.V. Mr. Rocca is vice chairman of the World Steel Association and member of the International Advisory Committee of NYSE Euronext (New York Stock Exchange). Mr. Rocca, aged 56, is an Italian citizen.

11) Mr. Daniel Agustin Novegil. Mr. Novegil has served as a director and chief executive officer of the Company since 2005. Mr. Novegil joined Propulsora Siderurgica in 1978 and was appointed as its general director in 1991. In 1993, following the merger of the privatized company Somisa with Propulsora, he was appointed managing director of Siderar. In 1998, after the acquisition of Sidor, Mr. Novegil was appointed chairman and chief executive officer of Sidor. In March 2003, Mr. Novegil was designated executive vice-president of the Techint Flat and Long Steel Division, with executive responsibilities over Siderar and Sidor. He became president of Siderar in May 2005. Mr. Novegil, aged 56, is an Argentine citizen.

* Independent directors

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Each elected director will hold office until the next Annual General Meeting of Shareholders. Under the current Company s Articles of Association, such meeting is required to be held on June 2, 2010.

The Board of Directors of the Company met six times during 2008. On January 12, 2006, the Board of Directors created an Audit Committee pursuant to Article 11 of the Articles of Association of the Company. As permitted under applicable laws and regulations, the Board of Directors does not have any executive, nominating or compensation committee, or any committees exercising similar functions.

6. **Compensation of the members of the Board of Directors**

It is proposed that each of the members of the Board of Directors receive an amount of USD 70,000.00 as compensation for their services during the fiscal year 2009, and that the Chairman of the Board of Directors receive, further, an additional fee of USD 280,000.00. It is further proposed that each of the members of the Board of Directors who are members of the Audit Committee receive an additional fee of USD 50,000.00, and that the Chairman of such committee receive, further, an additional fee of USD 10,000.00.

7. **Appointment of the independent auditors and approval of their fees**

Based on the recommendation from the Audit Committee, the Board of Directors recommends a vote FOR the appointment of PricewaterhouseCoopers (acting, in connection with the Company s annual accounts and annual consolidated financial statements required under Luxembourg law, through PricewaterhouseCoopers S.àr.l., Réviseur d entreprises, and, in connection with the Company s annual and interim consolidated financial statements required under the laws of any other relevant jurisdiction, through Price Waterhouse & Co. S.R.L.) as the Company s independent auditors for the fiscal year ending December 31, 2009, to be engaged until the next Annual General Meeting of Shareholders that will be convened to decide on the 2009 accounts.

In addition, the Board of Directors recommends a vote FOR approval of the independent auditors fees for audit, audit-related and other services to be rendered during the fiscal year ending December 31, 2009, broken-down into four currencies (Argentine Pesos, Euro, Mexican Pesos, and U.S. Dollars), up to a maximum amount for each currency equal to ARS 5,163,342.00; EUR 70,900.00; MXN 11,232,744.00 and USD 183,821.00. Such fees would cover the audit of the Company s consolidated financial statements and annual accounts, the audit of the Company s internal controls over financial reporting as mandated by the Sarbanes-Oxley Act of 2002, other audit-related services, and other services rendered by the independent auditors. The Board of Directors also recommends that its Audit Committee be authorized to approve any increase or reallocation of the independent auditors fees as may be necessary, appropriate or desirable under the circumstances.

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

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

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

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

10. **Authorization to the Board of Directors of the Company or the board of directors or other governing bodies of the Company s subsidiaries to acquire shares of the Company**

It is recommended that an authorization be granted to the Company and to the Company s subsidiaries to acquire, from time to time, Shares, including Shares represented by ADRs. Any such acquisition of Shares must be made on the following terms and conditions:

1. The nominal value of the Shares so acquired, together with Shares previously acquired by the Company, the Company s wholly-owned subsidiaries or any other person acting on the Company s behalf, and not cancelled, shall not exceed 10% of the Company s issued and outstanding Shares or, in the case of acquisitions of Shares made through a stock exchange in which the Shares or ADRs are traded, such lower amount as may not be exceeded pursuant to any applicable laws or regulations of such market.

2. The acquisitions of Shares may be made in one or more transactions as the Board of Directors of the Company or the board of directors or other governing body of the relevant entity, as applicable, considers advisable. The number of Shares acquired as a block may amount to the maximum permitted amount of purchases.

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3. The purchase price per ADR to be paid in cash may not exceed 125% (excluding transaction costs and expenses), nor may it be lower than 75% (excluding transaction costs and expenses), in each case of the average of the closing prices of the ADRs in the New York Stock Exchange during the five trading days in which transactions in the ADRs were recorded in the New York Stock Exchange preceding (but excluding) the day on which the ADRs are purchased. In the case of purchases of Shares other than in the form of ADRs, the maximum and minimum per Share purchase prices shall be equal to the prices that would have applied in case of an ADR purchase pursuant to the formula above *divided by* the number of underlying Shares represented by an ADR at the time of the relevant purchase. Such maximum and minimum purchase prices shall also apply to over-the-counter or off-market transactions.

4. The above maximum and minimum purchase prices shall, in the event of a change in the par value of the Shares, a capital increase by means of a capitalization of reserves, a distribution of Shares under compensation or similar programs, a stock split or reverse stock split, a distribution of reserves or any other assets, the redemption of capital, or any other transaction impacting on the Company s equity be adapted automatically, so that the impact of any such transaction on the value of the Shares shall be reflected.

5. The acquisitions of Shares may not have the effect of reducing the Company s net assets below the sum of the Company s capital stock plus its undistributable reserves.

6. Only fully paid-up Shares may be purchased pursuant to this authorization.

7. The acquisitions of Shares may be carried out for any purpose, as may be permitted under applicable laws and regulations, including, without limitation, to reduce the share capital of the Company, to offer such shares to third parties in the context of corporate mergers or acquisitions of other entities or participating interests therein, for distribution to the Company s or the Company s subsidiaries directors, officers or employees or to meet obligations arising from convertible debt instruments.

8. The acquisitions of Shares may be carried out by any and all means, as may be permitted under applicable laws and regulations, including through any stock exchange in which the Shares or other securities representing Shares are traded, through public offers to all shareholders of the Company to buy Shares, through the use of derivative financial instruments or option strategies, or in over the counter or off-market transactions or in any other manner.

9. The acquisitions of Shares may be carried out at any time and from time to time during the duration of the authorization, including during a tender offer period, as may be permitted under applicable laws and regulations.

10. The authorization granted to acquire Shares shall be valid for such maximum period as may be provided for under applicable Luxembourg law as in effect from time to time (such maximum period being, as of to date, 18 months).

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11. The acquisitions of Shares shall be made at such times and on such other terms and conditions as may be determined by the Board of Directors of the Company or the board of directors or other governing body of the relevant entity, provided that any such purchase shall comply with Article 49-2 *et.seq.* of the Luxembourg Law of 10 August 1915 on commercial companies, as amended (or any successor law) and, in the case of acquisitions of Shares made through a stock exchange in which the Shares or other securities representing Shares are traded, with any applicable laws and regulations of such market.

It is recommended that the Annual General Meeting of Shareholders grant this authorization and further grant all powers to the Board of Directors and to the board of directors or other governing bodies of the Company s subsidiaries, in each case with powers to delegate in accordance with applicable laws, the Company s Articles of Association or the articles of association or other applicable organizational documents of the relevant Company s subsidiary, to decide on and implement this authorization, to define, if necessary, the terms and procedures for carrying out any purchase of Shares, and, in particular, to place any stock exchange orders, conclude any agreements, including for keeping registers of purchases and sales of Shares, make any declarations to the applicable regulatory authorities, carry out all formalities and, generally, do all such other acts and things as may be necessary, appropriate or desirable for the purposes aforesaid. The Board of Directors is expressly authorized to delegate to its Chairman, with the latter having the option to sub-delegate to any other person(s), the performance of the actions entrusted to the Board of Directors, pursuant to, or in connection with, this authorization.

The Company anticipates that the next Annual General Meeting of Shareholders will be held on June 2, 2010. Any shareholder who intends to present a proposal to be considered at the next Annual General Meeting of Shareholders must submit the proposal in writing to the Company at the registered office of the Company, located at 46A, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, not later than 4:00 P.M. (local time) on February 19, 2010, in order for such proposal to be considered for inclusion on the agenda for the 2010 Annual General Meeting of Shareholders.

PricewaterhouseCoopers are the Company s independent auditors. A representative of the independent auditors will be present at the Meeting to respond to questions.

Raúl H. Darderes
Secretary to the Board of Directors

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Company Profile & Strategy

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

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

Ternium has a deeply engrained industrial culture. With an annual production capacity of approximately 9 million tons of finished steel products and 16,000 employees, we have production facilities located in Mexico, Argentina, the southern United States and Guatemala, as well as a network of service centers that provide it with a strong position from which to serve its core markets.

Our favorable access to iron ore sources, diversified steel production technology and proximity to domestic steel consuming markets, enable us to minimize production and logistic costs under fluctuating input cost conditions, and to offer valuable services to our customer base.

We operate with a broad and long-term perspective. We take steps to improve the quality of life for our employees and their families as well as the local communities in which we operate.

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Operating and Financial Highlights (*)

The financial and operational information contained in this annual report is based on consolidated financial statements of Ternium S.A. (the Company), prepared in accordance with International Financial Reporting Standards (IFRS) and presented in U.S. dollars and metric tons.

	2008	2007	2006
SALES VOLUME (thousand tons)			
Flat products	6,325.5	5,718.9	4,693.3
Long products	1,217.2	1,261.2	1,234.6
Total flat and long products	7,542.7	6,980.1	5,927.8
FINANCIAL INDICATORS (US$ millions)			
Net sales	8,464.9	5,633.4	4,484.9
Operating income	1,676.0	836.8	1,001.8
EBITDA (1)	2,089.6	1,192.1	1,253.2
Income before income tax expense	880.8	707.2	899.2
Discontinued operations (2)	157.1	579.9	444.5
Net income attributable to:			
Equity holders of the Company	715.4	784.5	795.4
Minority interest	159.7	211.3	195.2
Net income for the year	875.2	995.8	990.6
Free cash flow (3)	(70.4)	592.1	439.1
Capital expenditures	587.9	344.3	314.9
BALANCE SHEET (US$ millions)			
Total assets	10,671.2	13,649.1	8,658.3
Total financial debt	3,267.3	4,082.3	1,053.8
Net financial debt	2,111.8	2,891.1	410.6
Total liabilities	5,109.8	7,391.2	3,274.6
Capital and reserves attributable to the company s equity holders	4,597.4	4,452.7	3,757.6
Minority interest	964.1	1,805.2	1,626.1
STOCK DATA (US$ per share / ADS)			
Basic earnings per share	0.36	0.39	0.41
Basic earnings per ADS (4)	3.57	3.91	4.11
Weighted average number of shares outstanding (5) (thousand shares)	2,004,743.4	2,004,743.4	1,936,833.1

(*) Sidor s results of operations have been deconsolidated from the Company s consolidated financial statements and are shown as Discontinued Operations. For a description of the events in Venezuela relating to the Sidor nationalization process, see note 29 (Discontinued operations) to the Company s consolidated financial statements included elsewhere in this Annual Report.

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

(2) Discontinued Operations include results from Sidor and from certain non-core U.S. assets that were sold during the first quarter 2008. For further details, see note 29 (Discontinued operations) to the Company s consolidated financial statements included

elsewhere in this Annual Report.

(3) Free cash flow is calculated as net cash provided by continuing operating activities less capital expenditures.

(4) Each ADS represents 10 shares of common stock.

(5) Shares outstanding were 2,004,743,442 as of December 31, 2008, 2007 and 2006.

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Chairman s Letter

2008 was certainly a year of strong contrasts for Ternium. In Mexico, we consolidated our position as the leading supplier of flat steel products in the local market following the integration of IMSA s operations. Today, we hold around 40% share in our flat steel product range, compared to approximately 20% two years ago. In Venezuela, however, we were forced to relinquish the ten years of hard work and investment that we put in at Sidor. We have still not received compensation from the Venezuelan government.

The business environment also went through a dramatic change. For the first three quarters of the year, our industry enjoyed a period of strong demand and rising prices as the global economy continued to expand strongly. In the fourth quarter, however, demand and prices plummeted, as the steel industry was one of the first to feel the impact of the collapse of global industrial production.

Following the severe retraction in demand worldwide for steel products, exacerbated by a strong inventory adjustment effect throughout the value chain, the outlook for our industry has definitively changed. We can expect a lengthy period of excess industry capacity and demand is not likely to return to the levels of 2008 for several years. This will have an impact on our sales and margins in 2009 and beyond.

How is Ternium positioned within the new environment? We have a number of important advantages, which will help us to differentiate our performance in this environment and to come out of the crisis strengthened. Firstly, our focus has been on selling finished steel products by integrating our operations into end-user markets. Through our network of service centers and distributors we are building strong and stable relationships with our customers and increasingly supplying them with customized products and services. Almost half of our sales by volume are of coated or cold-rolled products and most are directed to local or regional markets where we have established ourselves as market leaders. Consequently, we do not rely on export markets for volume sales.

Our production system is flexible and cost-competitive. We produce steel both in electric furnaces and in blast furnaces and buy slabs on the open market. This variety of options helps us to adapt rapidly to changing levels of demand and input costs. We have our own low-cost iron ore mines, which supply the majority of our requirements, as well as good access to competitive iron ore from Brazil. Our cash costs are competitive within our region which does not have a structural excess of steelmaking capacity.

Our management team has experienced crisis before. They are taking rapid and decisive action to adjust production to lower levels of demand, to reduce inventories and working capital, to reduce costs, and to resize our capital expenditure program. Expansion plans are being re-evaluated and our net debt position will continue to be reduced during the first half of 2009.

In 2008, we made good progress in improving our safety performance. Following the acquisition of IMSA, we took steps to consolidate safety, health and environmental standards throughout our operations in Mexico and elsewhere. Injury frequency indicators declined steadily over the year and showed a 30% improvement over 2007.

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Our program to develop the competitiveness of small and medium enterprises in our markets is now in its seventh year and has brought good results in strengthening our value chain. In 2008, we focused on providing assistance in managing industrial operations and training. We think that this program will gain even more relevance in the current market context.

Our results for the year reflected the contrasts we faced. Sales rose 50% to US$8.5 billion, EBITDA rose 75% to US$2.1 billion, and net income declined 12%, mainly related to the accounting effects of holding US dollar denominated debt at our Mexican subsidiaries level. Earnings per ADS for the year amounted to US$3.57, 9% down on last year. Considering our current priority of strengthening the balance sheet so that we are in a position to make the most effective advantage of the opportunities that may arise in these distressed times, we are not proposing to pay a dividend this year.

It has been a difficult year for our employees, particularly those involved with our former operations in Venezuela. I would like to thank them for their efforts and the results they have achieved. I would also like to thank our customers, suppliers and shareholders for their continuing support and confidence in our company.

Paolo Rocca
Chairman

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Sidor s Nationalization Process[1]

Further to several threats of nationalization and various adverse interferences with management in preceding years, on April 8, 2008, the Venezuelan government announced its intention to take control over Sidor. Following the confirmation of the Venezuelan government s decision to nationalize Sidor, on April 16, 2008, the Company, Sidor and the Venezuelan government entered into an agreement providing for the creation of a transition committee, composed of representatives of the government, the union and Sidor s class B employee shareholders, which was charged with ensuring the normal conduct of Sidor s production and commercial processes, acting in coordination with Sidor s board of directors, during the transition period until the nationalization was completed.

On April 29, 2008, the National Assembly of Venezuela passed a resolution declaring that the shares of Sidor, together with all of its assets, were of public and social interest. This resolution authorized the Venezuelan government to take any action it deemed appropriate in connection with any such assets, including expropriation.

On May 11, 2008, the President of Venezuela s decree regulating the steel production activity in the Guayana, Venezuela, dated April 30, 2008, was published. The decree ordered that Sidor and its subsidiaries and associated companies be transformed into state-owned enterprises, with the government owning not less than 60% of their share capital. The decree required the Venezuelan government to create two committees: a transition committee to be incorporated into Sidor s management and to ensure that control over the operations of Sidor and its subsidiaries and associated companies was transferred to the government on or prior to July 12, 2008, and a separate technical committee, composed of representatives of the government and the private shareholders of Sidor and its subsidiaries and associated companies, to negotiate over a 60-day period (extendable by mutual agreement) a fair price for the shares to be transferred to Venezuela, together with the terms and conditions of the possible participation of such private shareholders in the share capital of the state-owned enterprises.

The decree also stated that, in the event the parties failed to reach agreement regarding the terms and conditions for the transformation of Sidor and its subsidiaries and associated companies into state-owned enterprises by the expiration of the 60-day period, the Ministry of Basic Industries and Mining (the MIBAM) would assume control and exclusive operation, and the Executive Branch would order the expropriation of the shares of the relevant companies.

Upon expiration of the term contemplated under the decree, on July 12, 2008, Venezuela, acting through Corporación Venezolana de Guayana, or CVG (a Venezuelan governmental entity), assumed operational control of Sidor. Following the change in operational control, CVG assumed complete responsibility for Sidor s operations and Sidor s board of directors ceased to function. Thereafter, Sidor s operations were to be managed by a temporary operating committee; this committee, which could act by simple majority, was to have six members, with the majority of such members being appointed by CVG and one of CVG s appointees to become the committee s president and Sidor s general manager. However, the temporary operating committee has subsequently become non-operational and, accordingly, Sidor s operations are exclusively controlled and managed by Venezuela through CVG and MIBAM.

[1] For a description of the events in Venezuela relating to the Sidor nationalization process, see note 29 (Discontinued operations) to the Company s consolidated financial

statements
included
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The term provided in the decree for the negotiation of the conditions under which all or a significant part of the Company s interest in Sidor would be transferred to Venezuela was extended until August 18, 2008. Negotiations continued even after this additional term expired. On August 29, 2008, the President of Venezuela publicly stated his rejection of the latest proposal submitted by the Company to the Venezuelan authorities as part of their ongoing negotiations. The negotiations were subsequently resumed and continue to be under way. As of the date of issuance of this annual report, Ternium continues to retain formal title over the shares.
The Company s investment in Sidor is protected under several bilateral investment treaties, including the treaty between Venezuela and the Belgium-Luxembourg Economic Union. In connection with the Sidor nationalization process, the Company has consented to the jurisdiction of the International Center for Settlement of Investment Disputes established by the Convention on the Settlement of Investment Disputes between States and the Nationals of Other States. The Company continues to reserve all of its rights under contracts, investment treaties and Venezuelan and international law and will continue to evaluate its options in realizing the fair value of its interest in Sidor prior to state intervention. In addition, the Company will defend itself vigorously against any attempt by the Venezuelan government to lower the compensation for its interest in Sidor as a result of any government claims.

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Business Review

Ternium s business went through significant contrasts in the year 2008. Latin American commodity export prices reached record high levels during the year, supporting a multi-year trend of expansion in economic activity and steel consumption in the region. However, during the fourth quarter of 2008 the crisis in the global financial markets began to spread to the real economy of the region, causing a decrease in capital goods and consumer durables sales, which in turn resulted in a significant contraction in steel consumption and a generalized de-stocking of the steel industry value chain. Also in 2008, our business was significantly affected by the nationalization of Sidor[2].

The world s economic activity is expected to decrease year-over year in 2009, particularly at developed economies. The adverse conditions will be reflected in significant decreases in world steel consumption in 2009 compared to the previous year. Lower steel industry capacity utilization rates and input costs are expected to favor a depressed pricing environment for steel in the international markets.

We have acted quickly to effectively position Ternium to operate in the current environment and succeed in the long term. As a result of the ongoing measures, we anticipate a reduction in net debt and costs during 2009.

Among the measures taken to strengthen the balance sheet, we suspended or postponed major capital expenditure programs and reduced inventory through scaling down production and reducing the volume of semi-finished product and raw-material purchases. As a result working capital needs are expected to decrease, continuing the trend initiated in the fourth quarter of 2008.

On-going cost-reduction measures include efforts aimed at reassigning in-house personnel to reduce the use of third party services, reducing selling, general and administrative expenses and revising and re-negotiating supply contracts.

Ternium produces crude steel utilizing a mix of blast furnace and mini-mill technologies and purchases slabs in the market from third parties. This diversified technology base enables us to adjust plant utilization rates to adapt to different demand and cost conditions.

North America Region

During 2008, Ternium has been the leading supplier of flat steel products to Mexico and has also been active in the south of the United States. Ternium benefited from a strong steel market pricing environment in North America during the first nine months of 2008, followed by rapidly weakening conditions during the fourth quarter of the year.

The economies in the North America Region continued slowing in 2008. The Mexican economy showed less dynamism in consumption and lower investment activity compared to 2007 in an environment of relatively higher inflation.

[2] For a description of the events in Venezuela relating to the Sidor nationalization process, see note 29 (Discontinued operations) to the Company s consolidated financial statements included elsewhere in this Annual

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Mexican export-oriented industries were particularly affected by conditions of continued weak demand in the United States. GDP in Mexico increased 1.5% year-over-year in 2008. The U.S. economy suffered from the effects of weakening consumer confidence and increasing unemployment, accentuated by the worsening difficulties in the financial sector.

While apparent steel use in Mexico decreased 3% year-over-year in 2008 to approximately 17.3 million tons, in the entire North America Region it decreased 8%, due to even steeper drops in steel consumption rates in the U.S. and Canada, coupled with a de-stocking process that took place towards the end of the year.

Steel consuming sectors in Mexico, such as construction and the automotive industry, showed mixed results in 2008.

In 2008, Ternium achieved its main corporate restructuring goals by merging Hylsamex and Grupo Imsa into a single entity named Ternium Mexico. In addition, Grupo Imsa completed the reshaping of its core businesses by selling several manufacturing U.S. assets that were not a strategic fit with our production system[4].

[3] Source: World Steel Association

[4] For additional information, see note 29 (Discontinued operations) to the Company s consolidated financial statements included elsewhere in this Annual Report.

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We furthered our initiatives related to the integration of Ternium s industrial and supply-chain systems in Mexico, the United States and Guatemala, by developing new cold rolled and hot rolled semi-finished steel products aimed at supplying our coating lines in Shreveport, Louisiana and Villanueva, Guatemala, resulting in the reduction of third party supplies of semi-finished steel.

In 2008, we concluded a project designed to expand Ternium Mexico s thin slab casting production capacity in Monterrey, Mexico. With the streamlining of the facility, annual steel production capacity increased by approximately 85,000 tons to a total of 1.9 million tons. This facility is currently run at the highest utilization rate in Ternium s system, as it utilizes low cost iron ore supplied from our proprietary mines in Mexico and other inputs such as scrap, natural gas and electricity, the market prices of which have decreased significantly.

In addition, we concluded the revamping of one hot strip mill in Monterrey, which increased its annual processing capacity by approximately 280,000 tons. As a result of this project, Ternium Mexico s annual hot rolled coil processing capacity expanded to approximately 5.4 million tons as of year-end 2008. Nevertheless, in view of the adverse situation in the steel market, we expect to continue running this facility at low utilization rates during 2009.

During the year, Ternium announced that it plans to build a green-field project in Mexico to expand its flat steel production capacity. The project would involve the design and construction of a mini-mill in the Monterrey area with an annual production capacity of two million tons of hot rolled coils, one million tons of cold rolled coils and 300,000 tons of hot-dipped galvanized coils to serve the industrial and commercial markets. While the timing of the project is currently being revised in light of the ongoing global crisis, we continue advancing the basic engineering design.

South and Central America Region

During 2008, Ternium has been the leading supplier of flat steel products to Argentina, Paraguay and Uruguay and has kept a significant presence in the steel markets of Chile, Colombia, Peru and Ecuador. Overall, Ternium benefited from a higher per-capita steel consumption in these economies, which for the sixth consecutive year achieved significant year-over-year growth rates in terms of GDP despite the slowdown during the fourth quarter of 2008, which anticipates an adverse scenario for 2009.

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Finished steel demand reached record high levels in 2008 in our main markets in the region. Apparent steel use in South and Central America is estimated to have grown 5% year-over-year in 2008, with advances in every major market.

Overall, the construction and automotive sectors had another positive year in 2008, despite the adverse conditions during the fourth quarter. In Argentina, the construction sector grew 3.6% year-over-year in 2008, while the automotive sector achieved record high production levels and a 10.4% year-over-year growth.

Apparent steel demand in Argentina grew 4% to about 4.8 million tons for the year 2008, as the expansion during the first nine months of the year was offset by a sharp contraction in the fourth quarter. The country s economy, as measured by its GDP, expanded 7% year-over-year, mainly driven by growth in domestic demand.

[5] Source: World Steel Association

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Apparent steel demand was strong in Chile, Bolivia, Paraguay and Uruguay. The economies of these countries performed well in 2008, recording GDP growth rates of between 3% and 9% year-over-year. However, we had to reduce steel product shipments to these markets in 2008. Throughout the first nine months of the year, production capacity constraints and a year-over-year increase in steel products demand in Argentina reduced our ability to ship steel products to these countries. This situation reversed during the fourth quarter 2008, as a result of a significant decrease in steel demand in Argentina.

Steel demand in Colombia, Peru and Ecuador was also strong. The economies of these countries performed well in 2008, in particular Peru, which recorded an over-9% year-over-year GDP growth rate. We reduced our participation in the steel markets of those countries following the nationalization of Sidor.

In 2008, Ternium s subsidiary Siderar made significant capital expenditures in Argentina. It completed maintenance and upgrading works in two coke batteries in San Nicolás, which resulted in improved performance and quality of operations. Additionally, in October 2008, Siderar started the relining of blast furnace #1 in the same location, having concluded the relining of blast furnace #2 in January 2007. The relining, which is expected to be completed later in 2009, is aimed at enabling the continuous operation of the mill for a 12- to 15-year production period. Siderar s plan to increase its annual steelmaking capacity in Argentina by 1.2 million tons to a total of 4.0 million tons was suspended during January 2009. The aim of the plan was to increase the availability of slabs within Ternium.

During 2009, we intend to take measures aimed at enhancing the integration and flexibility of our production system to be in a better position to cope with the challenging steel market condition.

Iron Ore Mining

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

The extraction, processing and production of iron ore is organized under two operating companies: Las Encinas, which is wholly owned by Ternium; and Peña Colorada, which is 50% owned by Ternium and 50% owned by Arcelor Mittal.

As of year-end 2008, the mining activities employed approximately 1,300 direct employees and had a combined production capacity of 5.9 million tons per year of pellets, 0.4 million tons per year of concentrate and 0.4 million tons per year of fines. Of these totals, Arcelor Mittal is entitled to receive up to two million tons per year of pellets and 0.2 million tons per year of concentrate.

Las Encinas

The Las Encinas mining facilities include a pelletizing plant located in the community of Alzada, in the Colima state of Mexico, which has a production capacity of 1.9 million tons per year. In addition, approximately 0.4 million tons per year of hematite iron ore is produced as fines for export.

As of year-end 2008, Las Encinas had two iron ore mines in Mexico: Aquila, located in nearby Michoacan, and El Encino, located in nearby Jalisco and currently in stand-by mode. Another mine, Cerro Náhuatl, located in Colima, was exhausted and permanently shutdown in August 2008, following 20 years in operation.

We carried out intensive exploration activities during 2008 in Michoacán, Jalisco and Colima aiming to incorporate iron ore resources. These areas are located close to Las Encinas current facilities, which could eventually facilitate the new mines integration with the existing ones.

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Peña Colorada

The Peña Colorada mining facilities include a two-line pelletizing plant in the Manzanillo port in Colima, with a production capacity of 4.0 million tons per year of pellets and 0.4 million tons per year of concentrate. The pelletizing plant is fed from a mine in the Minatitlán municipality, located in Colima. Peña Colorada continued its exploration activities in 2008 at the existing mine s nearby areas with the purpose of expanding current iron ore reserves.

In 2009, we intend to continue running these mining facilities at high capacity utilization rates, as they represent a low cost raw material option for the production of steel. We will continue pursuing the expansion of our iron ore resources to eventually support production expansion projects. These activities do not entail the commitment of significant amounts of capital expenditures and are expected to better position Ternium for future steel market expansion cycles.

Support Program for Small- and Medium-Sized Enterprises

Ternium sponsors a small- and medium-sized enterprise (SME) support program called ProPymes. The program, created by the Techint group of companies, is focused on helping SMEs in the steel industry s value chain to grow. First launched in Argentina in 2002, ProPymes assisted approximately 500 SMEs in Mexico and Argentina in 2008. Customers and suppliers are invited to join the program, provided they meet certain qualifications, including specific management skills and growth potential. Suppliers who join the program have the opportunity to become suppliers to participating companies worldwide. The program s ultimate goal is to enhance SMEs competitiveness and to stimulate investments in the value chain.

As of year-end 2008, Ternium s participation in ProPymes was organized into two departments, one responsible for the program s execution in Mexico and the other for the program s execution in Argentina. Each department operated under local management supervision and was centrally coordinated by a ProPymes program director.

The program s main focus in 2008 has been to provide SMEs with industrial assistance and training for personnel of all levels. These activities have been carried out by Ternium s professionals and by top tier local universities with support from Ternium and national and world development agencies, together with the participating SMEs.

In Argentina, the program continued to focus on SME difficulties in accessing financial markets. Ternium s subsidiary Siderar, together with other sponsoring companies, offered financial assistance and advice to those companies seeking credit to fund projects aimed at increasing production levels and updating production technology.

The program has also assisted companies with growth opportunities in international markets. We promoted marketing studies by different institutions and consultants. Furthermore, the program offered advice with respect to international negotiations and patenting of new products, and it facilitated the participation of SMEs in government-organized commercial missions abroad. We also gave SMEs access to our vast commercial network in order to provide them with added logistical and commercial support.

For 2009, the program is aiming to expand industrial assistance and training related activities as well as the consolidation and strengthening of the SMEs institutional networks in Mexico and Argentina in anticipation of an increasingly difficult environment for international trade.

Product Research & Development

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

Integration of Processes

The incorporation of Grupo Imsa into Ternium s operations opened up several opportunities for synergies and integration of processes. During 2008, new processing routes were developed for Ternium s Mexican facilities, enabling certain products to be manufactured at several rolling, coating and customizing mills. In turn, this added ability increased the flexibility to allocate orders to specialized processing lines and according to their technological strengths, and ultimately increase efficiency and reduce costs.

In addition, we developed new cold rolled and hot rolled semi-finished steel products aimed at supplying our coating lines in Shreveport, Louisiana and Villanueva, Guatemala. These new products, which can be manufactured at Ternium s Mexican mills, enhance the integration between those mills and the above-mentioned downstream lines.

Construction Products

In 2008, we launched a new product portfolio of metal components for the construction industry, including roll formed steels for roofing, cladding, decking and floor decking. All these components have been certified in accordance with international standards.

In the same period, Ternium Mexico signed a technology and trademark license agreement with Varco Pruden Buildings, Inc. for the purpose of consolidating our leadership in the Latin American metal building systems market. The agreement grants Ternium Mexico the right to use Varco Pruden s technology and software for the design, engineering, fabrication, production, inspection and distribution of metal building systems and components in various Latin American countries, including, among others, Argentina, Colombia, Mexico, Panama and Venezuela.

Automotive Products

During 2008, Ternium supported the automotive industry s efforts to reduce automobile weight through the development of steel products with improved structural resistance that enables the usage of thinner steel sheets with similar resistance standards.

Additionally, we have been actively participating in research consortiums the purpose of which has been to evaluate the feasibility of applying new steel coatings, both in galvanized and electro-galvanized products, in order to either increase corrosion resistance or reduce coating weight.

Oil & Gas Products

In 2008, we developed boron-titanium bearing steels, through conventional and compact hot rolling mills, to serve customers needs for quenched and tempered welded tubes for oil and gas industry applications. In addition, we widened the dimensional range of high resistance API X65, for as-rolled line pipe applications, to meet the market demand.

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Home Appliance & Other Industrial Products

Ternium has also completed joint developments with several first-tier home-appliance manufacturers. New products include structured surface coated steel for laundry; chrome-free coated galvanized steel for refrigeration, in compliance with ROHS (Restriction of Hazardous Substances) standards; and high-stability metallic finishing for various applications.

During 2008, developments for the electrical industry included a new ultra low-carbon silicon-alloyed cold rolled grade to further reduce magnetic losses for electric motor cores with improved energy efficiency.

New wire rods for forging and automatic welding have been developed. Also new manganese-chrome bearing steel billets for hot forging processes have been produced with improved performance among our customers.

Basic & Applied Research

Our profound metallurgical knowledge, which is the result of our basic and applied research activities, has been key for the development of new steel products.

Several basic research efforts were conducted during 2008. Projects were mainly aimed at improving processes, creating new steel products with superior performances and generating the basic knowledge for the design of certain steel products. These mid- to long-term efforts are being carried out in conjunction with several institutions, including the University of Pittsburg, the Steel Research Center McMaster University, the French Corrosion Institute, the Tenaris Research Center and the Argentine Steel Institute.

Also during 2008, Ternium signed long-term cooperation agreements with leading universities. Under these agreements, engineers, post-graduate students and teachers at these institutions are sponsored to conduct, along with our steel product engineers, steel, metallurgy and product research and development projects of academic and industrial interest.

In 2009, we intend to further Ternium s industrial integration through the complementation of Argentina s steel shop and Mexican hot rolling mills, with the design of slab chemistries that optimize processes in both facilities. These initiatives are expected to enable higher flexibility and integration of the mills, a valuable development in the current steel market crisis.

In addition, we intend to continue our flat, long and coated steel product development plans to enter new niches in key industrial markets and to support new export opportunities.

Human Resources & Communities

During 2008, Ternium continued developing and upgrading its human resources. Training activities continued to be supported by our institutional program for recent graduates and our ongoing customized programs for other employees. The institutional training program, aimed at young professionals, is a one- to two-year program where trainees, coached by a senior employee assigned as tutor, join Ternium in anticipation of an eventual job opening and hold different assistant positions, gaining in-depth knowledge in several areas of expertise. Our ongoing training programs include a number of customized courses. These courses are designed to inform employees of the latest concepts and tools in relevant fields to encourage them to achieve the highest possible levels of productivity and operating efficiency.

Throughout 2008, following the merger of Hylsa and Grupo Imsa into a single entity (Ternium Mexico), Ternium undertook a process of rationalization of job positions and standardization of employees benefits and salary levels. Later in the year, Ternium s corporate structure was further adapted as our business profile changed following the nationalization of Sidor[6]. As a result, some corporate functions being carried out in Venezuela were adapted or replaced. Furthermore, an in-depth restructuring plan is being carried out, and is expected to be completed by the end of 2009.

Community Relations

Ternium s initiatives aim to establish long-term sustainable relationships and foster a sense of collaboration in the communities where we operate. Our community budget supports a select number of high-impact programs adapted to a wide range of socioeconomic realities in the different regions.

Consequently, Ternium s programs foster sports and cultural activities among its employees, their families and the broader communities, as well as enhance and improve technical education skills in some regions, while fulfilling basic health and educational community requirements in certain locations where this is most needed.

In this regard, we continued several educational programs in 2008 to improve the standard of living and general sustainability of certain communities in the mining areas in Mexico. Among these programs, Ternium granted support for the modernization of school infrastructure and the construction of a student hostel to facilitate the ability of youngsters living in rural areas to attend local schools.

We also supported the development of farming activities, literacy campaigns, teachers training and skill academies. Ternium continued a general and dental health enhancement program in the region, including prophylactic medicine campaigns, preventative and urgent care medicine practices and disease treatments.

Ternium s subsidiary Siderar has also continued its program intended to reduce student drop-out rates within certain communities in Argentina. Under this program, Siderar renewed existing scholarships or granted new ones at certain schools to students who were at risk of dropping out. The program was complemented with conferences to raise the communities awareness of the benefits of proper education.

During 2008, Siderar continued its contribution to the complete remodeling and expansion of a public hospital located close to one of its main facilities in Argentina. It also contributed to the design of training programs for the improvement of overall administration of the institution. The program is currently in its initial stages of implementation.

For the third consecutive year, Siderar continued its program to strengthen technical schools in Argentina. This endeavor, which includes five technical schools near certain Siderar facilities, focuses on the enhancement of institutions technical education so as to match the increasingly demanding requirements of the industrial labor market. Under this program, Siderar funded scholarships and provided training for students and teachers at its own workshops, while continuing to build necessary infrastructure at the participating technical schools to support future training activities. Moreover, Siderar continued its scholarship programs for university students as well as for talented high-school students.

Environment, Health & Safety

Ternium s environment, health and safety policies abide by the World Steel Association[7] s policy statement and its principles for excellence in safety and occupational health, as well as the Occupational Health and Safety Administration s (OHSA) 18,000 and ISO 14000 international standard directives.

6 For a description of the events in Venezuela relating to the Sidor nationalization process, see

note 29 (Discontinued operations) to the Company s consolidated financial statements included elsewhere in this Annual Report.

7 The World Steel Association (WSA) was formerly known as The International Iron and Steel Institute.

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Health and safety activities are coordinated through a central department within Ternium s corporate industrial direction, in coordination with local departments operating in each production unit. Likewise, environmental policies are coordinated by a corporate technical director and executed by the local engineering and environment managers. Following the Grupo Imsa transaction, we implemented a plan aimed at consolidating the environmental, health and safety standards throughout the existing and acquired operations in Mexico. In this context, during 2008 approximately 430 environmental, health and safety coordinators participated in environmental training programs. Ternium s average injuries frequency rate[8] (IFR) in 2008 reached a new low of 6.2, down from an IFR of 9.0 the previous year. Likewise, the average lost time injuries frequency rate[9] (LTIFR) in 2008 was 3.8, down from 5.3 in the previous year. These measurements, which include Ternium s facilities in Mexico, Argentina, the United States and Guatemala, encompass the activity of our personnel and of the personnel of third-party contractors operating in our facilities. The results demonstrate the growing commitment and participation of management and workers in the activities aimed at improving safety.

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

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

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In 2007, we initiated a new program designed to prevent the occurrence of serious accidents. Under this program, the safety measures for key processes and tasks were surveyed and comprehensively reassessed. During 2008, the recommendations and corrective measures that resulted from such reassessment, as well as from the permanent audit program, were implemented. The audit program, which is being conducted by middle and senior management, is expected to ensure the continuous commitment to safety by all interested parties.

We have actively participated in World Steel Association forums focused on sustainable development, environment, safety and occupational health, for the purpose of developing and sharing state-of-the-art best practices. These forums include the Climate Change Policy Group, Life Cycle Assessment, CO2 Breakthrough Program, Water Management, Sustainability Reporting, By-product Management, and the Safety and Occupational Health Committee and its working subgroups.

Environment, Health & Safety Management System

During 2008, a unified safety, health and environment (SHE) management information system was successfully implemented in Argentina. The system supports the implementation and execution of SHE management programs, chief among our top management s core responsibilities. In addition, the software enables any personnel in any location to report SHE incidents, generating instant and valuable information for local and central SHE staff, and thus contributing to its proper and timely management.

We expect to complete the implementation of our unified SHE management information system in our remaining facilities in Mexico, the United States and Guatemala in 2009.

Emissions Control

During 2008, new air emission control equipment was installed at Siderar s sinter facilities and steel shop in Argentina, and at one of our steel shops in Mexico. We continually review our operations to maximize the efficient use of energy resources, the re-use of by-products and the appropriate treatment and disposal of wastes, air emissions and waste water.

Greenhouse gas emissions

Ternium has recently decided to report to the world steel association its CO2 emissions data on an annual basis as part of the association s initiative to collect emissions data from member companies.

We support the steel industry s ongoing effort to develop innovative solutions to reduce greenhouse gas (GHG) emissions over the lifecycle of steel products. According to the Intergovernmental Panel on Climate Change (IPCC), the steel industry accounts for approximately 3% to 4% of total world GHG emissions.

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Our steel production facilities in Mexico have achieved GHG-specific emission levels that are close to the theoretical minimum. Also, in 2008 Ternium was recognized by GEI Mexico a public and private venture for GHG emissions control in the country for its participation in the program. In Argentina, Siderar s GHG-specific emission levels are close to the industry average for blast furnace technology.

PCB

Studies made on polychlorinated biphenyl (PCB) questioned the utilization of this product as cooling oil in electric transformers, among other applications, as PCB may pose inappropriate risks to health and the environment. Consequently, and in compliance with local laws and regulations as well as with the Stockholm Convention Guidelines, Ternium developed a plan to replace and manage all PCB-based electric transformers according to each country s defined schedule.

Ternium Mexico s facilities became PCB free in 2008 and Siderar s facilities in Argentina have advanced their replacement plan toward a 60% completion rate. Ternium s current PCB replacement plan schedules are far ahead of those provided by the Stockholm Convention Guidelines.

Underground Water Management

In 2008, Siderar began the implementation of an underground water management policy in Argentina, aimed at ensuring the long-term preservation of this resource. The program s activities in 2009 is expected to include the completion of new hydrological studies, the establishment of new monitoring wells and the analysis of the mid-term balance between the supply and demand of the resource in the facilities and neighboring areas.

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Corporate Governance

Shares

The Company has a single class of shares, each having a nominal value of US$1.00 per share and equal economic and voting rights, including the right to vote at its general shareholders meetings. The Company s articles of association provide that annual ordinary general shareholders meetings, at which its annual financial statements are approved and the members of its board of directors are appointed, must take place in Luxembourg on the first Wednesday of every June at 2:30 p.m., Luxembourg time. No attendance quorum is required at annual ordinary general shareholders meetings and resolutions are adopted by a simple majority vote of the shares present or represented at the meeting.

The Company has an authorized share capital of US$3.5 billion, of which US$2,004,743,442 was issued and outstanding as of December 31, 2008.

The Company s articles of association currently authorize the board of directors, for a period that ends on October 26, 2010, to issue shares within the limits of its authorized share capital at such times and on such terms and conditions as the board of directors or its delegates may determine. Accordingly, until October 26, 2010, shares may be issued up to the authorized share capital limit of US$3.5 billion by a decision of the board of directors. With the exception of certain cases set out in the articles of association, any issuance of shares for cash within the limits of the authorized share capital shall be, as long as the Company s shares are listed on a regulated market, subject to the pre-emptive subscription rights of the then-existing shareholders.

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

The Company may repurchase its own shares in the cases and subject to the conditions set by the Luxembourg law of August 10, 1915, as amended.

Board of Directors

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

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

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

The Company s current board of directors is comprised of eleven directors, three of whom are independent directors.

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Audit Committee

The board of directors has an audit committee consisting of three independent directors. The members of the audit committee are not eligible to participate in any incentive compensation plan for employees of the Company or any of its subsidiaries. Under the Company s articles of association and the audit committee charter, the audit committee:

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

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

reviews Material Transactions (as such term is defined in the Company s articles of association and the audit committee charter) between the Company or its subsidiaries with Related Parties (as such term is defined in the Company s articles of association) (other than transactions that were reviewed and approved by the independent members of the board of directors or other governing body of any subsidiary of the Company) to determine whether their terms are consistent with market conditions or are otherwise fair to the Company and its subsidiaries; and

performs such other duties imposed to it by applicable laws and regulations of the regulated market or markets on which the shares of the Company are listed, as well as any other duty entrusted to it by the board of directors.

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

Auditors

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

PricewaterhouseCoopers (acting, in connection with the Company s annual accounts and annual consolidated financial statements required under Luxembourg law, through PricewaterhouseCoopers S.ár.l., *Réviseur d entreprises*, and, in connection with the Company s annual and interim consolidated financial statements required under the laws of other relevant jurisdictions, through Price Waterhouse & Co. S.R.L.) was appointed as the Company s independent auditor for the fiscal year ended December 31, 2008, at the ordinary general shareholders meeting held on June 4, 2008.

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Board of Directors and Executive Officers

Board of Directors

Chairman

Paolo Rocca
Ubaldo Aguirre (*)
Roberto Bonatti
Wilson Nélio Brumer
Carlos Condorelli
Pedro Pablo Kuczynski (*)
Adrián Lajous (*)
Bruno Marchettini
Daniel Novegil
Gianfelice Rocca
Marco Antônio Soares da Cunha Castello Branco

Secretary

Raúl Darderes

(*) Audit Committee Members

Senior Management

Chief Executive Officer

Daniel Novegil

Chief Financial Officer

Roberto Philipps

North Region Area Manager

Julián Eguren

South Region Area Manager

Martín Berardi

International Area Manager

Ricardo Prósperi

Planning and Operations General Director

Oscar Montero

Engineering and Environment Director

Luis Andreozzi

Human Resources Director

Miguel Angel Punte

Chief Information Officer

Rubén Bocanera

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Corporate Information

Registered Office

46a Avenue John F. Kennedy
L1855 Luxembourg
Luxembourg
(352) 26 68 31 52 tel
(352) 26 68 31 53 fax

Principal Executive Offices

México
Av. Universidad 992, Colonia Cuauhtémoc
San Nicolás de los Garza Nuevo León
66450 México
(52) 81 8865 2828 phone

Argentina
Av. Leandro N. Alem 1067 21st Floor
C1001AAF Buenos Aires
Argentina
(54) 11 4018 4100 phone
(54) 11 4018 1000 fax

Investor Information

Investor Relations Director
Sebastián Martí
smarti@ternium.com

General Inquiries
TERNIUM Investor Relations
ir@ternium.com

Phone
Toll free number for U.S. callers: 1 (866) 890 0443
Mexico: 52 (81) 8865 2111
Argentina: 54 (11) 4018 2389

Stock Information
New York Stock Exchange (TX)

ADS Depositary Bank
Bank of New York Mellon
Shareowner Services
480 Washington Blvd
Jersey City, NJ 07310

Toll free number for U.S. callers: 1 800 522 6645
International Callers: 1 201 680 6578
shrrelations@mellon.com
CUSIP Number: 880890108

Internet
www.ternium.com

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Management Discussion & Analysis

The review of Ternium s financial condition and results of operations is based on, and should be read in conjunction with, the Company s consolidated financial statements as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 (including the notes thereto), which are included elsewhere in this Annual Report. The Company prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS). As a consequence of the consolidation of results and other financial data of Grupo Imsa as of July 26, 2007, the Company s results in 2008 reflect the consolidation of Grupo Imsa for the entire fiscal year, while the 2007 results reflect the consolidation of Grupo Imsa since July 26, 2007, to the end of the year.

Net results

The following table sets forth, for the periods indicated, selected financial data from the Company s consolidated income statement.

All amounts in US$ million	**2008**		**2007**	
Net sales	8,464.9	100.0%	5,633.4	100.0%
Cost of sales	(6,128.0)	-72.4%	(4,287.7)	-76.1%
Gross profit	**2,336.9**	**27.6%**	**1,345.7**	**23.9%**
Selling, general and administrative expenses	(669.5)	-7.9%	(517.4)	-9.2%
Other operating income (expenses), net	8.7	0.1%	8.5	0.2%
Operating income	**1,676.0**	**19.8%**	**836.8**	**14.9%**
Financial income (expenses), net	(797.1)	-9.4%	(130.0)	-2.3%
Equity in earnings (losses) of associated companies	1.9	0.0%	0.4	0.0%
Income before income tax expenses	**880.8**	**10.4%**	**707.2**	**12.6%**
Income tax expenses	(162.7)	-1.9%	(291.3)	-5.2%
Income from continuing operations	**718.1**	**8.5%**	**415.9**	**7.4%**
Income from discontinued operations	157.1	1.9%	579.9	10.3%
Net income for the year	**875.2**	**10.3%**	**995.8**	**17.7%**
ATTRIBUTABLE TO:				
Equity holders of the Company	**715.4**	**8.5%**	**784.5**	**13.9%**
Minority interest	159.7	1.9%	211.3	3.8%
	875.2	10.3%	995.8	17.7%

Net sales

Net sales for 2008 increased 50% to US$8.5 billion, compared with 2007. The increase is due in part to the consolidation of Grupo Imsa for the whole fiscal year of 2008 as compared to 2007, when the Company consolidated Grupo Imsa s results for approximately four months, as it obtained control of Grupo Imsa on July 26, 2007. Excluding the effect of the consolidation of Grupo Imsa, net sales increased due to higher revenue per ton. Shipments of flat and long products were 7.5 million tons during 2008, an increase of 8% compared to shipment levels in 2007, mainly due to the consolidation of Grupo Imsa and higher shipment levels in the South and Central America Region. Revenue per ton shipped was US$1,087 in 2008, an increase of 38% when compared to 2007, mainly as a result of higher prices and the consolidation of Grupo Imsa s higher value-added product mix.

During 2008 steel consumption in the North American market decreased 7% mainly due to the economic slowdown in the United States during the final months of the year. Evidence of the deepening economic deceleration in the United States is the revised GDP growth in the fourth quarter of 2008, which showed a contraction of 6% on an annual basis. Mexico fared somewhat better, showing a contraction of 5% in steel consumption during 2008. The entire NAFTA region suffered a reduction in steel consumption rates that not only reflects a decrease in actual demand from steel consuming sectors but also a significant de-stocking process in the steel value chain.

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Conversely, the steel markets in Central and South America showed a 5% growth in apparent steel consumption during 2008, with every single national market showing positive growth. Countries neighboring Argentina, the natural export markets for Ternium in that geographic area, expanded at GDP growth rates of between 4% and 6% year-over-year. Nonetheless, Argentina, the main market for Ternium in South America, managed only to show a 1% growth in steel consumption, as the rapid expansion that occurred during the first nine months of the year was followed by a sharp contraction in the last quarter of 2008. The markets in Central and South America seemed to experience the effects of the global slowdown with some delay. Under these conditions, Ternium increased its shipments to the Region in 2008.

Tons (thousands)	**2008**	**2007**
SHIPMENTS		
South & Central America	2,604.2	2,499.1
North America	3,666.1	3,034.9
Europe & Other	55.2	184.9
Total flat steel	**6,325.5**	**5,718.9**
South & Central America	302.5	132.8
North America	901.3	1,113.4
Europe & Other	13.3	15.0
Total long steel	**1,217.2**	**1,261.2**
Total flat and long sales	**7,542.7**	**6,980.1**

US$/Ton	**2008**	**2007**
REVENUE PER TONE		
South & Central America	1,068	815
North America	1,171	847
Europe & Other	860	665
Total flat steel	**1,126**	**827**
South & Central America	907	527
North America	878	625
Europe & Other	669	457
Total long steel	**883**	**613**
Total flat and long sales	**1,087**	**789**

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US$ (thousands)	**2008**	**2007**
NET SALES		
South & Central America	2,782.5	2,037.0
North America	4,294.7	2,571.8
Europe & Other	47.5	123.0
Total flat steel	**7,124.7**	**4,731.7**
South & Central America	274.4	70.0
North America	791.8	696.0
Europe & Other	8.9	6.9
Total long steel	**1,075.1**	**772.8**
Total flat and long sales	**8,199.8**	**5,504.5**
Other products	265.1	128.8
Total net sales	**8,464.9**	**5,633.4**

Flat steel sales during 2008 totaled US$7.1 billion, an increase of 51% compared with 2007. Excluding the effect of the consolidation of Grupo Imsa, net sales increased mainly as a result of higher revenue per ton. Shipments of flat products totaled 6.3 million tons in 2008, an increase of 11% compared with 2007, mainly due to the consolidation of Grupo Imsa and higher shipments to the South and Central America Region, partially offset by lower shipments to the Europe and Other Region. Revenue per ton shipped increased 36% to US$1,126 in 2008 compared to 2007, mainly as a result of higher steel prices and the consolidation of Grupo Imsa s higher value-added product mix.

Long steel sales were US$1.1 billion during 2008, an increase of 39% compared with 2007 mainly due to higher prices. Shipments of long products totaled 1.2 million tons in 2008, representing a 3% decrease versus 2007, as lower shipments to the North America Region were offset by higher shipments to the South and Central America Region. Revenue per ton shipped was US$883 in 2008, an increase of 44% compared with 2007.

Sales of other products totaled US$265.1 million during 2008, compared to US$128.8 million during 2007. The increase was driven by higher iron ore shipments and prices, as well as by higher pre-engineered metal building sales coming from the Grupo Imsa transaction.

Sales of flat and long products in the North America Region totaled US$5.1 billion in 2008, an increase of 56% versus 2007, mainly due to the effect of the consolidation of Grupo Imsa and higher prices. Shipments in the region totaled 4.6 million tons during 2008, or 10% higher than during 2007. Revenue per ton shipped was US$1,114 in 2008, an increase of 41% compared with 2007, as a result of higher steel prices and the consolidation of Grupo Imsa s higher value-added product mix.

Flat and long product sales in the South and Central America Region were US$3.1 billion during 2008, an increase of 45% versus 2007. This increase was due to higher volumes and revenue per ton. Shipments to the region totaled 2.9 million tons during 2008, or 10% higher than in 2007. Revenue per ton shipped to the South and Central America Region was US$1,052 in 2008, an increase of 31% compared to 2007, mainly due to higher prices.

Cost of sales

Cost of sales was US$6.1 billion in 2008 compared to US$4.3 billion in 2007. Cost of sales increased as a result, in part, of the consolidation of Grupo Imsa, which increased Ternium s production volume and cost per ton due to Grupo Imsa s higher production cost structure and higher value-added product sales mix. The year-over-year cost of sales increase also related to higher costs for third party steel, raw materials, energy, freight, labor and services and the US$200.0 million write-down of Ternium s inventory (which was primarily related to purchased slabs), partially offset by a reduction in the U.S. dollar value of inventories at the beginning of the year and purchased during the period (mainly as a result of the Mexican Peso s 25% devaluation with respect to the U.S. dollar).

The consolidation of Grupo Imsa, which began on July 26, 2007, resulted in an increased volume of purchased slabs with a cost per ton significantly higher than Ternium s average cost of slab production. Scrap and energy prices increased in Mexico while the price of zinc was lower in 2008 compared to the prior year. Iron ore and coal costs were higher during 2008 than they were in 2007, mainly as a result of higher annual contract prices of third party supplies and higher production costs at Ternium s iron ore mines.

Selling, general and administrative (SG&A) expenses

SG&A expenses in 2008 were US$669.5 million, or 8% of net sales, compared with US$517.4 million, or 9% of net sales, in 2007. The increase in SG&A was due mainly to the consolidation of Grupo Imsa, which increased finished product freight due to the volume growth, generated higher amortization of intangibles and augmented other sundry SG&A categories. In addition, the operations in Argentina experienced higher taxes on checking accounts and export taxes.

Operating income and EBITDA[10]

Operating income in 2008 was US$1.7 billion, or 20% of net sales, compared with US$836.8 million, or 15% of net sales, in 2007. EBITDA in 2008 was US$2.1 billion, or 25% of net sales, compared to US$1.2 billion, or 21% of net sales, in 2007. The increase in Ternium s EBITDA margin in 2008 as compared to 2007 was mainly the result of higher steel prices, partially offset by the consolidation of Grupo Imsa s lower margins, as its steel processing business did not include steelmaking. Equity holders EBITDA in 2008 was 79% of EBITDA.

Net financial expenses

Net financial expenses were US$797.1 million in 2008, compared with US$130.0 million in 2007. During 2008, Ternium s net interest expenses were US$103.9 million, an increase of US$12.4 million compared to 2007 due to higher indebtedness as a result of the Grupo Imsa transaction in July 2007, partially compensated by lower interest rates.

Net foreign exchange result was a loss of US$632.7 million in 2008, compared to a loss of US$18.4 million in 2007. The result in 2008 was primarily due to the impact of the Mexican Peso s 25% devaluation with respect to the U.S. dollar on Ternium s Mexican subsidiary s U.S. dollar-denominated debt. This result is non-cash when measured in US dollars and is offset by changes in Ternium s net equity position in the currency translation adjustments line, as the value of Ternium Mexico s U.S. dollar-denominated debt is not altered by the Mexican Peso fluctuation when stated in U.S. dollars in the Company s consolidated financial statements. In accordance with IFRS, Ternium Mexico prepares its financial statements in Mexican Pesos and registers foreign exchange results on its net non-Mexican Pesos positions when the Mexican Peso revaluates or devaluates with respect to other currencies.

[10] EBITDA in 2008 is calculated as operating income (US$1.7 billion) plus depreciations and amortizations (US$413.5 million).

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Fair value of derivatives result was a loss of US$32.5 million in 2008, compared to a gain of US$2.5 million in 2007, related to certain derivative instruments entered into by Ternium mainly to mitigate the effect of interest rate and foreign exchange fluctuations.

Income tax expense

Income tax expense in 2008 was US$259.0 million or 29% of income before income tax, discontinued operations and minority interest, compared with US$291.3 million, or 41% of income before income tax, discontinued operations and minority interest, in 2007. The income tax expense in 2008 included a non-recurring gain of US$96.3 million on account of Hylsa s reversal of deferred statutory profit sharing, which reduced the effective tax rate for the year.

Net result of discontinued operations

Net result of discontinued operations in 2008 was a gain of US$157.1 million, comprising an after-tax gain of US$97.5 million from the sale of certain non-core U.S. assets during the first quarter of 2008 and an after-tax gain of US$59.6 million related to Sidor[11]. In 2007, the net result of discontinued operations was a gain of US$579.9 million, mainly related to Sidor.

Ternium recorded Sidor s results as income from discontinued operations[12]. The accounting of income from discontinued operations for both the non-core U.S. assets sold in the first quarter of 2008 and Sidor was also reflected in 2007 for comparative purposes.

Income attributable to minority interest

Income attributable to minority interest in 2008 was US$159.7 million, compared to US$211.3 million in 2007, mainly as a result of a lower income attributable to minority interest in Sidor.

Liquidity and financial resources

Ternium s financing strategy is to maintain adequate financial resources in hand and access to additional liquidity to achieve its objective of maximizing financial flexibility at a reasonable cost. In 2008, Ternium completed the integration of Grupo Imsa, which came under the Company s control in July 26, 2007. There were no new acquisitions carried out in 2008, with capital expenditures limited to brown-field projects. Ternium only accessed the capital markets to obtain short-term bank financing for working capital purposes, relying largely on cash flow from operations and proceeds from the sale of non-core assets as its principal sources of funding during the year.

Ternium holds money market investments and variable rate or fixed rate securities from investment grade issuers. Ternium concentrates cash in major financial centers, mainly New York. Ternium holds cash primarily in U.S. dollars and limit its holdings of other currencies to the minimum required to fund its cash operating needs. Liquid financial assets as a whole represented 10.8% of its total assets at the end of 2008 or US$1.2 billion.

Given the global economic slowdown and the negative effects that the downturn is having in the steel industry, Ternium launched several initiatives to cope with the current crisis and boost its liquidity. Among them, the main ones are: a re-assessment and rescheduling of capital expenditures that reduced our budget for 2009 to US$230 million; a program to reduce working capital; a significant reduction in head-count, largely in outsourced personnel, and a comprehensive program for the rationalization of costs and expenses.

11 For additional information, see note 29 (Discontinued operations) to the Company s consolidated financial statements included elsewhere in this Annual

Report.

12 For a description of the events in Venezuela relating to the Sidor nationalization process, see note 29 (Discontinued operations) to the Company s consolidated financial statements included elsewhere in this Annual Report.

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Historical cash flows

Operating activities

Net cash provided by continuing operations was US$517.5 million in 2008, lower than the US$936.4 million reported in 2007, mainly due to a working capital increase of US$1.1 billion, partially offset by increased operating income in 2008. Working capital was higher in 2008 than in 2007 mainly as a result of a US$821.7 million increase in inventories and a US$212.6 million decrease in accounts payable mainly due to a reduction in the volume of slab and raw material purchases during the second half of 2008. Inventories increased during the first nine months of 2008 as a result of higher costs due to higher input prices as well as higher volume of finished goods, goods in process and raw materials. This upward trend in volume reversed during the fourth quarter 2008, with a substantial reduction in inventories of finished goods, goods in process and raw materials as a result of declining demand.

	2008	2007
Net cash provided by operating activities	**517.5**	**936.4**
Acquisition of business		(1,538.8)
Income tax credit paid on business acquisition		(297.7)
Capital expenditures	(587.9)	(344.3)
Proceeds from sale of discontinued operations	718.6	
Discontinued operations	242.4	419.3
Other investing activities, net	(22.6)	(40.8)
Net cash provided by/ used in investing activities	**350.5**	**(1,802.3)**
Net cash provided by (used in) financing activities	**(752.9)**	**1,359.0**
Increase /(decrease) in cash and cash equivalents	**115.1**	**493.1**
Effect of exchange rate changes	**(17.5)**	**(0.3)**
Cash and cash equivalents at January 1	1,125.8	632.9
Cash and cash equivalents from discountinued operations at March 31, 2008	-157.9	
Cash and cash equivalents at December 31	1,065.6	1,125.8

Investing activities

Net cash provided by investing activities during 2008 was US$ 350.5 million, compared to net cash used in investing activities of US$ 1.8 billion in 2007. Net cash provided by investing activities in 2008 consisted mainly of US$ 718.6 million of proceeds from the sale of certain non-core U.S. assets, which had been acquired as part of the Grupo Imsa transaction, and US$ 242.4 million of cash from discontinued operations, mainly coming from Sidor, less US$ 587.9 million disbursed for capital expenditures. Net cash used in investing activities in 2007 was mainly comprised of US$ 344.3 million disbursed for capital expenditures plus US$ 1.8 billion related to the Grupo Imsa transaction, less US$ 419.3 million of proceeds from discontinued operations, mainly from Sidor.

Capital expenditures disbursed in 2008 included the following main investments:

Mexico: the expansion of the flat steel shop in Monterrey, the upgrading of one hot strip mill and the upgrading of one cold rolled mill.

Argentina: the relining of one blast furnace and the revamping and expansion of the coking facilities.

Ternium s capital expenditures disbursed in 2007 included the following investments:

Mexico: the upgrading of the hot strip mills and a cold rolled mill.

Argentina: the relining of a blast furnace, the revamping and expansion of the coking facilities and the construction of a new bag house for the steel shop.

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Financing activities

Net cash used by financing activities in 2008 was US$ 752.9 million, compared to net cash provided by financing activities of US$ 1.4 billion in 2007. Proceeds from borrowings during 2008 amounted to US$ 519.8 million, mainly short-tem debt used for working capital needs. Repayments of borrowings in 2008 reached US$ 1.2 billion related to maturities of long-term debt and prepayments on bank facilities associated with the Grupo Imsa transaction. The Company paid dividends of US$ 100.2 million in 2008. Proceeds from borrowings during 2007 were US$ 4.1 billion, mainly related to the Grupo Imsa transaction. A majority of this debt is held by Ternium s Mexican subsidiaries. Repayment of borrowings in 2007 was US$ 2.6 billion, related to the refinancing of most of Ternium s Mexican subsidiaries outstanding debt and to debt payments upon maturity. The Company paid dividends of US$ 100.2 million in 2007.

Principal sources of funding

Funding policy

Ternium s policy is to maintain a high degree of flexibility in operating and investment activities by maintaining adequate liquidity levels and ensuring access to readily available sources of financing. Most of Ternium s financing is conducted in U.S. dollars. Ternium selects the type of facility, associated rate and term after considering the intended use of proceeds.

Financial liabilities

Ternium s borrowings as of December 31, 2008, consisted mainly of different bank loans and facilities. Outstanding financial debt amounted to US$ 3.3 billion at year end, compared with US$ 4.1 billion as of December 31, 2007, a decrease of US$ 0.8 billion, largely resulting from the application of the proceeds from the sale of certain non-core U.S. assets completed in February 2008 to the prepayment of bank debt. Ternium s net debt position (borrowings less cash and cash equivalents and other current investments) decreased by US$ 0.8 billion during 2008 to US$ 2.1 billion as of December 31, 2008, compared to net debt of US$ 2.9 billion as of December 31, 2007. We believe that available cash and marketable securities and funds from operations will be sufficient to finance our operations. We have not negotiated additional credit facilities.

The U.S. dollar-denominated portion of Ternium s outstanding financial debt is 98%. For 2008, the average interest rate, which incorporates instruments denominated in various currencies, was 2.79%. Ternium has in place a variety of interest rate derivatives to mitigate interest rate fluctuations as most of its long-term borrowings outstanding as of December 31, 2008, were Libor-based variable rates. For additional information on the amounts, tenor and main characteristics of these instruments, please see note 25 (Derivative financial instruments) to the Company s consolidated financial statements included elsewhere in this Annual Report.

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46a, Avenue John F. Kennedy, 2nd floor
L   1855
R.C.S. Luxembourg : B 98 668

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Ternium S.A.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders equity present fairly, in all material respects, the financial position of Ternium S.A. and its subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We draw attention to Note 29 to the financial statements which describes the uncertainty related to the amount of the compensation to be received by Ternium in connection with the nationalization process of Sidor C.A. Our opinion is not qualified in respect of this matter.

Buenos Aires, Argentina
February 24, 2009
PRICE WATERHOUSE & CO. S.R.L.

By (Partner)

Marcelo D. Pfaff

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CONSOLIDATED INCOME STATEMENTS

		Year ended December 31,		
	Notes	**2008**	**2007**	**2006**
Continuing operations				
Net sales	**30**	8,464,885	5,633,366	4,484,918
Cost of sales	**6 & 30**	(6,128,027)	(4,287,671)	(3,107,629)
Gross profit		2,336,858	1,345,695	1,377,289
Selling, general and administrative expenses	**7**	(669,473)	(517,433)	(370,727)
Other operating income (expenses), net	**9**	8,662	8,514	(4,739)
Operating income		1,676,047	836,776	1,001,823
Interest expense	**30 &31**	(136,111)	(133,109)	(96,814)
Interest income	**30**	32,178	41,613	33,903
Other financial expenses, net	**10**	(693,192)	(38,498)	(40,432)
Equity in earnings of associated companies	**14**	1,851	434	671
Income before income tax expense		880,773	707,216	899,151
Income tax (expense) benefit				
Current and deferred income tax expense	**11**	(258,969)	(291,345)	(353,044)
Reversal of deferred statutory profit sharing	**4(n)**	96,265		
Income from continuing operations		718,069	415,871	546,107
Discontinued operations				
Income from discontinued operations	**29**	157,095	579,925	444,468
Net income for the year		875,164	995,796	990,575
Attributable to:				
Equity holders of the Company	**28**	715,418	784,490	795,424
Minority interest		159,746	211,306	195,151

		875,164	995,796	990,575
Weighted average number of shares outstanding	**28**	2,004,743,442	2,004,743,442	1,936,833,060
Basic earnings per share for profit attributable to the equity holders of the Company (expressed in USD per share)		0.36	0.39	0.41
Diluted earnings per share for profit attributable to the equity holders of the Company (expressed in USD per share)		0.36	0.39	0.41

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

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CONSOLIDATED BALANCE SHEETS

	Notes	December 31, 2008		December 31, 2007	
ASSETS					
Non-current assets					
Property, plant and equipment, net	**12**	4,212,313		6,776,630	
Intangible assets, net	**13**	1,136,367		1,449,320	
Investments in associated companies	**14**	5,585		44,042	
Other investments, net	**15 & 30**	16,948		14,815	
Deferred tax assets	**23**			31,793	
Receivables, net	**16 & 30**	120,195	5,491,408	236,523	8,553,123
Current assets					
Receivables	**17 & 30**	248,991		405,031	
Derivative financial instruments	**25**	1,516		577	
Inventories, net	**6 & 18**	1,826,547		1,904,489	
Trade receivables, net	**19 & 30**	622,992		825,553	
Available for sale assets discontinued operations	**29**	1,318,900			
Other investments	**20**	90,008		65,337	
Cash and cash equivalents	**20**	1,065,552	5,174,506	1,125,830	4,326,817
Non-current assets classified as held for sale	**29**		5,333		769,142
			5,179,839		5,095,959
Total assets			**10,671,247**		**13,649,082**
EQUITY					
Capital and reserves attributable to the company s equity holders			4,597,370		4,452,680
Minority interest			964,094		1,805,243
Total equity			5,561,464		6,257,923
LIABILITIES					
Non-current liabilities					

Provisions	**21**	24,400		57,345	
Deferred income tax	**23**	810,160		1,327,768	
Other liabilities	**24**	148,690		333,674	
Trade payables	**30**			6,690	
Derivative financial instruments	**25**	65,847			
Borrowings	**26**	2,325,867	3,374,964	3,676,072	5,401,549
Current liabilities					
Current tax liabilities		194,075		179,678	
Other liabilities	**24 & 30**	103,376		180,974	
Trade payables	**30**	438,711		995,663	
Derivative financial instruments	**25**	57,197		13,293	
Borrowings	**26**	941,460	1,734,819	406,239	1,775,847
Liabilities directly associated with non-current assets classified as held for sale	**29**				213,763
			1,734,819		1,989,610
Total liabilities			5,109,783		7,391,159
Total equity and liabilities			**10,671,247**		**13,649,082**

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

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

	Attributable to the Company s equity holders (1)						
	Capital stock (2)	Initial public offering expenses	Revaluation and other reserves	Capital stock issue discount (3)	Currency translation adjustment	Retained earnings	Total
008	**2,004,743**	**(23,295)**	**1,946,963**	**(2,324,866)**	**(110,739)**	**2,959,874**	**4,452,680**
stment (4)					(417,746)		(417,746)
						715,418	715,418
ash flow hedge (net of taxes)			(52,745)				(52,745)
for the year			(52,745)		(417,746)	715,418	244,927
eserves related to discontinued operations (5)			(91,696)			91,696	
nd other distributions			(100,237)				(100,237)
nd other distributions by subsidiary companies ntinued operations							
, 2008	**2,004,743**	**(23,295)**	**1,702,285**	**(2,324,866)**	**(528,485)**	**3,766,988**	**4,597,370**

(1) Shareholders equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 27 (iv).

(2) At December 31, 2008, the Capital Stock adds up to 2,004,743,442

shares with a nominal value of USD1 each.

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

(4) Includes an increase of USD 121.9 million corresponding to the currency translation adjustment from discontinued operations attributable to the Company s equity holders and of USD 29.6 million attributable to the Minority interest.

(5) Corresponds to the reversal of the revaluation reserve recorded in fiscal year 2005, representing the excess of fair value over the book value of Ternium s pre-acquisition interest in the net assets of Sidor.

Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 27 (iii). The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (CONTINUED)

	Attributable to the Company s equity holders (1)								
	Capital stock (2)	Initial public offering expenses	Revaluation and other reserves	Capital stock issue discount (3)	Currency translation adjustment	Retained earnings	Total	Minority interest	Total Equity
Balance at January 1, 2007	**2,004,743**	**(23,295)**	**2,047,200**	**(2,324,866)**	**(121,608)**	**2,175,384**	**3,757,558**	**1,626,119**	**5,383,677**
Currency translation adjustment					10,869		10,869	(13,152)	(2,283)
Net income for the year						784,490	784,490	211,306	995,796
Total recognized income for the year					10,869	784,490	795,359	198,154	993,513
Dividends paid in cash and other distributions			(100,237)				(100,237)		(100,237)
Dividends paid in cash and other distributions by subsidiary companies								(20,000)	(20,000)
Acquisition of business (see Note 3)								(195)	(195)
Contributions from minority shareholders in consolidated subsidiaries								1,165	1,165

Balance at December 31, 2007	**2,004,743**	**(23,295)**	**1,946,963**	**(2,324,866)**	**(110,739)**	**2,959,874**	**4,452,680**	**1,805,243**	**6,257,923**

(1) Shareholders equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 27 (iv).

(2) At December 31, 2008, the Capital Stock adds up to 2,004,743,442 shares with a nominal value of USD1 each.

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

Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 27 (iii). The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (CONTINUED)

	Attributable to the Company s equity holders (1)								
	Capital stock (2)	Initial public offering expenses	Revaluation and other reserves	Capital stock issue discount (3)	Currency translation adjustment	Retained earnings	Total	Minority interest	Total Equity
Balance at January 1, 2006	**1,396,551**	**(5,456)**	**1,462,138**	**(2,298,048)**	**(92,691)**	**1,379,960**	**1,842,454**	**1,633,881**	**3,476,335**
Currency translation adjustment					(28,917)		(28,917)	(6,479)	(35,396)
Net income for the year						795,424	795,424	195,151	990,575
Total recognized income for the year					(28,917)	795,424	766,507	188,672	955,179
Dividends paid in cash and other distributions by subsidiary companies								(27,175)	(27,175)
Acquisition of business (see Note 3)			(32,429)				(32,429)	(122,261)	(154,690)
Contributions from shareholders (see Note 1)	33,801		43,100	(26,818)			50,083	(46,998)	3,085
Conversion of Subordinated Convertible Loans (see Note 1)	302,962		302,962				605,924		605,924
Initial Public Offering (see	271,429	(17,839)	271,429				525,019		525,019

Note 1)

Balance at December 31, 2006	**2,004,743**	**(23,295)**	**2,047,200**	**(2,324,866)**	**(121,608)**	**2,175,384**	**3,757,558**	**1,626,119**	**5,383,677**

(1) Shareholders equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 27 (iv).

(2) At December 31, 2008, the Capital Stock adds up to 2,004,743,442 shares with a nominal value of USD1 each.

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

Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 27 (iii). The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED CASH FLOW STATEMENTS

		Year ended December 31,		
	Notes	**2008**	**2007**	**2006**
Cash flows from operating activities				
Income from continuing operations		**718,069**	**415,871**	**546,107**
Adjustments for:				
Depreciation and amortization	**12&13**	413,541	355,271	251,371
Income tax accruals less payments	**31**	(88,511)	(51,471)	72,613
Derecognition of property, plant and equipment	**9(iii)**			13,130
Changes to pension plan	**24**			46,947
Equity in earnings of associated companies	**14**	(1,851)	(434)	(671)
Interest accruals less payments	**31**	(84,151)	87,580	2,237
Changes in provisions		2,358	2,995	2,770
Changes in working capital	**31**	(1,071,472)	97,728	(156,707)
Net foreign exchange losses (gains) and others		629,530	28,878	(23,789)
Net cash provided by operating activities		**517,513**	**936,418**	**754,008**
Cash flows from investing activities				
Capital expenditures	**12&13**	(587,904)	(344,293)	(314,863)
Changes in trust funds				5,185
Acquisition of business:				
Purchase consideration	**3**		(1,728,869)	(210,548)
Cash acquired	**3**		190,087	
Income tax credit paid on business acquisition	**3**		(297,700)	
Increase in other investments		(24,674)	(65,337)	
Investments in associated companies				(2,598)
Proceeds from the sale of property, plant and equipment		2,103	24,490	2,787
Proceeds from the sale of discontinued operations	**29(i)**	718,635		
Discontinued operations	**29(iv)**	242,370	419,305	326,904
Net cash provided by (used in) investing activities		**350,530**	**(1,802,317)**	**(193,133)**
Cash flows from financing activities				
Dividends paid in cash and other distributions to company s shareholders		(100,237)	(100,237)	
Dividends paid in cash and other distributions by subsidiary companies		(19,595)	(20,000)	(27,175)

Net proceeds from Initial Public Offering				525,019
Contributions from shareholders				3,085
Contributions from minority shareholders in consolidated subsidiaries			1,165	
Proceeds from borrowings		519,809	4,052,745	109,144
Repayments of borrowings		(1,152,886)	(2,574,627)	(1,292,548)
Net cash (used in) provided by financing activities		**(752,909)**	**1,359,046**	**(682,475)**
Increase (Decrease) in cash and cash equivalents		**115,134**	**493,147**	**(121,600)**
Movement in cash and cash equivalents				
At January 1,(1)		1,125,830	632,941	754,856
Effect of exchange rate changes		(17,518)	(258)	(315)
Increase (Decrease) in cash and cash equivalents		115,134	493,147	(121,600)
Cash & cash equivalents of discontinued operations at March 31, 2008		(157,894)		
Cash and cash equivalents at December 31,	**20**	**1,065,552**	**1,125,830**	**632,941**
Non-cash transactions				
Conversion of debt instruments into shares				605,924

(1) In addition, the Company had restricted cash for USD 10,350 at December 31, 2006.

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

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1 Business of the Company, Initial Public Offering and corporate reorganization

Ternium S.A. (the Company or Ternium), a Luxembourg Corporation (Societé Anonyme), was incorporated on December 22, 2003 to hold investments in flat and long steel manufacturing and distributing companies.

Near the end of 2004, Ternium was acquired by its ultimate parent company San Faustín N.V. (San Faustín), a Netherlands Antilles company, to serve as a vehicle in the restructuring of San Faustín s investments in the flat and long steel manufacturing and distribution business. This restructuring was carried out by means of a corporate reorganization through which Ternium was assigned the equity interests previously held by San Faustín and its subsidiaries in various flat and long steel manufacturing and distributing companies (the Corporate Reorganization). The Corporate Reorganization took place in fiscal year 2005. Until that date, Ternium was a dormant company.

On January 11, 2006, the Company successfully completed its registration process with the United States Securities and Exchange Commission (SEC) and announced the commencement of its offer to sell 24,844,720 American Depositary Shares (ADS) representing 248,447,200 shares of common stock through Citigroup Global Markets Inc., Deutsche Bank Securities Inc., JP Morgan Securities Inc., Morgan Stanley & Co. Incorporated, BNP Paribas Securities Corp., Caylon Securities (USA) Inc. and Bayerische Hypo-und Vereinsbank AG (collectively, the Underwriters and the offering thereunder, the Initial Public Offering). The Company s Initial Public Offering was priced at USD20 per ADS. The gross proceeds from the Initial Public Offering totaled USD 496.9 million and have been used to fully repay Tranche A of the Ternium Credit Facility, after deducting related expenses.

Ternium s ADSs began trading on the New York Stock Exchange under the symbol TX on February 1, 2006. The Company s Initial Public Offering was settled on February 6, 2006.

Also, the Company granted the Underwriters an option, exercisable for 30 days from January 31, 2006, to purchase up to 3,726,708 additional ADSs at the public offering price of USD20 per ADS less an underwriting discount of USD0.55 per ADS. On February 23, 2006 the Underwriters exercised partially this over-allotment option granted by the Company. In connection with this option, on March 1, 2006, the Company issued 22,981,360 new shares. The gross proceeds from this transaction totaled USD46.0 million.

In addition, during 2005, the Company entered into the Subordinated Convertible Loan Agreements for a total aggregate amount of USD594 million to fund the acquisition of Hylsamex S.A. de C.V. (Hylsamex). As per the provisions contained in the Subordinated Convertible Loan Agreements, the Subordinated Convertible Loans would be converted into shares of the Company upon delivery of Ternium s ADSs to the Underwriters. On February 6, 2006, the Subordinated Convertible Loans (including interest accrued through January 31, 2006) were converted into shares at a conversion price of USD 2 per share, resulting in the issuance of 302,962,261 new shares on February 9, 2006.

Furthermore, in November 2005, Siderúrgica del Turbio Sidetur S.A. (Sidetur), a subsidiary of Siderúrgica Venezolana Sivensa S.A. (Sivensa), exchanged with Inversora Siderúrgica Limited (ISL , a wholly-owned subsidiary of Ternium s majority shareholder) its 3.42% equity interest in Consorcio Siderurgia Amazonia Ltd. (Amazonia) and USD 3.1 million in cash for shares of the Company. On February 9, 2006, ISL contributed all of its assets and liabilities (including its interest in Amazonia) to the Company in exchange for 959,482,775 newly issued shares of the Company after the settlement of the Initial Public Offering. The increase in equity resulting from this transaction is reflected under Contributions from shareholders line item in the Statement of changes in shareholders equity and amounts to USD 50.1 million.

After the completion of the Initial Public Offering, the conversion of the Subordinated Convertible Loans, the exercise of the option granted to the Underwriters and the consummation of the transactions contemplated in the Corporate Reorganization agreement, 2,004,743,442 shares (including shares in the form of ADSs) were outstanding.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (February 2009), as issued by the International Accounting Standards Board. These consolidated financial statements are presented in thousands of United States dollars (USD).

As mentioned in Note 1, Ternium was assigned the equity interests previously held by San Faustín and its subsidiaries in various flat and long steel manufacturing and distributing companies. As these transactions were carried out among entities under common control, the assets and liabilities contributed to the Company have been accounted for at the relevant predecessor s cost, reflecting the carrying amount of such assets and liabilities. Accordingly, the consolidated financial statements include the financial statements of the above-mentioned companies on a combined basis at historical book values on a carryover basis as though the contribution had taken place on January 1, 2003, (the transition date to IFRS) and no adjustment has been made to reflect fair values at the time of the contribution.

TERNIUM S.A.
Notes to the Consolidated Financial Statements (Contd.)

2 Basis of presentation (continued)

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

Company	Country of Organization	Main activity	Percentage of ownership at December 31, 2008	2007	2006
Ternium S.A.	Luxembourg	Holding of investments in flat and long steel manufacturing and distributing companies	100.00%	100.00%	100.00%
Hylsamex S.A. de C.V. (1)	Mexico	Holding company		88.23%	88.22%
Siderar S.A.I.C.	Argentina	Manufacturing and selling of flat steel products	60.93%	60.93%	60.93%
Sidor C.A. (2)	Venezuela	Manufacturing and selling of steel products		56.38%	56.38%
Ternium Internacional S.A.	Uruguay	Holding company and marketing of steel products	100.00%	100.00%	100.00%
Ylopa Servicos de Consultadoria Lda. (3)	Portugal	Participation in the debt restructuring process of Amazonia and Sidor C.A.	94.38%	95.66%	95.66%
Consorcio Siderurgia Amazonia S.L.U. (formerly Consorcio Siderurgia Amazonia Ltd.) (4)	Spain	Holding of investments in Venezuelan steel companies	94.38%	94.38%	94.38%
Fasnet International S.A.	Panama	Holding company	100.00%	100.00%	100.00%
Alvory S.A.	Uruguay	Holding of investment in procurement services companies	100.00%	100.00%	100.00%
Comesi San Luis S.A.I.C. (5)	Argentina	Production of cold or hot rold prepainted, formed and skelped steel sheets		61.32%	61.32%
Impeco S.A. (6)	Argentina	Manufacturing of pipe products	60.96%	60.93%	60.93%
Inversiones Basilea S.A. (6)	Chile	Purchase and sale of real estate and other	60.93%	60.93%	60.93%

Prosid Investments S.C.A.(6)	Uruguay	Holding company	60.93%	60.93%	60.93%
Ternium Internacional España S.L.U. (7)	Spain	Marketing of steel products	100.00%	100.00%	100.00%
Ternium International Ecuador S.A. (8)	Ecuador	Marketing of steel products	100.00%	100.00%	100.00%
Ternium International USA Corporation (8)	USA	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internationaal B.V. (8)	Netherlands	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internacional Perú S.A.C. (8)	Peru	Marketing of steel products	100.00%	100.00%	100.00%
Ternium International Inc.	Panama	Marketing of steel products	100.00%	100.00%	100.00%
Hylsa S.A. de C.V. (9)	Mexico	Manufacturing and selling of steel products	88.71%	88.23%	88.22%

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

Company	Country of Organization	Main activity	Percentage of ownership at December 31, 2008	2007	2006
Ferropak Comercial S.A. de C.V. (9)	Mexico	Scrap company	88.71%	88.23%	88.22%
Ferropak Servicios S.A. de C.V. (9)	Mexico	Services	88.71%	88.23%	88.22%
Galvacer America Inc (9)	USA	Distributing company	88.71%	88.23%	88.22%
Galvamet America Corp (9)	USA	Manufacturing and selling of insulates panel products	88.71%	88.23%	88.22%
Transamerica E. & I. Trading Corp (9)	USA	Scrap company	88.71%	88.23%	88.22%
Galvatubing Inc. (9)	USA	Manufacturing and selling of pipe products	88.71%	88.23%	88.22%
Las Encinas S.A. de C.V. (9)	Mexico	Exploration, explotation and pelletizing of iron ore	88.71%	88.23%	88.22%
Técnica Industrial S.A. de C.V. (9)	Mexico	Services	88.71%	88.23%	88.22%
Consorcio Minero Benito Juarez Peña Colorada S.A.de C.V. (10)	Mexico	Exploration, explotation and pelletizing of iron ore	44.36%	44.12%	44.11%
Peña Colorada Servicios S.A. de C.V. (10)	Mexico	Services	44.36%	44.12%	44.11%
Ternium Treasury Services S.A.	Uruguay	Financial Services	100.00%	100.00%	
Ternium Treasury Services B.V	Holanda	Financial Services	100.00%	100.00%	
Servicios Integrales Nova de Monterrey S.A. de C.V. (11)	Mexico	Medical and Social Services	66.09%	65.73%	
	Mexico	Holding company	88.71%	100.00%	

Ternium Mexico S.A. de C.V. (formerly Grupo Imsa S.A.B. de C.V.)				
Imsa Acero S.A. de C.V. (12)	Mexico	Holding company	88.71%	100.00%
Enermex S.A. de C.V. (12)	Mexico	Holding company	88.71%	100.00%
Sefimsa S.A. de C.V. (12)	Mexico	Financial Services	88.71%	100.00%
Ecore Holding S. de R.L. de C.V. (12)	Mexico	Holding company	88.71%	100.00%
Neotec L.L.C. (12)	USA	Holding company	88.71%	100.00%
Treasury Services L.L.C. (12)	USA	Financial Services	88.71%	100.00%
APM, S.A. de C.V. (12)	Mexico	Manufacturing and selling of steel products	88.71%	100.00%
Acedor, S.A. de C.V. (12)	Mexico	Holding company	88.71%	100.00%
Empresas Stabilit S.A. de C.V. (12)	Mexico	Holding company	88.71%	100.00%
Acerus S.A. de C.V. (12)	Mexico	Manufacturing and selling of steel products	88.71%	100.00%
Imsa Monclova S.A. de C.V. (12)	Mexico	Services	88.71%	100