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

Registration No. 333-130950

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

AMENDMENT NO. 1

TO

FORM F-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

Ternium S.A.

(Exact Name of Registrant as Specified in its Charter)

Grand Duchy of Luxembourg	**3312**	**Not Applicable**
(Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

46a, Avenue John F. Kennedy 2nd floor

L-1855 Luxembourg

(352) 4661-11-3815

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

Giovanni Gallo

Techint Inc.

420 Fifth Avenue, 18th Floor

New York, New York 10018

(212) 376-6500

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

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

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

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

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

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

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

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

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

SUBJECT TO COMPLETION. DATED JANUARY 27, 2006

P R O S P E C T U S

24,844,720 American Depositary Shares

Ternium S.A.

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

Representing 248,447,200 Shares of Common Stock

$ per ADS

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

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

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

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

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

	Per ADS	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to us (before expenses)	$	$

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

Citigroup

Deutsche Bank

JPMorgan

Morgan Stanley

BNP PARIBAS Calyon Securities (USA) Inc. Hypo Vereinsbank

, 2006

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

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

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain defined terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

References to billions are to thousands of millions.

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Presentation of financial information

Summary

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

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

Presentation of unaudited pro forma combined consolidated financial information for Ternium

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

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

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

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

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

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

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Presentation of financial information for Ternium

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

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

Unless otherwise indicated, the financial information relating to Ternium contained in this prospectus for the years ended December 31, 2003 and 2004 and for the six months ended June 30, 2004 and 2005 and as of December 31, 2003 and 2004 and June 30, 2004 and 2005 has been prepared in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, or IFRS, and is presented in U.S. dollars. IFRS differs in certain significant respects from generally accepted accounting principles as applied in the United States, or U.S. GAAP. For a discussion of these differences, as they relate to Ternium, and a reconciliation of net income and shareholders equity to U.S. GAAP, see notes AP T and 32 and 33 to Ternium s combined consolidated financial statements and note 17 to Ternium s combined consolidated condensed interim financial statements included in this prospectus.

Presentation of financial information for Amazonia

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

Presentation of financial information for Hylsamex

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

S-X.

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

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

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

Currencies

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

- References to dollars, U.S. dollars, $ or USD are to United States dollars;
- References to Argentine pesos or ARP are to the lawful currency of Argentina;
- References to Venezuelan bolívares or VEB are to the lawful currency of Venezuela; and
- References to Mexican pesos or MXN are to the lawful currency of Mexico.

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

U.S. dollars could have been or

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

Rounding

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

No Internet site is part of this prospectus

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

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SUMMARY

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

Overview

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

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

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

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

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

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

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

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

Corporate reorganization

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

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

- an amended and restated credit agreement, dated as of August 16, 2005, for an aggregate principal amount of USD1.0 billion, among I.I.I. BVI and the lenders named therein (as amended from time to time, the Ternium Credit Facility);
- an amended and restated credit agreement, dated as of August 16, 2005, for an aggregate principal amount of USD380 million among Siderar, as borrower, and the lenders named therein, as lenders (as amended from time to time, the Siderar Credit Facility and, together with the Ternium Credit Facility, the Credit Facilities); and
- several convertible and subordinated loan agreements, dated as of various dates, for an aggregate principal amount of USD594.0 million, each among the Company, I.I.I. BVI, as borrower, and Usiminas, Tenaris or other Techint Group companies (collectively, the Subordinated Convertible Loan Agreements and the loans thereunder, the Subordinated Convertible Loans).

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

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

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

ISL and the Company will enter into a reorganization agreement (the Corporate Reorganization Agreement) pursuant to which ISL will commit to deliver shares of the Company to the underwriters of this offering and to the Subordinated Lenders (as defined herein) in an amount sufficient to satisfy the Company s obligation to deliver shares of the Company to the underwriters of this offering and to the Subordinated Lenders pursuant to the terms of this offering and the Subordinated Convertible Loan Agreements. As provided in the Corporate Reorganization Agreement, after ISL s delivery of such shares, ISL will contribute all of its assets and liabilities (including the credit against the Company arising from such delivery of shares, its interest in Amazonia resulting from the Sivensa Exchange and any remaining shares of the Company) to the Company in exchange for that number of newly issued shares of the Company equal to the number of shares of the Company held by ISL prior to the Sivensa Exchange.

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

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

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

Ternium s competitive strengths

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

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

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

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

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

Ternium s business strategy

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

The main elements of this strategy are:

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

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

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

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

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

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

Risks Related to Our Business

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

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

Our corporate information

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

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The Offering

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

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

Listings and Trading Markets

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

Indicative Timetable of Principal Events

Date (2006)	*Event*
	Price determination date January 31
	Public offering commences January 12
	Public offering closes January 31
	Trading of ADSs on the New York Stock Exchange commences February 1
	Delivery of ADSs February 3

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

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

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

Taxation

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

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

	other requirements are satisfied, such dividends will be treated as qualified dividend income, which if paid to noncorporate U.S. holders in tax years beginning before January 1, 2009 is taxed at a maximum rate of 15%.
Certain Fees and Expenses	ADR holders will be charged a fee for each issuance of ADSs and for each surrender of ADSs in exchange for deposited securities. The fee in each case is USD5.00 or less for each 100 ADSs (or any portion thereof) issued or surrendered. To the extent permitted by the rules of any stock exchange on which ADSs are listed for trading, ADR holders will be charged a fee of $.02 or less per ADS for any cash distribution to them, and certain other fees and expenses. See Description of American Depositary Shares Fees and expenses.
Risk Factors	An investment in the ADSs involves significant risks that a prospective investor should consider carefully. See Risk Factors beginning on page 25.

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SUMMARY FINANCIAL AND OPERATING DATA

Unaudited pro forma combined consolidated financial information of Ternium

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

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

- the capitalization in February 2005 of certain debt instruments convertible into shares of Amazonia described elsewhere in this prospectus;
- the acquisition in August 2005 of Hylsamex and the interests of Hylsamex s former controlling shareholder, Alfa, in Amazonia and Ylopa described elsewhere herein;
- the acquisition of Usiminas s interests in Siderar, Amazonia and Ylopa and the completion of the Sivensa Exchange; and
- this offering and the consummation of the transactions contemplated in the Corporate Reorganization Agreement, the related payment of indebtedness and the conversion of the Subordinated Convertible Loans described elsewhere in this prospectus. For this purpose, we estimate that the gross proceeds from this offering will be USD500 million if the underwriters exercise their over-allotment option in full, at an assumed initial public offering price of USD17.50 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus).

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

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

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Ternium

	For the six-month period ended June 30, 2005							
		Pro forma adjustments						
Thousands of U.S. dollars (except for per share data)	I Historical combined consolidated	II Amazonia	III Acquisition of Hylsamex related debt	IV Hylsamex consolidation	V Usiminas and Sivensa acquisitions	VI Pro forma as adjusted	VII Offering and conversion	VIII Pro forma as further adjusted
Summary unaudited pro forma combined consolidated income statement data								
IFRS								
Net sales	$ 1,827,845	$ 260,933		$ 1,178,532		$ 3,267,310		$ 3,267,310
Cost of sales	(905,920)	(111,818)		(850,512)		(1,868,250)		(1,868,250)
Gross profit	$ 921,925	$ 149,115		$ 328,020		$ 1,399,060		$ 1,399,060
Selling, general and administrative expenses	(185,227)	(37,098)		(78,711)		(301,036)		(301,036)
Other operating income (expenses), net	(7,797)	327		1,482		(5,988)		(5,988)
Operating income	$ 728,901	$ 112,344		$ 250,791		$ 1,092,036		$ 1,092,036
Financial expenses, net	(102,723)	(59,044)	$ (3,310)	(14,099)		(179,176)		(179,176)
Interest related to credit facilities			(47,846)			(47,846)	$ 17,626	(30,220)
Subordinated convertible loans interest			(11,299)			(11,299)	11,299	
Excess of fair value of net assets acquired over cost	188,356	(188,356)						
Equity in earnings (losses) of associated companies	19,123	(23,237)				(4,114)		(4,114)
Income (loss) before income tax (expense) benefit	$ 833,657	$ (158,293)	$ (62,455)	$ 236,692		$ 849,601	$ 28,925	$ 878,526
Income tax (expense) benefit	(105,717)	10,297	5,978	(75,339)		(164,781)		(164,781)
Net income (loss) for the period	$ 727,940	$ (147,996)	$ (56,477)	$ 161,353		$ 684,820	$ 28,925	$ 713,745
Attributable to:								
Equity holders of the Company	$ 477,609	$ (210,316)	$ (51,010)	$ 185,230	$ 70,334	$ 471,847	$ 28,925	$ 500,772
Minority interest	250,331	62,320	(5,467)	(23,877)	(70,334)	212,973		212,973
	$ 727,940	$ (147,996)	$ (56,477)	$ 161,353		$ 684,820	$ 28,925	$ 713,745
Number of shares (thousands)	1,168,944				261,409	1,430,353	625,155	2,055,508
Combined earnings per share	$ 0.41					$ 0.33	$ 0.05	$ 0.24
U.S. GAAP								
Net income attributable to equity holders of the Company under IFRS	$ 477,609	$ (210,316)	$ (51,010)	$ 185,230	$ 70,334	$ 471,847	$ 28,925	$ 500,772
Capitalization of interest cost PP&E	(22)					(22)		(22)
Change in fair value of financial assets through profit and loss	50,819					50,819		50,819
Troubled debt restructuring	5,212					5,212		5,212
	(155)					(155)		(155)

Capitalization of interest cost intangible assets			
Inventory valuation	(2,265)	(2,265)	(2,265)

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Thousands of U.S. dollars (except for per share data)	For the six-month period ended June 30, 2005							
		Pro forma adjustments						
	I	II	III	IV	V	VI	VII	VIII
	Historical combined consolidated	Amazonia	Acquisition of Hylsamex related debt	Hylsamex consolidation	Usiminas and Sivensa acquisitions	Pro forma as adjusted	Offering and conversion	Pro forma as further adjusted
Accounting for pension plans	$ (846)					$ (846)		$ (846)
Valuation of fixed assets PP&E	64,149					64,149		64,149
Excess of fair value of net assets acquired over cost	(188,356)	$ 188,356						
Excess of fair value of net assets acquired over cost depreciation expense	10,105					10,105		10,105
Intangible assets and other assets	(415)					(415)		(415)
Deferred income tax	(25,028)					(25,028)		(25,028)
Minority interest	(84,956)	32,411		$ 3,555	$ 7,264	(41,726)		(41,726)
Net income (loss) under U.S. GAAP	$ 305,851	$ (10,451)	$ (51,010)	$ 188,785	$ 77,598	$ 531,675	$ 28,925	$ 560,600
Combined earnings per share	$ 0.26					$ 0.37	$ 0.05	$ 0.27

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

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

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

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

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

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

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

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

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

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Ternium

Thousands of U.S. dollars (except for per share data)	**I** Historical combined consolidated	**II** Amazonia	**III** Acquisition of Hylsamex related debt	**IV** Hylsamex consolidation	**V** Usiminas and Sivensa acquisitions	**VI** Pro forma as adjusted	**VII** Offering and conversion	**VIII** Pro forma as further adjusted
	For the year ended December 31, 2004							
		Pro forma adjustments						
Summary unaudited pro forma combined consolidated income statement data								
IFRS								
Net sales	$ 1,598,925	$ 1,637,962		$ 2,266,123		$ 5,503,010		$ 5,503,010
Cost of sales	(965,004)	(610,792)		(1,559,173)		(3,134,969)		(3,134,969)
Gross profit	$ 633,921	$ 1,027,170		$ 706,950		$ 2,368,041		$ 2,368,041
Selling, general and administrative expenses	(118,952)	(270,967)		(122,703)		(512,622)		(512,622)
Other operating expenses, net	(798)	(18,383)		6,645		(12,536)		(12,536)
Operating income	$ 514,171	$ 737,820		$ 590,892		$ 1,842,883		$ 1,842,883
Financial income (expenses), net	202,289	(500,433)	$ (2,724)	(91,608)		(392,476)		(392,476)
Interest related to credit facilities			(95,694)			(95,694)	$ 35,253	(60,441)
Subordinated convertible loans interest			(22,597)			(22,597)	22,597	
Equity in earnings (losses) of associated companies	209,201	(210,145)				(944)		(944)
Income (loss) before income tax (expense) benefit	$ 925,661	$ 27,242	$ (121,015)	$ 499,284		$ 1,331,172	$ 57,850	$ 1,389,022
Income tax (expense) benefit	(177,486)	11,227	10,592	(160,243)		(315,910)		(315,910)
Net income (loss)	$ 748,175	$ 38,469	$ (110,423)	$ 339,041		$ 1,015,262	$ 57,850	$ 1,073,112
Attributable to:								
Equity holders of the Company	$ 457,339	$ (78,540)	$ (100,735)	$ 333,089	$ 92,484	$ 703,637	$ 57,850	$ 761,487
Minority interest	290,836	117,009	(9,688)	5,952	(92,484)	311,625		311,625
	$ 748,175	$ 38,469	$ (110,423)	$ 339,041		$ 1,015,262	$ 57,850	$ 1,073,112
Number of shares (thousands)	1,168,944				261,409	1,430,353	625,155	2,055,508
Combined earnings (loss) per share	$ 0.39					$ 0.49	$ 0.09	$ 0.37

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	For the year ended December 31, 2004							
		Pro forma adjustments						
	I	II	III	IV	V	VI	VII	VIII
Thousands of U.S. dollars *(except for per share data)*	Historical combined consolidated	Amazonia	Acquisition of Hylsamex related debt	Hylsamex consolidation	Usiminas and Sivensa acquisitions	Pro forma as adjusted	Offering and conversion	Pro forma as further adjusted
U.S. GAAP								
Net income attributable to equity holders of the Company (under IFRS)	$ 457,339	$ (78,540)	$ (100,735)	$ 333,089	$ 92,484	$ 703,637	$ 57,850	$ 761,487
Capitalization of interest cost PP&E	152	272				424		424
Changes in fair value of financial assets through profit and loss	(1,361)					(1,361)		(1,361)
Capitalization of interest cost Intangible assets	313	429				742		742
Inventory valuation	(1,628)	1,498				(130)		(130)
Accounting for pension plans	(164)	(556)				(720)		(720)
Valuation of fixed assets PP&E	79,493	76,192				155,685		155,685
Equity in investments in associated companies Amazonia	(76,926)	76,926						
Deferred income tax	(27,101)	244,165				217,064		217,064
Accounting for convertible debt		(16,657)				(16,657)		(16,657)
Troubled debt restructuring		8,569				8,569		8,569
Other assets valuation		45				45		45
Minority interest	(5,462)	(233,545)		32,979	41,720	(164,308)		(164,308)
Net income under U.S. GAAP	$ 424,655	$ 78,798	$ (100,735)	$ 366,068	$ 134,204	$ 902,990	$ 57,850	$ 960,840
Combined earnings per share	$ 0.36					$ 0.63	$ 0.09	$ 0.47

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

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

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

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

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

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

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

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

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

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Ternium

	At June 30, 2005						
		Pro forma adjustments					
(Thousands of U.S. dollars)	I Historical combined consolidated	II Acquisition of Hylsamex related debt	III Hylsamex consolidation	IV Usiminas and Sivensa acquisitions	V Pro forma as adjusted	VI Offering and conversion(*)	VII Pro forma as further adjusted
Summary unaudited pro forma combined consolidated balance sheet data							
IFRS							
Non-current assets:							
Property, plant and equipment, net	$ 3,508,133		$ 2,041,277		$ 5,549,410		$ 5,549,410
Goodwill			451,087		451,087		451,087
Intangible assets, net	15,607		226,975		242,582		242,582
Other investments	13,095				13,095		13,095
Investments in associated companies	7,002		427		7,429		7,429
Receivables, net	51,837	$ 25,129			76,966		76,966
Deferred tax assets			5,679		5,679		5,679
Total non-current assets	$ 3,595,674	$ 25,129	$ 2,725,445		$ 6,346,248		$ 6,346,248
Current assets:							
Other assets			$ 1,048		$ 1,048		$ 1,048
Other receivables	$ 216,500		130,578		347,078		347,078
Inventories	590,057		348,610		938,667		938,667
Trade receivables	329,949		308,418		638,367		638,367
Other investments	760		2,323		3,083		3,083
Cash and cash equivalents	586,012	$ 1,948,893	(2,050,512)		484,393	$ (20,000)	464,393
Total current assets	$ 1,723,278	$ 1,948,893	$ (1,259,535)		$ 2,412,636	$ (20,000)	$ 2,392,636
Total assets	$ 5,318,952	$ 1,974,022	$ 1,465,910		$ 8,758,884	$ (20,000)	$ 8,738,884
Shareholder s equity	$ 1,443,473		$ (87,727)	$ 365,680	$ 1,721,426	$ 1,074,022	$ 2,795,448
Minority interest	2,114,883		(60,691)	(365,680)	1,688,512		1,688,512
Non-current liabilities:							
Provisions	46,221				46,221		46,221
Deferred income tax	603,972		272,834		876,806		876,806
Other liabilities	91,615		249,761		341,376		341,376
Borrowings	239,123	1,974,022	543,035		2,756,180	(1,094,022)	1,662,158
Total non-current liabilities	$ 980,931	$ 1,974,022	$ 1,065,630		$ 4,020,583	$ (1,094,022)	$ 2,926,561
Current liabilities:							
Provisions	$ 1,044				$ 1,044		$ 1,044
Current tax liabilities	98,712		$ 36,395		135,107		135,107
Other liabilities	127,883		254,084		381,967		381,967
Trade payables	347,810		183,436		531,246		531,246
Borrowings	204,216		74,783		278,999		278,999

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

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

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

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

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

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

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

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

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

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

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

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Ternium

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

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

IFRS differs in certain significant respects from U.S. GAAP. See notes AP T and 32 and 33 to Ternium s audited combined consolidated financial statements as of December 31, 2003 and 2004 and for the years then ended and note 17 to Ternium s combined consolidated condensed interim financial statements as of June 30, 2004 and 2005 and for the six months then ended included in this prospectus, which provide a description of the principal differences between IFRS and U.S. GAAP as they relate to Ternium s combined consolidated financial statements and a reconciliation to U.S. GAAP of net income and shareholders equity for the periods and at the dates indicated therein. For a discussion of the currencies used in this prospectus, exchange rates and accounting principles affecting the financial information contained in this prospectus, see Exchange Rates and Presentation of Financial and Other Information.

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Ternium

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

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

(2)

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

(3) Ternium s combined earnings per share for each of the periods presented have been calculated based on the assumption that 1,168,943,632 shares were issued and outstanding in each of the periods presented. See Formation of Ternium and Related Party Transactions Corporate reorganization transactions.

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

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Ternium

In thousands of U.S. dollars	At December 31, 2003	At December 31, 2004	At June 30, 2005
Selected combined consolidated balance sheet data			
IFRS			
Non-current assets	$ 1,610,810	$ 1,728,410	$ 3,595,674
Property, plant and equipment, net	1,275,699	1,244,691	3,508,133
Other non-current assets	335,111	483,719	87,541
Current assets	576,078	918,220	1,723,278
Cash and cash equivalents	129,020	194,875	586,012
Other current assets	447,058	723,345	1,137,266
Total assets	2,186,888	2,646,630	5,318,952
Capital and reserve attributable to equity holders	701,821	1,026,725	1,443,473
Minority interest	550,264	745,126	2,114,883
Non-current liabilities	677,649	359,510	980,931
Borrowings	283,914	1,008	239,123
Deferred income tax	374,907	337,473	603,972
Other non-current liabilities	18,828	21,029	137,836
Current liabilities	257,154	515,269	779,665
Borrowings	80,238	121,998	204,216
Other current liabilities	176,916	393,271	575,449
Total liabilities	934,803	874,779	1,760,596
Total equity and liabilities	2,186,888	2,646,630	5,318,952
U.S. GAAP			
Total assets	$ 1,201,734	$ 2,115,271	$ 3,459,060
Non-current liabilities	311,054	44,647	393,182
Total shareholders equity	382,703	954,255	733,772

In thousands of U.S. dollars (except total production and employee data)	For the year ended December 31, 2003	For the year ended December 31, 2004	For the six-month period ended June 30, 2005
Other information (IFRS)			
Depreciation and amortization	$ 85,479	$ 99,192	$ 117,628
Net cash provided by operating activities	346,318	517,565	601,136
Net cash provided by (used in) investment activities	(157,796)	(91,701)	8,793
Net cash used in financing activities	(171,961)	(359,887)	(490,193)
Operating data (unaudited)			
Total production of flat and long steel products (in thousands of tons)	2,471	2,268	2,367
Employees (at period end)	4,795	4,791	10,436

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Amazonia

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

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

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

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Amazonia

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

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

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

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Amazonia

In thousands of U.S. dollars	At December 31, 2003	At December 31, 2004
Selected consolidated balance sheet data		
IFRS		
Non-current assets	$ 2,119,597	$ 1,775,801
Property, plant and equipment, net	2,111,055	1,716,925
Other non-current assets	8,542	58,876
Current assets	519,663	881,875
Cash and cash equivalents	103,912	211,481
Other current assets	415,751	670,394
Total assets	$ 2,639,260	$ 2,657,676
Shareholders equity	$ 723,545	$ 746,157
Minority interest	577,194	595,912
Non-current liabilities	959,664	693,640
Borrowings	799,067	529,312
Deferred income tax	43,951	39,653
Other non-current liabilities	116,646	124,675
Current liabilities	378,857	621,967
Borrowings	84,328	216,713
Other current liabilities	294,529	405,254
Total liabilities	1,338,521	1,315,607
Total equity and liabilities	$ 2,639,260	$ 2,657,676
U.S. GAAP		
Total assets	$ 1,520,597	$ 2,034,245
Non-current liabilities	972,010	714,954
Total shareholders equity	45,206	351,537

In thousands of U.S. dollars (except total production and employee data)	For the year ended December 31, 2003	For the year ended December 31, 2004
Other information (IFRS)		
Depreciation and amortization	$ 143,996	$ 118,101
Net cash flows provided by operating activities	246,290	415,443
Net cash flows used in investment activities	(59,386)	(140,582)
Net cash flows used in financing activities	(148,363)	(149,974)
Operating Data (unaudited)		
Total production of flat and long steel products (in thousands of tons)	2,818	3,057
Employees (at period end)	5,693	5,678

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Hylsamex

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

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

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

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Hylsamex

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

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

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Hylsamex

In millions of constant Mexican pesos as of June 30, 2005	At December 31, 2003	At December 31, 2004	At June 30, 2005
Consolidated Balance Sheet Data			
Mexican GAAP			
Current assets	MXN 7,004	MXN 10,243	MXN 10,157
Cash and cash equivalents	1,018	1,425	1,585
Other current assets	5,986	8,818	8,572
Non-current assets	24,684	24,143	23,556
Property, plant and equipment	21,753	20,897	20,421
Other non-current assets	2,931	3,246	3,135
Total assets	31,688	34,386	33,713
Current liabilities	3,819	4,575	4,491
Current portion of long-term debt	776	334	782
Other current liabilities	3,043	4,241	3,709
Non-current liabilities	16,728	11,100	9,642
Long-term debt	12,322	7,220	5,888
Notes payable to Alfa	487		
Deferred income tax	2,530	2,720	2,523
Estimated liabilities for seniority premiums and pension plans	1,389	1,160	1,231
Total liabilities	20,547	15,675	14,133
Total majority interest	9,159	16,650	17,472
Minority interest in subsidiaries	1,982	2,061	2,108
Total liabilities, minority interest and shareholders equity	MXN 31,688	MXN 34,386	MXN 33,713
U.S. GAAP			
Total assets	MXN 30,787	MXN 34,320	MXN 33,464
Non-current liabilities	18,268	12,868	11,335
Shareholders equity	6,718	14,816	15,530

In millions of constant Mexican pesos as of June 30, 2005 (except for total production and employee data)	For the year ended December 31, 2003	For the year ended December 31, 2004	For the six-month period ended June 30, 2005
Other information (Mexican GAAP)			
Depreciation and amortization	MXN 1,449	MXN 1,439	MXN 741
Resources provided by operations	421	5,304	2,520
Resources (used in) provided by financing activities	664	(4,390)	(2,004)
Resources used in investing activities	(709)	(505)	(356)
Operating data (unaudited)			
Total production of flat and long steel products (in thousands of tons)	2,511	3,303	1,460

Employees (at period end)	7,219	7,386	7,409

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RISK FACTORS

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

Risks relating to the steel industry

The demand for Ternium s products is cyclical.

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

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

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

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

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

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

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

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

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

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

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

For example, expenditures for iron ore constitute one of Sidor s largest individual raw material costs. Currently, Sidor purchases all of its iron ore from a single producer in Venezuela at agreed-upon formula prices under a long-term supply agreement expiring in 2017. If Sidor is not able to continue this long-term relationship or to continue purchasing iron ore from such supplier at the agreed-upon prices, it could be unable to obtain sufficient quantities of iron ore from alternative suppliers at prices comparable to those offered by its current supplier and, accordingly, its gross profit could decline. Following a public announcement by the Venezuelan government that sought to pressure Sidor to renegotiate the terms of the agreement for the supply of iron ore, as permitted under the contract s hardship provision, on November 11, 2005, Sidor and CVG Ferrominera del Orinoco, C.A. (FMO) amended the pricing terms of the contract. The amended formula is expected to increase

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

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

Ternium s subsidiaries have a substantial market share in their countries of operation where they maintain long-term relationships with their clients. Any fall in demand in these markets due to weak economic conditions or other reasons could adversely affect the operations of these subsidiaries and could redirect sales and the focus of Ternium s business to other markets. Competition in the global and regional markets could also be affected by antidumping and countervailing duties imposed on some producers in major steel markets and by the removal of barriers to imported products in those countries where the Ternium companies direct their sales. For further information please refer to Business Regulation Trade regulations. Also, Ternium s foreign competitors would benefit from any fall in the value of their domestic currencies relative to the U.S. dollar, reducing their operating costs and making their products more competitive.

The market for Ternium s steel products is highly competitive, particularly with respect to price, quality and service. In both the global and regional markets, Ternium competes against other global and local producers of flat and long steel products, which in some cases have greater financial and operating resources. In addition, several competitors are implementing modernization programs and expanding their production capacity for products that could compete with those of Ternium. To the extent that these producers become more efficient, Ternium could confront stronger competition and could fail to preserve its current shares of the relevant geographic or product markets. See Business Competition. Moreover, competition from alternative materials (including plastic, aluminum, ceramics, glass, wood and concrete) could adversely affect the demand for, and consequently the market prices of, certain steel products, and, accordingly, could affect the sales volume and revenue of Ternium and its subsidiaries.

In addition, there has been a trend in recent years toward steel industry consolidation among Ternium s competitors, and smaller competitors in the steel market today could become larger competitors in the future. For example, Aceralia, Arbed and Usinor merged in February 2002 to create Arcelor, and LNM Holdings and Ispat International merged in October 2004 to create Mittal Steel, which subsequently acquired International Steel Group. Competition from global steel manufacturers with expanded production capacity such as Mittal Steel and Arcelor, and new market entrants, especially from China, could result in significant price competition, declining margins and reductions in revenue. Ternium s larger competitors could use their resources against Ternium in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for Ternium s products in certain markets. As a result of such increased competition, Ternium may also lose market share and its sales and revenues could decline.

The steel industry is capital intensive and if Ternium is not able to obtain the capital resources required to continue to modernize and upgrade its facilities, Ternium s results of operations and growth prospects may be adversely affected.

The production of steel is capital intensive and some of Ternium s competitors have recently announced plans to make substantial investments in new equipment and to upgrade existing production facilities. In order to maintain its competitive strengths, Ternium would typically be expected to continue to modernize its production processes, plant and equipment, which would require on-going capital investments. Moreover, as a result of its acquisitions and internal growth, Ternium s business may require capital expenditures in the future. Ternium may not have adequate sources of funds for any future capital expenditures, and additional financing, if needed, may not be available to Ternium or, if available, may not be obtained on terms acceptable to Ternium and within

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the limitations contained in Ternium s existing debt instruments or any future financings. Failure to obtain the required funds could delay or prevent the completion of some of Ternium s capital projects, such as the planned modernization of coating facilities and hot rolling mills in Mexico, which could result in decreased sales.

Risks relating to Ternium s business

If Ternium does not successfully implement its business strategy, its opportunities for growth and its competitive position could be adversely affected.

Ternium plans to continue implementing its business strategy of further integrating the operating and marketing activities of the Ternium companies, developing value-added products, providing services to a wider range of clients in the local and export markets and continuing to pursue strategic acquisition opportunities. Any of these components or Ternium s overall business strategy could be delayed or abandoned or could cost more than anticipated, any of which could impact its competitive position and reduce its revenue and profitability. For example, Ternium could fail to develop its commercial network and lose market share in its export markets. Even if Ternium successfully implements its business strategy, it may not yield the desired goals.

Recent and future acquisitions, significant investments and strategic alliances could disrupt Ternium s operations and adversely affect its profits. Ternium may not realize the benefits it expects from these business decisions.

In the past, Ternium has acquired interests in various companies and engaged in strategic alliances, such as the acquisition of Sidor, the largest steel company of Venezuela, the participation of 49.8% in Matesi, Materiales Siderúrgicos S.A. (Matesi), an iron ore briquette producer that supplies Sidor with part of its raw material requirements, and the recent acquisition of Hylsamex, one of the main steel producers in Mexico.

Ternium may consider other strategic acquisitions and alliances from time to time, and it must necessarily base any assessment of potential acquisitions and alliances on assumptions with respect to operations, profitability and other matters that could subsequently prove to be incorrect. Ternium s future acquisitions, significant investments and alliances may not perform in accordance with its expectations, which could adversely affect its operations and profitability. Furthermore, Ternium may fail to find suitable acquisition targets or fail to consummate its acquisitions under favorable conditions, or could be unable to successfully integrate any acquired businesses into its operations.

Although Ternium has begun taking steps to integrate Hylsamex into its operations since the consummation of its acquisition on August 22, 2005, it may not be able to do so successfully and within a short period of time.

Ternium faces a variety of uncertainties and challenges relating to the acquisition and integration of Hylsamex, including, but not limited to:

achieving expected synergies,

loss of key employees,

difficulties integrating operational and financial systems, which could delay the integration efforts and anticipated cost savings,

lower than expected sales and profitability returns that may not justify the size of Ternium s investment,

exposure to potential liabilities, including liabilities related to activities that predate the acquisition, for which Ternium will not be indemnified and which could be material, and

the possible decline in the market price of our ADSs, if Ternium does not achieve the perceived benefits and anticipated cost savings of the acquisition as rapidly or to the extent anticipated.

These risks, and the fact that integration of the acquired business will require a significant amount of the time and resources of Ternium s management and employees, could disrupt Ternium s ongoing business and could have a material adverse effect on its business, financial condition and results of operations.

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Ternium may be required to record a significant charge to earnings if it must reassess its goodwill or other amortizable intangible assets.

In accordance with IFRS, management must test all of Ternium s assets, including goodwill, annually for impairment, or more frequently if there are indicators of impairment, and recognize a non-cash charge in an amount equal to the impairment. In connection with the acquisition of Hylsamex completed on August 22, 2005, we expect that Ternium will record USD538.1 million in goodwill. See Selected Financial and Operating Data Unaudited pro forma combined consolidated financial information of Ternium Summary unaudited pro forma combined consolidated balance sheet data. If Ternium s management were to determine in the future that the goodwill from its acquisition of Hylsamex was impaired, Ternium would be required to recognize a non-cash charge to write down the value of this goodwill, which would adversely affect Ternium s financial condition and results of operations.

Credit agreements and other instruments of indebtedness of Ternium and its subsidiaries contain covenants and financial tests which could restrict their activities and cross-payment-default provisions which could result in the acceleration of Ternium s indebtedness.

The debt contracts of Ternium and its subsidiaries, including the financing agreements entered into in connection with the acquisition of Hylsamex, contain a number of significant covenants that limit their ability to, among other things:

- pay dividends to their shareholders or make other restricted payments;
- administer their cash flow;
- grant certain liens;
- borrow additional money or prepay principal or interest on subordinated debt;
- change their business or amend certain significant agreements;
- effect a change of control; and
- merge, acquire or consolidate with another company, make additional investments or dispose of their assets.

These contracts also require Ternium and its subsidiaries to meet certain financial covenants, ratios and other tests, which could limit their operational flexibility and could prevent Ternium from taking advantage of business opportunities as they arise, growing its business or competing effectively. Moreover, a failure by Ternium and its subsidiaries to comply with applicable financial measures could result in defaults under those agreements or instruments. Ternium and its subsidiaries are in compliance with all of their financial covenants, ratios and tests.

In addition, if Ternium or any of its subsidiaries failed to meet its payment obligations under their financial agreements, debt under that agreement could become immediately due and payable, and could trigger cross-payment-default provisions contained in the Ternium Credit

Facility and in certain of the Ternium companies other credit agreements and debt instruments, which would permit their creditors to accelerate the indebtedness evidenced thereby. If this occurs, Ternium may not be able to pay its debt or borrow sufficient funds to refinance it. Even if new financing is available, it could entail terms that are not as favorable to Ternium and could limit the cash flow available for its operations, place it at a competitive disadvantage and limit its ability to pursue its business strategy. In addition, these credit agreements contain indemnification provisions. For information concerning these credit agreements and debt instruments, see Management s Discussion and Analysis of Financial Condition and Results of Operations Ternium Recent events.

Ternium s related party transactions with members of the Techint Group may not always be on terms as favorable as those that could be obtained from unaffiliated third parties.

Some of Ternium s sales and purchases are made to and from other Techint Group companies. These sales and purchases are primarily made in the ordinary course of business, and Ternium believes that they are made on

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terms no less favorable than those it could obtain from unaffiliated third parties. Ternium will continue to engage in related party transactions in the future, and these transactions may not be on terms as favorable as those that could be obtained from unaffiliated third parties. For information concerning the principal transactions between Ternium and related parties, see Formation of Ternium and Related Party Transactions.

Ternium s transactions with certain business partners and shareholders may not always be on terms as favorable as those that could be obtained from unaffiliated third parties.

Some of Ternium s sales and purchases are made to and from certain partners and shareholders of its subsidiaries. For example, Sidor has a variety of trade and services-related contractual relationships with entities owned by its minority shareholder, the government of Venezuela, including the purchase of iron ore from, and the sale of pellets to, the state-owned steel company Corporación Venezolana de Guayana (CVG). Moreover, Sivensa, a Venezuelan company that owns an indirect minority stake in the Company, is one of the largest domestic purchasers, through one of its affiliates, of Sidor s flat steel products. Although we believe that each of its business relationships with business partners and shareholders is on an arm s length basis, any of these arrangements may not provide terms to Ternium that are substantially similar to, or as favorable as, those that might have been obtained from unaffiliated third parties.

Labor disputes at Ternium s operating subsidiaries could result in work stoppages and disruptions to Ternium s operations.

A substantial majority of Ternium s employees at its manufacturing subsidiaries are represented by labor unions and are covered by collective bargaining or similar agreements, which are subject to periodic renegotiation. Strikes or work stoppages could occur prior to or during the negotiations leading to new collective bargaining agreements, during wage and benefits negotiations or, occasionally, during other periods for other reasons.

The various measures that Ternium s subsidiaries Siderar and Hylsamex have taken in order to become more competitive have not resulted in significant labor unrest. However, its subsidiary Sidor has from time to time suffered labor disruptions, including the last plant stoppages in 2003 and 2004. Ternium could suffer additional plant stoppages or strikes as a result of future work force reductions in connection with its productivity improvement and cost reduction plans. Ternium may not be able to maintain a satisfactory relationship with its employees, and any future stoppage, strike, disruption of operations or new collective bargaining agreements could result in lost sales and could increase Ternium s costs. For more information on labor relations, see Business Employees.

The Ternium companies ability to hedge risks could be limited by contractual and regulatory restrictions.

The international operations of the Ternium companies expose them to a variety of financial risks, including the effects of changes in foreign currency, exchange rates and interest rates. A portion of Ternium s business is carried out in currencies other than the U.S. dollar. As a result of this foreign currency exposure, exchange rate fluctuations impact the Ternium companies results as reported in their income statements in the form of both translation risk and transaction risk. In addition, interest rate movements create a degree of risk by affecting the amount of the Ternium companies interest payments. Other than those imposed by legal or monetary control entities (like the Argentine Central Bank or the exchange and transfer control entity CADIVI in Venezuela), Ternium s subsidiaries (other than Sidor) have no restrictions on the use of derivative agreements for hedging purposes. Sidor, however, is limited by both contractual and regulatory restrictions for these types of derivatives contracts. These restrictions and regulations could cause the Ternium companies to be more vulnerable to market fluctuations than they would be if their hedging activities were unlimited. In the ordinary course of business, the Ternium companies (other than Sidor) from time to time enter into exchange rate and interest rate derivatives agreements to manage their exposure to exchange rate and interest rate changes.

Future regulatory or financial restrictions in the countries where Ternium operates may affect its ability to hedge its exposure to financial risks, and thus cause an adverse impact on Ternium s results of operations and financial condition.

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Ternium s results of operations and financial condition could be adversely affected by movements in exchange rates.

The revenues of the Ternium companies are primarily U.S. dollar-denominated (other than revenues from domestic sales in Mexico), while a significant portion of their costs are denominated in local currency in the markets where they operate. As a result, movements in the exchange rate of the U.S. dollar against these local currencies can have a significant impact on Ternium s revenue, results and financial condition. A rise in the value of the local currencies relative to the U.S. dollar will increase Ternium s relative production costs, thereby creating a competitive disadvantage for Ternium relative to some of its competitors. Conversely, a decrease in the value of the local currencies relative to the U.S. dollar will decrease their relative production costs. For instance, during 2004, Siderar benefited from a gain of USD10.5 million due to an exchange rate depreciation of 1.4%. During the same period, an exchange rate depreciation of 19.7% resulted in a loss of USD118.4 million for Amazonia, while an exchange rate appreciation of 0.8% resulted in a loss of USD10.6 million for Hylsamex.

Volatility in the exchange rates between the U.S. dollar and the Argentine peso and between the U.S. dollar and the Mexican peso as well as changes to the exchange rate between the U.S. dollar and the Venezuelan bolívar are likely to continue in the future. Such fluctuations will affect Ternium s production costs, revenues and financial results. For more information on the exchange rates affecting Ternium s business, see Exchange Rates below.

A significant rise in interest rates could adversely affect Ternium s business and results.

Changes in interest rates affect the amount of Ternium s interest payments as well as the value of its fixed rate debt. Most of Ternium s long-term borrowings are at variable rates, and accordingly, Ternium is exposed to the risk of increased interest expense in the event of a significant rise in interest rates. Moreover, a substantial rise in interest rates in developed economies such as the United States could adversely affect the economies in the countries where Ternium conducts its operations and markets its products and would increase Ternium s debt service requirements for its floating rate debt.

For example, Ternium s indebtedness under the Ternium Credit Facility bears interest at the annual rate of LIBOR plus an applicable margin. Ternium has hedged 25% (USD250 million) of its indebtedness under the Ternium Credit Facility using an interest rate swap derivative. The remaining 75% (USD750 million), prior to the application of proceeds from this offering, is exposed to changes in interest rates, and, for each 1% increase in interest rates, Ternium s interest expenses will increase by USD7.5 million.

Risks relating to the structure of the Company

As a holding company, our ability to pay dividends and obtain financing depends on the results of operations and financial condition of our subsidiaries and could be restricted by legal, contractual or other limitations.

We conduct all of our operations through our subsidiaries. Dividends or other intercompany transfers of funds from our subsidiaries are expected to be our primary source of funds to pay our expenses, debt service and dividends. We will not be conducting operations at the holding company level, and any expenses that we incur, in excess of minimum levels, that cannot be otherwise financed will reduce amounts available for distribution to our shareholders. This could result in us being unable to pay any dividends on our ADSs.

The ability of our subsidiaries to pay dividends and make other payments to us will depend on their results of operations and financial conditions and could be, including in the circumstances described below, restricted by, among other things, applicable corporate and other laws and regulations, including those imposing foreign exchange controls, and agreements and commitments of such subsidiaries. In addition, our ability to pay dividends is subject to legal and other requirements and restrictions at the holding company level. For example, we may only make distributions out of net profits, retained earnings and available reserves and premiums, each as defined under Luxembourg regulations.

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Our ability and the ability of the Ternium companies to pay dividends and make other payments depends in part on contractual arrangements relating to the distribution of profits. The credit agreements entered into by us and Siderar to finance the acquisition of Hylsamex contain limitations on our ability to declare or pay dividends until 2010. These debt covenants prohibit us from declaring or paying any dividends until we have paid the full amount due on the first anniversary of the Ternium Credit Facility and impose limits on the funds available for payment of dividends. Also, 70% of the outstanding capital of Hylsamex was pledged to secure the Ternium Credit Facility, and Siderar granted drag-along rights requiring the sale of its shares in Hylsamex in the event the collateral agent under the Ternium Credit Facility forecloses on such pledge. In addition, under the terms of its restructuring agreements, Sidor may not pay dividends until 2008. For further information about the impact of such restrictions and covenants, please see Risks relating to Ternium s business Credit agreements and other instruments of indebtedness of Ternium and its subsidiaries contain covenants and financial tests which could restrict their activities and cross-payment-default provisions which could result in the acceleration of Ternium s indebtedness above and Dividend Policy.

The Company s controlling shareholder may be able to take actions that do not reflect the will or best interests of other shareholders.

As of December 31, 2005, our principal shareholder is Inversora Siderurgica Limited, or ISL, which will hold at least a majority of our shares after the settlement of the offering. As of December 31, 2005, San Faustín beneficially owned 100% of ISL s outstanding voting stock. San Faustín is controlled by Rocca & Partners. As a result, Rocca & Partners is indirectly able to elect a substantial majority of the members of our board of directors and has the power to determine the outcome of most actions requiring shareholder approval, including, subject to the requirements of Luxembourg law, the payment of dividends by us. The decisions of the controlling shareholder, including the decisions with respect to this offering, may not reflect the will or best interests of other shareholders. For example, our articles of association permit our board of directors to waive, limit or suppress preemptive rights in certain cases. Accordingly, our controlling shareholder may cause our board of directors to approve an issuance of shares for consideration without preemptive rights, thereby diluting the minority interest in the Company. See Risk Factors Risks related to our ADSs Holders of our shares and ADSs in the United States may not be able to exercise preemptive rights in certain cases.

Remaining minority interests in the Company s subsidiaries could delay or impede our ability to complete our strategy.

We do not own one hundred percent of the interests in our subsidiaries. As of December 31, 2005, approximately 35.7% of Siderar was publicly held and approximately 8.4% was held by certain Siderar employees. As of the same date, approximately 29.7% of Sidor was held by the Venezuelan government and *Banco de Desarrollo Económico y Social de Venezuela*, or BANDES (a bank owned by the Venezuelan government), and approximately 10.7% was held by certain Sidor employees. Also as of the same date, 0.2% of Hylsamex was owned by minority shareholders. As of December 19, 2005, Hylsamex s shares were deregistered in accordance with applicable Mexican law. In connection with the deregistration of Hylsamex s shares, Siderar established, on December 1, 2005, a fiduciary account (*fideicomiso*) with a term of at least six months in an amount sufficient to purchase all remaining Hylsamex shares held by the public. However, Mexican law does not provide for the automatic acquisition of any remaining publicly held shares at the expiration of the fiduciary account, nor does it allow us to proceed with such an acquisition unilaterally. To the extent that other interests in Siderar, Sidor and Hylsamex remain outstanding, those remaining minority shareholders could prevent Ternium from taking actions that, while beneficial to us at the holding company level, might not be beneficial at the level of any of our individual subsidiaries. As a result, we could be delayed or impeded in the full implementation of our strategy or the maximization of Ternium s competitive strengths.

We will be subject to a capital duty on any capital increase in connection with our corporate reorganization if we fail to obtain relief from the Luxembourg tax authorities, or if such relief is successfully challenged.

Under Luxembourg law, any increase in the capital of a Luxembourg company is subject to a 1% capital duty. Capital contributions to a Luxembourg company involving all of the assets and liabilities of a company organized in a European Union, or EU, member country are exempt from such capital duty. We expect that our

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corporate reorganization, consisting of a series of such contributions of assets and liabilities by EU companies, including ISL (which is organized in Gibraltar), to the Company will qualify for such exemption. In addition, we expect that the Luxembourg tax authorities will confirm the availability of the exemption separately for each such contribution upon its consummation. Such relief was obtained for the first three transactions of the series, as we expect to obtain it for the remaining reorganization transactions, including, as provided in the Corporate Reorganization Agreement, the delivery of shares of the Company by ISL on our behalf to the underwriters for this offering and to the Subordinated Lenders, and the subsequent contribution to us by ISL of all of its assets and liabilities. If we fail to obtain relief from the Luxembourg tax authorities, or if the relief granted is successfully challenged, we will be subject to a 1% capital duty on the amount of the corresponding capital increase, plus any applicable penalties.

Risks relating to the countries in which we operate

Negative economic, political and regulatory developments in certain markets where Ternium has a significant portion of its operations and assets could hurt Ternium s financial condition, revenues and sales volume and disrupt its manufacturing operations, thereby adversely affecting its results of operations and financial condition.

The results of Ternium s operations are subject to the risks of doing business in emerging markets and have been, and could in the future be, affected from time to time to varying degrees by political developments, events, laws and regulations, such as forced divestiture of assets; restrictions on production, imports and exports; interruptions to essential energy inputs; exchange and/or transfer restrictions; inflation; devaluation; war or other international conflicts; civil unrest and local security concerns that threaten the safe operation of company facilities; price controls; tax increases; changes in interpretation or application of tax laws and other retroactive tax claims or challenges; expropriation of property; changes in laws, norms or regulations; cancellation of contract rights; delays or denial of government approvals; and environmental regulations. Both the likelihood of such occurrences and their overall effect upon Ternium vary greatly from country to country and are not predictable. Realization of these risks could have an adverse impact on the results of operations and financial condition of Ternium s subsidiaries located in the affected country.

Argentina

Ternium has significant manufacturing operations and assets located in Argentina and a significant portion of its sales are made in Argentina. Ternium s main revenues from its Argentine operations, therefore, are indirectly related to market conditions in Argentina and to changes in Argentina s gross domestic product, or GDP, and per capita disposable income. Accordingly, Ternium s business could be materially and adversely affected by economic, political and regulatory developments in Argentina.

Economic and political instability resulted in a severe recession in 2002, which has had a lasting effect on Argentina s economy.

In the second half of 2001, a sustained period of economic recession culminated in severe social, monetary and financial turmoil and a series of dramatic political and legislative developments in Argentina. President de la Rúa resigned on December 21, 2001, amid large-scale, violent demonstrations against his administration. After three interim presidents in rapid succession, Senator Eduardo Duhalde, a member of the opposition Peronist party, was elected by the Legislative Assembly and assumed the presidency on January 2, 2002, to serve for the remainder of former president de la Rúa s term. The Duhalde administration quickly adopted a series of emergency measures affecting Argentina s monetary and fiscal policies. These measures included, among others, approval on January 6, 2002 by the Argentine Congress of the Public Emergency Law, ending more than a decade of uninterrupted U.S. dollar Argentine peso parity, eliminating the requirement that the Argentine peso be fully backed by gold and foreign reserves and establishing a framework for the resulting devaluation of the Argentine peso.

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During the first half of 2002, the events described above caused an abrupt rise in the exchange rate, reaching a high of ARP3.90 per U.S. dollar in June 2002, as well as the inflation rate, with the cumulative consumer price index rising by 55% from December 2001 through December 2004 and the cumulative wholesale price index, or WPI, rising by 140% during the same period.

Presidential elections were held on April 27, 2003, but no candidate obtained the requisite percentage of votes to be elected president. Although a run-off election between the two candidates that obtained the highest number of votes, Carlos Menem and Néstor Kirchner, was initially required, Carlos Menem withdrew from the run-off election and, as a result, Néstor Kirchner was elected president; the new president assumed office on May 25, 2003.

Since taking office, Mr. Kirchner has enjoyed high levels of popular support and the economy has shown signs of recovery. GDP grew by 8.7% in 2003 and by 9.0% in 2004. Unemployment rates dropped to 12.1% in 2004 from a high of 24.1% in June 2002. Economists also expect the Argentine economy to continue performing well during 2005 when GDP is projected to increase by 4.7%. Inflation has been stable, helped in part by an appreciation of the Argentine peso and by unused productive capacity in the domestic economy. However, inflation has started to rise again recently. The WPI increased by 7.9% in 2004, compared to 2% in 2003, and by 2% in the first quarter of 2005.

Siderar s sales in the domestic market were severely affected by Argentina s recession during 2001 and 2002. Domestic sales as a percentage of total sales decreased to 47% in 2001 and 35% in 2002. The domestic economic recovery during 2003 and 2004, with sustained growth in industrial activity, agriculture, construction and a significant improvement in the automobile industry, increased Siderar s domestic sales as a percentage of total sales to 55% in 2003 and 72% in 2004.

Nevertheless, many of Argentina s economic problems remain unresolved. If an inflationary environment were to reappear, inflation could have a negative impact on the revenues of Ternium s subsidiary in Argentina when they are restated in constant currency. Thus, even if Ternium s revenues were to rise in nominal terms, its reported revenues would decrease unless the rate of increase in nominal revenues is at least as great as the rate of inflation. The Argentine economy may not continue to experience growth. Economic conditions in Argentina have deteriorated rapidly in the past and could deteriorate rapidly in the future and Ternium s business and operations in Argentina could be adversely affected by rapidly changing economic conditions in Argentina and by the Argentine government s response to such conditions.

Argentine government policies will likely significantly affect the economy and, as a result, Ternium s Argentine operations.

The Argentine government has historically exercised significant influence over the economy. Since December 2001 the Argentine government has promulgated numerous, far-reaching laws and regulations that affect the economy in significant respects. Laws and regulations currently governing the economy could change in the future, and any such changes could adversely affect Ternium s business, financial condition or results of operations.

The Argentine Central Bank has imposed restrictions on the transfer of funds outside of Argentina and other exchange controls in the past and may do so in the future, which could prevent Ternium from paying dividends or other amounts from cash generated by its Argentine operations.

In 2001 and 2002 and until February 7, 2003, the Argentine Central Bank restricted Argentine individuals and corporations from transferring U.S. dollars abroad without the prior approval of the Argentine Central Bank. In 2003 and 2004, the government reduced some of these restrictions, including those requiring the Argentine Central Bank s prior authorization for the transfer of funds abroad in order to pay principal and interest on debt obligations. Nevertheless, significant government controls and restrictions remain in place, and the Argentine

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government may impose new restrictions on foreign exchange in the future. On June 10, 2005, the Argentine government issued Decree No. 616/2005 establishing certain restrictions on capital inflows into Argentina. The existing controls and restrictions, and any additional restrictions of this kind that may be imposed in the future, could impair Ternium s ability to transfer funds generated by Ternium s Argentine operations in U.S. dollars outside Argentina to fund the payment of dividends or other amounts and to undertake investments and other activities that require payments in U.S. dollars. Furthermore, these restrictions could affect Ternium s ability to finance its investments and operations in Argentina. For additional information on current Argentine exchange controls and restrictions, see Exchange Rates Argentine pesos.

In addition, Ternium is currently required to repatriate U.S. dollars collected in connection with exports from Argentina (including U.S. dollars obtained through advance payment and pre-financing facilities) into Argentina and convert them into Argentine pesos at the market-based floating exchange rate applicable on the conversion date. This requirement, and any similar requirement that may be imposed in the future, subjects Ternium to the risk of losses arising from an abrupt devaluation of the Argentine peso.

Despite the results of the recent restructuring of its debt with private creditors, Argentina is limited in its ability to obtain financing in the future, which may restrict its ability to implement reforms and create the conditions for sustained economic growth and, as a result Siderar may be unable to obtain financing.

The Argentine government has recently restructured its public debt with private creditors, with approximately 76% of its creditors surrendering their claims in exchange for new bonds worth approximately USD0.35 on the dollar. However, at this time it is impossible to determine what effect the restructuring will have, if any, on investor confidence or on the Argentine economy generally. In addition, as a consequence of the restructuring Argentina will still have obligations outstanding with bondholders of approximately USD54.8 billion (approximately USD35.3 billion under the new bonds plus approximately USD19.5 billion under the old bonds not tendered for exchange) and will have to withstand any legal actions that may be filed by bondholders who did not accept the Argentine government s exchange offer. On December 15, 2005, the Argentine government announced its intention to make an early repayment of all of its outstanding obligations to the International Monetary Fund (IMF), amounting to approximately USD9.9 billion. This prepayment, together with Argentina s limited access to foreign capital, could curtail its ability to access international credit markets.

To date, Argentina has experienced difficulty and greater costs when accessing the international credit markets, in spite of the recovery of economic and financial conditions. If Argentina is not able to honor its outstanding financial agreements, or if it does not obtain the required financing to implement the economic and political reforms necessary to obtain sustainable development and GDP growth, the resulting economic environment could negatively affect Ternium s operating costs, sales and results of operations. In particular, to the extent Siderar is not able to maintain high levels of export, Siderar s ability to obtain financing could be limited.

The economic and financial crisis, the deepening of the economic recession and the restrictions on external debt payments during 2002, severely limited the ability of Argentine companies to gain access to bank loans and capital markets, affecting the financial situation of Ternium s operations in Argentina and preventing the normal renewal of credit facilities at maturity. In this context, during 2002, Siderar initiated discussions with its creditors aimed at adapting principal payments to the flow of funds generated by operations, on the basis of a manageable schedule of maturities, as well as to obtain time until the economic and political situation had stabilized, enabling it to normalize its access to sources of finance.

As a result of such negotiations, Siderar signed an agreement with its creditors for the restructuring of the terms and conditions of its financial debt for a total of approximately USD473.3 million. During 2004, Siderar s favorable financial situation allowed it to settle in full its restructured debt at the end of the third quarter, obtaining the release of all guaranties and lifting of restrictive conditions included in the loan contracts.

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The Argentine government has increased taxes on Ternium s operations in Argentina, and could further increase the fiscal burden on its operations in Argentina in the future.

Since 1992, the Argentine government has not permitted the application of an inflation adjustment on the value of fixed assets for tax purposes. Since the substantial devaluation of the Argentine peso in 2002, the amounts that the Argentine tax authorities permit Ternium to deduct as depreciation for its past investments in plant, property and equipment have been substantially reduced, resulting in a higher effective income tax charge. In addition, in 2002, the Argentine government imposed a 5% tax on the export of manufactured products. If the Argentine government continues to increase the tax burden on Ternium s operations in Argentina, Ternium s results of operation and financial condition could be adversely affected.

Argentina currently has an energy crisis, and restrictions on the supply of energy to Ternium s operations in Argentina could curtail Ternium s production and negatively impact Ternium s results of operations.

As a result of several years of recession, the forced conversion into Argentine pesos at the one-to-one exchange rate and the subsequent freeze of gas and electricity tariffs, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina in recent years. Over the course of the last several years, demand for natural gas has increased substantially, driven by a recovery in economic conditions and low prices in comparison with alternative fuel sources. In addition, supplies of electricity generated from alternative sources, principally hydroelectric, have been affected by lower levels of rainfall than usual. This has resulted in shortages of natural gas and energy and consequent supply restrictions.

The Argentine government is taking a number of measures to alleviate the short-term impact of supply restrictions on residential and industrial users, including measures to limit the growth of residential consumption, to increase the price of compressed natural gas and to import natural gas from Bolivia, electricity from Brazil and fuel oil from Venezuela. It has announced several measures intended to address the situation in the medium- and long-term including allowing natural gas prices for industrial users to rise and implementing a tax increase on the export of crude oil and a new tax on the export of natural gas. In addition, the Argentine government has created a new state-owned energy company, which would in turn fund, or otherwise promote, investments in expanding existing pipeline transportation capacity and building new pipelines and additional power generation capacity.

If the measures that the Argentine government is taking to alleviate the short-term impact of the crisis prove to be insufficient, or if the investment that is required to increase natural gas generation energy production and transportation capacity and power generation capacity over the medium- and long-term fails to materialize on a timely basis, Ternium s production in Argentina (or that of its main suppliers) could be curtailed and Ternium s sales and revenues could decline. Although Ternium is taking measures, like the purchase of alternative fuels such as fuel oil, to limit the effect of supply restrictions on its operations in Argentina, such efforts may not be sufficient to avoid any impact on Ternium s production in Argentina (or that of its main suppliers) and Ternium may not be able to similarly limit the effect of future supply restrictions. See Risks relating to the steel industry Price fluctuations or shortages in the supply of raw materials and energy could adversely affect Ternium s profits above.

<u>Venezuela</u>

Ternium has manufacturing operations and assets located in Venezuela and a significant portion of its sales are made in Venezuela. Ternium s main revenues derived from its Venezuelan operations, therefore, are indirectly related to market conditions in Venezuela and to changes in its GDP and per capita disposable income. Ternium s business could be materially and adversely affected by economic, political and regulatory developments in Venezuela.

In prior years, events in Venezuela produced significant social and political tensions, which could worsen and have an adverse effect on Venezuela s economy.

In the past several years, Venezuela has experienced intense political and social turmoil involving groups that oppose and those that support the Chávez administration. Between December 2001 and February 2003,

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opposition groups have staged four nationwide strikes, the most recent of which began in 2002 and at times halted a substantial part of the operations of the Venezuelan oil industry before it ended in February 2003. The strikes were accompanied by increased capital drains, loss of bank deposits and reduced tax revenues.

Although the political scene remains divided, the Chávez administration, through coalitions with other political parties, effectively controls a majority in the *Asamblea Nacional*, or the National Assembly, as well as most state governments, and has broad support among the poorer segments of Venezuelan society. On August 15, 2004, Venezuelan citizens voted on a recall referendum in accordance with the Venezuelan constitution regarding the removal of President Chávez from office for the remainder of his term. Approximately 59% of the voters voted in favor of retaining President Chávez.

State and local elections were held in Venezuela on October 31, 2004. Candidates supported by President Chávez won 21 of the 23 gubernatorial elections, with the two remaining governships being retained by opposition parties.

In November 2004, the National Assembly began the process of appointing 17 new justices to the Supreme Tribunal of Justice, or TSJ, in accordance with a law that allows judges to be appointed by a simple majority if the National Assembly holds three sessions and lawmakers fail to reach the necessary qualified majority of two-thirds of the National Assembly.

Parliamentary elections were held on December 4, 2005. As a result of such elections, candidates supported by President Chávez currently hold 114 of the 167 seats in the National Assembly.

Despite organized political opposition against his administration, President Chávez is expected to serve the remainder of his current presidential term, which ends in 2006. If significant domestic instability in Venezuela reemerges and affects political and economic conditions in Venezuela, Ternium s business in Venezuela and, accordingly, its financial results could be negatively affected.

The Venezuelan government could take measures related to the Venezuelan steel industry in general, or related to its minority stake in Sidor, that could affect Ternium s operations in Venezuela.

The Venezuelan government traditionally has played a central role in the development of Venezuela s steel industry and has exercised, and continues to exercise, significant influence over many other aspects of the Venezuelan economy. Venezuelan governmental actions have had in the past, and could have in the future, significant effects on the financial condition and results of operations of Venezuelan companies and on the ability of Venezuelan companies to make capital expenditures. For example, the Venezuelan government has sought to pressure foreign oil companies to either partner with state-run Petróleos de Venezuela, increase royalties to the government and cede operational control of oilfields or leave the country by December 31, 2005. The Venezuelan government has also canceled mining concessions and has proposed that a state-run mining corporation administer mining operations. Accordingly, if political or economic measures such as expropriation, nationalization, renegotiation or nullification of contracts (like those for the supply of raw materials or energy), or currency, fiscal or transfer restrictions were implemented on Ternium s subsidiary in Venezuela, its operations and revenues, and consequently Ternium s financial results, could be adversely affected.

Furthermore, the Venezuelan government owns a minority stake in Sidor, and, as a minority shareholder, could be able to intervene in Sidor s business. For example, as a minority shareholder, the Venezuelan government has the right to approve (i) investments worth USD85 million or more, (ii) dispositions of material assets, (iii) guarantees in an amount of USD15 million or more, (iv) related-party transactions other than on an arm s length basis and (v) certain material amendments of Sidor s articles of association.

In addition, Sidor s operations rely on a number of trade- and services-related contractual relationships with entities owned by the government of Venezuela, including the purchase of iron ore from the state-owned company FMO, the purchase of electricity from Electrificadora del Caroní, C.A. (EDELCA) and the purchase of natural gas from PDVSA Gas, S.A. (PDVSA Gas). Following a public announcement by the Venezuelan government that sought to pressure Sidor to renegotiate the terms of the agreement for the supply of iron ore, as permitted under the contract s hardship provision, on November 11, 2005, Sidor and FMO amended the pricing terms of the contract. The amended formula is expected to increase Sidor s cost of iron ore from approximately USD19 to approximately USD30 per ton in fiscal 2006. Furthermore, under the revised contract, the pricing formula may be adjusted every two years, on the basis of public policy, Sidor s competitiveness and the evolution of international steel prices. In conjunction with the changes in price conditions for the supply of iron ore to Sidor by FMO, the Venezuelan government is offering a price reduction on raw materials acquired from state-owned enterprises, such as FMO, that may reach 10% over the agreed market reference price. These preferential supply terms, as established in a presidential decree and related regulations, are conditioned on commitments by potential beneficiaries to assist development of the domestic industrial sector and to support certain community needs. In connection with the initial assessment of Sidor s proposed industrial development plan, Sidor was granted a provisional 6% discount on its iron ore price, which discount could increase up to 10% upon completion of the mandatory review process. See Risks relating to the steel industry The Ternium companies depend on a limited number of key suppliers. See Business Raw materials and energy Venezuela and Management s Discussion and Analysis of Financial Condition and Results of Operations Amazonia Overview.

Venezuelan government policies will likely significantly affect the economy and, as a result, Ternium s Venezuelan operations.

The Venezuelan government frequently intervenes in the Venezuelan economy and occasionally makes significant changes in policy. Recently the government s actions to control inflation and implement other policies have involved wage and price controls, currency devaluations, capital controls and limits on imports, among other things. Ternium s business, financial condition, and results of operations could be adversely affected by changes in policy involving tariffs, exchange controls and other matters such as currency devaluation, inflation, interest rates, taxation, industrial laws and regulations and other political or economic developments in or affecting Venezuela. Several measures imposed by the Venezuelan government, such as exchange controls and transfer restrictions, have affected and may further affect the operations of Ternium s subsidiary in Venezuela and could prevent Ternium from paying dividends or other amounts from cash generated by Ternium s Venezuelan operations. For additional information on current Venezuelan exchange controls and restrictions see Exchange Rates Venezuelan bolívares and the following risk factor.

Several measures imposed by the Venezuelan government, such as exchange controls and transfer restrictions, have affected and may further affect the operations of Ternium s subsidiaries in Venezuela and could prevent Ternium from paying dividends or other amounts from cash generated by its Venezuelan operations.

In February 2003, after a significant devaluation in 2002 and a sharp decline in economic activity, the Venezuelan government and the Central Bank of Venezuela suspended the trading of foreign currencies and adopted a series of exchange regulations that established a new exchange control regime. A new commission, referred to as the *Comisión de Administración de Divisas*, or CADIVI, composed of five members appointed by the President of Venezuela, was created for establishment and administration of the new exchange control regime. Under the new regime, the Ministry of Finance, together with the Central Bank of Venezuela, sets the exchange rate with respect to the U.S. dollar and other currencies and has discretion to modify, at any time, the existing exchange control regime or the free float of the bolívar. The new regime centralizes the purchase and sale of foreign currencies, by permitting such sales to be made only through the Central Bank.

Under current regulations, entities that incur or maintain indebtedness denominated in foreign currencies and wish to obtain U.S. dollars from the Central Bank of Venezuela to pay principal, interest and other amounts in respect of such indebtedness must obtain approval from, and have the indebtedness registered with, CADIVI. In accordance with these regulations, Ternium s subsidiary in Venezuela, Sidor, has registered its external indebtedness and trade account payables. Any modification to the registered use of proceeds at CADIVI will

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require additional approval. If Sidor fails to obtain any required approvals or to register any debt under these regulations, CADIVI could impose penalties which could negatively affect its business.

In addition to the foregoing approval, Ternium s subsidiaries in Venezuela must obtain from CADIVI a separate approval for the purchase from the Central Bank of foreign currency necessary to make payments under their registered indebtedness. These approvals may only be obtained at or around the time each payment becomes due under such indebtedness. Pursuant to the current regulations, CADIVI s approval for the purchase or sale of foreign currency from the Central Bank is subject to the availability of such foreign currency at the time of such request, and any foreign currency obtained may only be utilized for the purposes previously approved by CADIVI. If CADIVI fails to issue such approvals with respect to amounts due under the indebtedness or if one of Ternium s subsidiaries in Venezuela fails to obtain such approval prior to the dates on which such amounts are due and payable, it may not be able to pay its debt under the agreed conditions. Moreover, if timely payments in respect of the indebtedness cannot be made due to delays in obtaining the CADIVI approvals, certain of Sidor s creditors will have the right to accelerate its indebtedness. A delay in payments made to suppliers could also result in requests for additional payment guarantees from Sidor or other assurances of payment, or could otherwise adversely affect Sidor s commercial relationship with suppliers and affect its business opportunities.

Furthermore, in the past, Sidor, like other Venezuelan companies, made sales denominated in bolívares to customers located in neighboring countries of Venezuela. These sales were made in accordance with the terms of sale agreed by the parties. However, export sales in bolívares were afterwards prohibited by CADIVI and a review process was opened for past sales. CADIVI could penalize Sidor for these past exports.

Mexico

Ternium has significant manufacturing operations and assets located in Mexico and a significant portion of its sales are made in Mexico. Ternium s main revenues derived from its Mexican operations, therefore, are indirectly related to market conditions in Mexico and to changes in its GDP and per capita disposable income. Ternium s business could be materially and adversely affected by economic, political and regulatory developments in Mexico.

Economic conditions and government policies in Mexico could negatively impact Ternium s business and results of operation.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation and other economic problems. Furthermore, the Mexican national economy tends to reflect changes in the economic environment in the United States. If problems such as deterioration in Mexico s economic conditions, social instability, political unrest, reduction in government spending or other adverse social developments reemerge in the future, they could lead to increased volatility in the foreign exchange and financial markets, and, depending on their severity and duration, could adversely affect the business, results of operations, financial condition, liquidity or prospects of Ternium. For example, adverse economic conditions in Mexico could result in higher interest rates accompanied by reduced opportunities for refunding or refinancing, foreign exchange losses associated with dollar-denominated debt, increased raw materials and operating costs, reduced domestic consumption of Ternium s products, decreased operating results and delays in capital expenditures dependent on U.S. dollar purchases of equipment. Severe devaluation of the Mexican peso may also result in disruption of the international foreign exchange markets, hindering Ternium s ability to convert Mexican pesos into U.S. dollars and other currencies for the purpose of making purchases of raw materials or equipment.

Political conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, Ternium s financial condition and results of operations.

The Mexican political environment is in a period of change, and political uncertainty could adversely affect economic conditions in Mexico or Ternium s financial condition and results of operations. In July 2000, Vicente Fox, a member of the National Action Party (*Partido Acción Nacional*, or PAN), the oldest opposition party in

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the country, won the presidential election. He took office on December 1, 2000, ending 71 years of rule by the Institutional Revolutionary Party (*Partido Revolucionario Institucional*, or PRI). Currently, no party has a working majority in either house of the Mexican Congress, which has made governance and the passage of legislation more difficult. National elections are scheduled to occur in 2006. Following these elections, there could be, as in the past, significant changes in laws, public policies and regulations that could adversely affect Mexico s political and economic situation, and, as a result, could possibly adversely affect Ternium s business, results of operations, financial condition, liquidity or prospects.

Mexican government policies will likely significantly affect the economy and as a result, Ternium s Mexican operations.

Future actions of the Mexican government or the effect in Mexico of international events could adversely affect Ternium s results and financial condition. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy could have adverse effects on private sector entities in general and on Ternium in particular. Economic plans of the Mexican government in the past have not always fully achieved their objectives. Beginning in 1994, and continuing through 1995, Mexico experienced an economic crisis characterized by exchange rate instability, a devaluation of the Mexican peso, high inflation, high domestic interest rates, economic contraction, a reduction of international capital flows, reduced consumer purchasing power and high unemployment. In response to the economic crisis, the Mexican government implemented broad economic reform programs, which improved economic conditions until growth declined again in 2001, accompanied by increased inflation rates in 2000, 2001 and 2002. It is not possible to determine what effect existing or future government economic plans or their implementation could have on the Mexican economy or on Ternium s financial condition or results of operations.

Certain regulatory risks and litigation risks

International trade actions or regulations and trade-related legal proceedings could adversely affect Ternium s sales, revenues and overall business.

International trade-related legal actions and restrictions pose a constant risk for Ternium s international operations and sales throughout the world. Additionally, increased global trade liberalization, with many countries forming free trade blocs or otherwise reducing restrictions on imported goods, including flat steel products, and persistent excess global steel capacity have increased competition in many markets in which Ternium sells flat steel products. Such risks and increased competition are likely to continue into the foreseeable future.

Increased trade liberalization has reduced certain of Ternium s imported input costs and increased Ternium s access to many foreign markets. However, greater trade liberalization has also increased competition for Ternium in its domestic markets. Consequently, Ternium s domestic market share could be eroded in the face of foreign imports if tariffs and other barriers are reduced or eliminated in Ternium s domestic markets. Ternium s increased exports to foreign markets where import barriers have been reduced may not completely offset domestic market share losses resulting from increased foreign competition.

Countries can impose restrictive import duties and other restrictions on imports under various national trade laws. The timing and nature of countries imposition of trade-related restrictions potentially affecting Ternium s exports are unpredictable. Ternium s international operations are vulnerable to such trade actions or restrictions that surface in any country to which Ternium exports or potentially could export. Trade restrictions on Ternium s exports could adversely affect Ternium s ability to sell products abroad and, as a result, Ternium s profit margins, financial condition and overall business could suffer.

One significant source of trade restrictions results from countries imposition of so-called antidumping and countervailing duties, as well as safeguard measures. These additional duties can be quite high and, as a result, severely limit or altogether impede an exporter s ability to export to important markets such as the United States and Europe. In several of Ternium s major export destinations, such as the United States or Europe, safeguard duties and other protective measures have been imposed against a broad array of steel imports in certain periods of excess global production capacity. Furthermore, certain domestic producers have filed antidumping and/or countervailing duty actions against particular steel imports. Some of these actions have led to restrictions on Ternium s exports of certain types of steel products to some steel markets. As domestic producers filing of such actions is largely unpredictable, additional antidumping, countervailing duty or other such import restrictions could be imposed in the future, limiting Ternium s export sales to and potential growth in those markets. See Business Regulation Trade regulations.

Potential environmental, product liability and other claims could create significant liabilities for Ternium that could adversely affect its business, financial condition, results of operations and prospects.

Some of the activities for which the Ternium companies supply products, such as canning for consumption, construction and the automotive industry are subject to inherent risks that could result in death, personal injury, property damage or environmental pollution. Furthermore, Ternium s products are also sold to, and used in, certain safety-critical appliances. Correspondingly, defects in Ternium s products or an inconsistency with the specifications of an order or the requirements of an application, could result in death, personal injury, property damage, environmental pollution, damage to equipment or disruption to a customer s production lines. Actual or claimed defects in the products of the Ternium companies could give rise to claims against Ternium or its subsidiaries for losses and expose it to claims for damages, including significant consequential damages. In addition, the Ternium companies are subject to a wide range of local, provincial and national laws, regulations, permits and decrees relating to the protection of human health and the environment, and remediation or other environmental claims could be asserted against Ternium. The insurance maintained by Ternium may not be adequate or available to protect it in the event of a claim or its coverage could be canceled or otherwise terminated. A major claim for damages related to products sold could have a material adverse effect on Ternium s business, financial condition, results of operations or prospects.

Labor regulations in the countries in which Ternium operates could result in higher labor costs and mandatory allowances for employee participation, resulting in lower net income for Ternium.

Certain legal obligations require Ternium s operating subsidiaries to contribute certain amounts to retirement funds and pension plans and restrict their ability to dismiss employees. The Ternium companies are also subject to other obligations, such as those in Venezuela and Mexico, under which such subsidiaries are required to distribute a percentage of their annual income calculated on a fiscal basis to their employees. In addition, certain Venezuelan courts have recently ruled in favor of an increase in benefits payable to retired employees of other Venezuelan companies. Future regulations or court interpretations established in the countries in which Ternium conducts its operations could increase its costs and reduce net income.

Risks related to our ADSs

There has been no public market for our shares or our ADSs, and an active trading market in our shares or our ADSs may not develop or be sustained.

Prior to this offering, there has been no public market for our shares or our ADSs. Although the underwriters have advised us that, following the completion of the offering, they intend to make a market in the ADSs, an active trading market may not develop or be sustained after this offering. While we have applied to list our ADSs on the NYSE, third parties may not find our ADSs to be attractive and other firms may not be interested in making a market in the ADSs. Also, if you purchase ADSs in this offering, you will pay a price that was not established in public trading markets. The initial public offering price of our ADSs will be determined through negotiation between us and the representatives of the underwriters and thus may not be indicative of the market price for our ADSs after this offering. Consequently, you may not be able to resell your ADSs above the initial public offering price and could suffer a loss on your investment. We cannot predict the prices at which our ADSs will trade. For a further discussion of the factors affecting the determination of the initial public offering price of our ADSs, please see Underwriting.

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The market price for our ADSs could be highly volatile and our ADSs could trade at prices below the initial offering price.

The market price for our ADSs after this offering is likely to fluctuate significantly from time to time in response to factors including:

- fluctuations in the Company s periodic operating results;
- changes in financial estimates, recommendations or projections by securities analysts;
- changes in conditions or trends in the steel production industry;
- changes in the economic performance or market valuations of other companies involved in producing steel;
- the trading price of Siderar s shares on the Buenos Aires Stock Exchange;
- announcements by Ternium s competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments;
- events affecting equities markets in the countries in which Ternium operates;
- legal or regulatory measures affecting Ternium s financial condition;
- departures of management and key personnel; or
- potential litigation or adverse resolution of pending litigation against Ternium or its subsidiaries.

Volatility in the price of our ADSs may be caused by factors outside of our control and may be unrelated or disproportionate to Ternium s operating results. In particular, announcements of potentially adverse developments, such as proposed regulatory changes, new government investigations or the commencement or threat of litigation against Ternium, as well as announced changes in Ternium s business plans or those of its competitors, could adversely affect the trading price of our ADSs, regardless of the likely outcome of those developments or proceedings. Broad market and industry factors could adversely affect the market price of our ADSs, regardless of its actual operating performance. As a result, our ADSs may trade at prices significantly below the initial public offering price.

Furthermore, the trading price of our ADSs could suffer as a result of developments in emerging markets. Although the Company is organized as a Luxembourg corporation, all of its assets and operations are located in Latin America. Financial and securities markets for companies with a substantial portion of their assets and operations in Latin America are, to varying degrees, influenced by economic and market conditions in emerging market countries. Although market conditions are different in each country, investor reaction to developments in one country can have significant effects on the securities of issuers with assets or operations in other emerging markets, including Argentina, Venezuela and Mexico. Prices of Latin American securities were adversely affected by, among other things, the economic crises in Russia and in Brazil in the second half of 1998, by the collapse of the exchange rate regime in Turkey in February 2001 and by the Argentine crisis in 2001.

In deciding whether to purchase, hold or sell our ADSs, you may not be able to access as much information about us as you would in the case of a U.S. company.

There may be less publicly available information about us than is regularly published by or about U.S. issuers. Also, Luxembourg regulations governing the securities of Luxembourg companies may not be as extensive as those in effect in the United States, and Luxembourg law and regulations in respect of corporate governance matters might not be as protective of minority shareholders as state corporation laws in the United States. Furthermore, the accounting standards in accordance with which Ternium s combined consolidated financial statements, as well as the consolidated financial statements of its operating subsidiaries, are prepared differ in certain material aspects from the accounting standards used in the United States.

Holders of our ADSs may encounter difficulties in the exercise of dividend and voting rights.

You may encounter difficulties in the exercise of some of your rights with respect to shares if you hold ADSs rather than shares. If we make a distribution in the form of securities, the depositary is allowed, in its

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discretion, to sell on your behalf those securities and instead distribute the net proceeds to you. Also, under some circumstances, such as our failure to provide the depositary with voting materials on a timely basis, you may not be able to vote by giving instructions to the depositary.

Holders of our shares and ADSs in the United States may not be able to exercise preemptive rights in certain cases.

Pursuant to Luxembourg corporate law, existing shareholders of the Company are generally entitled to preemptive subscription rights in the event of capital increases and issues of shares against cash contributions. Under the Company s articles of association, the board of directors has been authorized to waive, limit or suppress such preemptive subscription rights until October 26, 2010. From the date its shares are listed on a regulated market, however, the Company may issue shares without preemptive rights only if the newly-issued shares are issued:

- for, within, in conjunction with or related to, an initial public offering of the shares of the Company on one or more regulated markets (in one or more instances);
- for consideration other than cash;
- upon conversion of convertible bonds or other instruments convertible into shares of the Company; provided, however, that the pre-emptive subscription rights of the then existing shareholders shall apply in connection with any issuance of convertible bonds or other instruments convertible into shares of the Company for cash; and
- subject to a certain maximum percentage, as compensation to directors, officers, agents or employees of the Company, its direct or indirect subsidiaries or its affiliates, including without limitation the direct issuance of shares or the issuance of shares upon exercise of options, rights convertible into shares or similar instruments convertible or exchangeable into shares issued or created to provide compensation or incentives to directors, officers, agents or employees of the Company, its direct or indirect subsidiaries or its affiliates.

For further details, see Description of Share Capital.

Furthermore, holders of our shares and ADSs in the United States may, in any event, not be able to exercise any preemptive rights, if granted, for shares unless those shares are registered under the U.S. Securities Act of 1933, as amended (the Securities Act) with respect to those rights or an exemption from registration is available. We intend to evaluate, at the time of any rights offering, the costs and potential liabilities associated with the exercise by holders of shares and ADSs of the preemptive rights for shares, and any other factors we consider appropriate at the time, and then to make a decision as to whether to register additional shares. We may decide not to register any additional share, requiring a sale by the depositary of the holders rights and a distribution of the proceeds thereof. Should the depositary not be permitted or otherwise be unable to sell preemptive rights, the rights may be allowed to lapse with no consideration to be received by the holders of the ADSs.

It may be difficult to obtain or enforce judgments against the Company in U.S. courts or courts outside of the United States.

The Company is a corporation organized under the laws of Luxembourg, and most of its assets are located outside of the United States. Furthermore, most of the Company s directors and officers and some experts named in this prospectus reside outside the United States. As a result, investors may not be able to effect service of process within the United States upon the Company or its directors or officers or some experts or to enforce against the Company or them in U.S. courts judgments predicated upon the civil liability provisions of U.S. federal securities law. There is doubt as to the enforceability in original actions in Luxembourg courts of civil liabilities predicated solely upon U.S. federal securities law, and the enforceability in Luxembourg courts of judgments entered by U.S. courts predicated upon the civil liability provisions of U.S. federal securities law will be subject to compliance with procedural requirements under Luxembourg law, including the condition that the judgment does not violate Luxembourg public policy. See Enforcement of Civil Liabilities.

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FORWARD-LOOKING STATEMENTS

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company s future prospects and make informed investment decisions. This prospectus contains forward-looking statements with respect to certain of our plans and current goals and expectations relating to Ternium s future financial condition and performance.

We use words such as aim, will likely result, will continue, contemplate, seek to, future, objective, goal, should, will pursue, expect, project, intend, plan, believe and words and terms of similar substance to identify forward-looking statements, but they are not the or way we identify such statements. All forward-looking statements are management s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. In addition to the risks related to Ternium s business discussed under Risk Factors, other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to:

- our ability to successfully implement our business strategy;
- our ability to successfully integrate the operations of Hylsamex into the operations of Ternium;
- uncertainties about the degree of growth in the number of consumers in the markets in which Ternium operates and sells its products;
- the impact of existing and new competitors in the markets in which Ternium competes, including competitors that may effect Ternium s customer mix, profitability and revenue and/or offer less expensive products and services, desirable or innovative products, or have extensive resources or better financing;
- other factors or trends affecting the flat and long steel industry generally and our financial condition in particular;
- general economic and political conditions in the countries in which Ternium operates or other countries which have an impact on Ternium s business activities or investments;
- the monetary and interest rate policies of the countries in which Ternium operates;
- inflation or deflation in the countries in which Ternium operates;
- unanticipated volatility in interest rates;
- foreign exchange rates;
- the performance of the financial markets in the countries in which Ternium operates and globally;

- changes in domestic and foreign laws, regulations and taxes;
- changes in competition and the pricing environments in the countries in which Ternium operates;
- regional or general changes in asset valuations; and
- raw material and energy price increases or difficulties in acquiring raw materials or energy supply cut-offs.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses that may affect Ternium s financial condition and results of operations could differ materially from those that have been estimated.

For further discussion of the factors that could cause actual results to differ, see the discussion under Risk Factors contained in this prospectus. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this prospectus. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

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USE OF PROCEEDS

We estimate that we will receive net proceeds (after deduction of the underwriting discount) from the offering of approximately USD422.8 million (USD486.2 million if the underwriters over-allotment option is exercised in full), at an assumed initial public offering price of USD17.50 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus). We intend to use all of the net proceeds we receive from the offering (after the payment of approximately USD6.25 million in fees and expenses) to pay down the indebtedness acquired pursuant to the Ternium Credit Facility. The Ternium Credit Facility was entered into with lenders (including affiliates of Citigroup Global Markets Inc., J.P. Morgan Securities Inc., BNP Paribas Securities Corp., Caylon Securities (USA) Inc. and Bayerische Hypo- und Vereinsbank AG) for an aggregate principal amount of USD1.0 billion in two equal tranches, Tranche A with a maturity of three years and bearing interest at the annual rate of LIBOR plus an applicable margin that ranges from 75 to 400 basis points, and Tranche B with a maturity of five years and bearing interest at the annual rate of LIBOR plus an applicable margin that ranges from 137.5 to 300 basis points. The Ternium Credit Facility was entered into in order to finance the acquisition of Hylsamex. For further details on the Ternium Credit Facility, see Formation of Ternium and Related Party Transactions Hylsamex acquisition financing and Management s Discussion and Analysis of Financial Condition and Results of Operations Ternium Recent events.

DIVIDEND POLICY

We do not have, and have no current plans to establish, a formal dividend policy governing the amount and payment of dividends or other distributions. The amount and payment of dividends will be determined by a simple majority vote at a general shareholders meeting, typically, but not necessarily, based on the recommendation of our board of directors. All shares of our capital stock rank *pari passu* with respect to the payment of dividends.

We will conduct all of our operations through subsidiaries and, accordingly, our main source of cash to pay dividends will be the dividends received from our subsidiaries. See Risk Factors Risks relating to the structure of the Company As a holding company, our ability to pay dividends and obtain financing depends on the results of operations and financial condition of our subsidiaries and could be restricted by legal, contractual or other limitations. These dividend payments will likely depend on our subsidiaries results of operations, financial condition, cash and capital requirements, future growth prospects and other factors deemed relevant by their respective boards of directors, as well as on any applicable legal restrictions. See Risk Factors Risks relating to the countries in which we operate Argentina and Risk Factors Risks relating to the countries in which we operate Venezuela and Description of Share Capital Dividends for a discussion of the current Argentine and Venezuelan restrictions on the payment of dividends.

We and our subsidiaries are subject to certain contractual restrictions on our ability to declare or pay dividends. For example, Sidor is restricted from paying dividends until 2008 under the terms of credit arrangements entered into in connection with its 2003 restructuring. Furthermore, our ability to pay dividends may be substantially restricted until 2010 by the terms of the various credit agreements we and our subsidiaries have entered into in connection with the acquisition of Hylsamex. In particular, we may not declare or pay any dividends prior to payment in full of the amount due on the one-year anniversary of the first borrowing under the Ternium Credit Facility. Moreover, prior to repayment in full of the Tranche A loans under the Ternium Credit Facility, we may only declare or make dividend payments in the presence of excess cash (calculated after principal and interest debt service of the Tranche A loans and the Tranche B loans) in a proportion not to exceed an amount equal to 25% of such excess cash calculation. Following such repayment in full of the Tranche A loans, we may only declare or make dividend payments in the presence of excess cash (calculated after principal and interest debt service of the Tranche B loans) in a proportion not to exceed an amount equal to 75% of such excess cash calculation. We expect to repay the Tranche A loans in full with a portion of the proceeds from the offering. We do not believe that the contractual restrictions on us and our subsidiaries will be material to our ability to declare or pay dividends.

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Pursuant to our articles of association, the board of directors has the power to distribute interim dividends in accordance with applicable Luxembourg law, but dividend payments must be approved by our shareholders at the annual general meeting, subject to the approval of our annual accounts. Dividends may be lawfully declared and paid if our net profits and distributable reserves are sufficient under Luxembourg law.

Under Luxembourg law, at least 5% of our net profits per year must be allocated to the creation of a legal reserve until such reserve has reached an amount equal to 10% of our issued share capital. If the legal reserve later falls below the 10% threshold, at least 5% of net profits again must be allocated toward the reserve. The legal reserve is not available for distribution.

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EXCHANGE RATES

The following tables show, for the periods indicated, information concerning the exchange rate between (1) the U.S. dollar and the Argentine peso, (2) the U.S. dollar and the Venezuelan bolívar and (3) the U.S. dollar and the Mexican peso. The average rates presented in these tables were calculated by using the average of the exchange rates on the last day of each month during the relevant period. The high and low columns represent the highest and lowest close rates for the period. We do not represent that Argentine pesos, Venezuelan bolívares or Mexican pesos could have been or could be converted into U.S. dollars or that U.S. dollars could have been or could be converted into Argentine pesos, Venezuelan bolívares or Mexican pesos at these rates or at any other rates. For more information regarding the currencies used in this prospectus, see Presentation of Financial and Other Information.

Argentine pesos

The following table shows changes in exchange rates between the Argentine peso and the U.S. dollar. The data is expressed in nominal pesos per dollar and is based on information reported by the Argentine Central Bank. The Federal Reserve Bank of New York does not publish a noon buying rate for the Argentine peso. On January 25, 2006, the exchange rate between the Argentine peso and the U.S. dollar expressed in nominal Argentine pesos per dollar was ARP3.0415 = USD1.00. The high and low columns represent the highest and lowest closing rates for the period.

	ARP per USD1.00	
	High	Low
June 2005	ARP 2.8963	ARP 2.8650
July 2005	2.8865	2.8598
August 2005	2.9117	2.8592
September 2005	2.9195	2.9043
October 2005	3.0125	2.9082
November 2005	2.9952	2.9405
December 2005	3.0523	2.9700
January 2006 (through January 25, 2006)	3.0632	3.0305

The following table is based on exchange rates as reported by the Argentine Central Bank between Argentine pesos and U.S. dollars for each of 2000, 2001, 2002, 2003, 2004, 2005 and 2006 (through January 25, 2006).

	High	Low	Average	Period End
2000	ARP 1.0000	ARP 1.0000	ARP 1.0000	ARP 1.0000
2001	1.0000	1.0000	1.0000	1.0000
2002	3.8675	1.0000	3.2658	3.3630
2003	3.3625	2.7485	2.9522	2.9330
2004	3.0718	2.8037	2.9434	2.9738
2005	3.0523	2.8592	2.9232	3.0315
2006 (through January 25, 2006)	3.0632	3.0305	3.0436	3.0415

Currently, the Argentine peso is freely convertible into other currencies (including the U.S. dollar). Beginning on April 1, 1991, under the Convertibility Law, the Argentine Central Bank was required to buy or sell dollars at a rate of one Argentine peso per U.S. dollar. The Convertibility Law was repealed on January 6, 2002. On January 11, 2002, the exchange rate began to float for the first time since April 1991. Heightened demand for scarce U.S. dollars caused the Argentine peso to trade well above the one-to-one parity under the Convertibility Law. As a result, the Argentine Central Bank intervened on several occasions by selling U.S. dollars in order to lower the exchange rate. The Argentine Central Bank s ability to support the Argentine peso by selling U.S. dollars depends, however, on its limited U.S. dollar reserves, and the value of the Argentine peso has continued to fluctuate significantly. In response to high demand for U.S. dollars in Argentina and the scarcity of U.S. dollars to meet that demand, the Argentine government has imposed several temporary freezes, or holidays, on exchange transactions since the abrogation of the Convertibility Law. However, beginning in the second half of 2002, the adjustments in Argentina s balance of payments and the stabilization in the value of the

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peso allowed the Argentine Central Bank to more effectively manage the level of liquidity and, as income from trade increased and the demand for pesos began to recover, it was able to begin replenishing its international reserves.

Starting in 2004, the Argentine Central Bank has, from time to time, purchased U.S. dollars in the open market in order to maintain the value of the U.S. dollar around ARP2.9 per U.S. dollar. Additionally, and in order to restrict the inflows of U.S. dollars and avoid volatility in the U.S. dollar market, on June 10, 2005 the Argentine government issued Decree No. 616/2005 establishing certain restrictions on capital inflows into Argentina. Transfers of foreign currency into Argentina are only permitted upon compliance with the following requirements:

- a nominative non-transferable deposit denominated in U.S. dollars for an amount equal to 30% of the relevant transaction must be made with the resulting proceeds of the relevant transaction. This deposit shall be held for a period of 365 calendar days, shall not bear interest (nor yield any other type of profit) and may not be used as collateral in any credit transaction;

- inflows must remain in Argentina for a minimum term of 365 calendar days to be computed starting on the day they were converted into Argentine pesos in the local exchange market;

- inflows and outflows of foreign currency into the local exchange market, and indebtedness transactions by local residents that may result in a foreign currency denominated payment to non-residents, must be registered with the Argentine Central Bank; and

- the funds involved in the transactions covered by the Decree shall be credited in a local banking account.

Such requirements do not apply to foreign trade and export finance related transactions (provided that pre-export financings are repaid exclusively with export proceeds), foreign direct investment, loans granted by multilateral organizations, financings of production activity, long-term investments overseas or to the primary placement of publicly traded securities listed in one or more exchange markets.

For additional information regarding factors affecting the value of the Argentine peso, see Risk Factors Risks relating to the countries in which we operate Argentina.

The market exchange rate of the Argentine peso against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market, although the Argentine government, acting through the Argentine Central Bank, has a number of means by which it may act to maintain exchange rate stability. See Risk Factors Risks relating to Ternium s business Ternium s results of operations and financial condition could be adversely affected by movements in exchange rates.

Venezuelan bolívares

The noon buying rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York was VEB2,144.60 = USD1.00 on January 25, 2006. The following table sets forth, for the period indicated, information concerning the number of Venezuelan bolívares for which one U.S. dollar could be exchanged based on the noon buying rate for cable transfers in Venezuelan bolívares as certified for customs purposes by the Federal Reserve Bank of New York. The high and low columns represent the highest and lowest closing rates for the period.

	VEB per USD1.00	
	High	**Low**
June 2005	VEB 2,144.60	VEB 2,144.60
July 2005	2,144.60	2,144.60
August 2005	2,144.60	2,144.60
September 2005	2,144.60	2,144.60
October 2005	2,144.60	2,144.60
November 2005	2,145.00	2,144.60
December 2005	2,144.60	2,144.60
January 2006 (through January 25, 2006)	2,145.00	2,144.60

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The following table is based on noon buying rates between Venezuelan bolívares and U.S. dollars for each of 2000, 2001, 2002, 2003, 2004, 2005 and 2006 (through January 25, 2006).

	High	Low	Average	Period End
2000	VEB 700.50	VEB 649.75	VEB 680.53	VEB 700.50
2001	768.00	698.75	723.85	758.00
2002	1,496.00	759.25	1,161.20	1,390.50
2003	1,923.50	1,393.50	1,620.11	1,600.00
2004	1,920.00	1,600.00	1,887.28	1,915.20
2005	2,145.00	1,915.20	2,107.28	2,144.60
2006 (through January 25, 2006)	2,145.00	2,144.60	2,144.65	2,144.60

Beginning in 2001, Venezuela experienced intense political and social turmoil involving groups that oppose and those that support the Chávez administration. Between December 2001 and February 2003, the opposition staged four nationwide work stoppages to protest against the Chávez administration, the latest of which began on December 2, 2002 and ended on February 3, 2003. Since that date, pro-government and opposition forces have taken steps towards resolving the political crisis through the electoral process.

The general work stoppage that began in December 2002, however, resulted in a significant decrease in the amount of foreign currency generated from the sale of oil. This decrease was coupled with an extraordinary increase in the demand for foreign currency, resulting in a significant decline in the level of Venezuela s international reserves and a substantial depreciation of the Venezuelan bolívar against the U.S. dollar during the first few weeks of 2003. From December 2, 2002 until January 23, 2003, on which date Venezuela suspended foreign exchange trading in an attempt to stem the depreciation of the Venezuelan bolívar, the Venezuelan bolívar/U.S. dollar exchange rate depreciated from VEB1,322.75 = USD1.00 to VEB1,853.00 = USD1.00. The substantial reduction of oil exports resulting from the work stoppage also damaged the country s trade balance. These problems disrupted Venezuela s economy and threatened to affect negatively Venezuela s ability to service its external debt. In response to those developments, Venezuela suspended foreign exchange trading on January 23, 2003. On February 5, 2003, the government adopted a series of exchange agreements, decrees and regulations establishing a new exchange control regime.

A commission, referred to as the Comisión de Administración de Divisas, or CADIVI, was created for the administration, control and establishment of the new exchange control regime. CADIVI is composed of five members appointed by the President of Venezuela. Under the new regime, the Ministry of Finance, together with the Central Bank of Venezuela, sets the exchange rate with respect to the U.S. dollar and other currencies and has discretion to modify, at any time, the existing exchange control regime or the free float of the bolívar. The new regime centralizes the purchase and sale of foreign currencies by permitting such sales to be made only through the Central Bank.

On February 5, 2003, the Ministry of Finance and the Venezuelan Central Bank fixed the U.S. dollar exchange rate at VEB1,596 = USD1.00 for purchase operations and VEB1,600 = USD1.00 for sale operations. The exchange rate for the payment of the public foreign debt was set at VEB1,600 = USD1.00 on February 7, 2003.

In February 2004, the Venezuelan government reset the exchange rate to VEB1,917 to USD1.00, a devaluation of 16.5%. In addition, in March 2005, the Venezuelan bolívar suffered a subsequent devaluation of 12%, leaving the exchange rate at VEB2,147 to USD1.00.

For additional information regarding factors affecting the value of the Venezuelan bolívar, see Risk Factors Risks relating to the countries in which we operate Venezuela.

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Mexican pesos

The data provided in the following table is expressed in nominal Mexican pesos per dollar and is based on noon buying rates published by the Federal Reserve Bank of New York for the Mexican peso. On January 25, 2006, the exchange rate between the Mexican peso and the U.S. dollar expressed in nominal Mexican pesos per dollar was MXN10.50 = USD1.00. The high and low columns represent the highest and lowest closing rates for the period.

	MXN per USD1.00	
	High	Low
June 2005	MXN 10.88	MXN 10.76
July 2005	10.80	10.59
August 2005	10.90	10.58
September 2005	10.89	10.68
October 2005	10.94	10.69
November 2005	10.77	10.57
December 2005	10.77	10.41
January 2006 (through January 25, 2006)	10.64	10.50

The following table is based on noon buying rates between Mexican pesos and U.S. dollars for each of 2000, 2001, 2002, 2003, 2004, 2005 and 2006 (through January 25, 2006).

Year ended December 31,	High	Low	Average	Period end
2000	MXN 10.09	MXN 9.18	MXN 9.46	MXN 9.62
2001	9.97	8.95	9.34	9.16
2002	10.43	9.00	9.66	10.43
2003	11.41	10.11	10.80	11.24
2004	11.64	10.81	11.29	11.15
2005	11.41	10.41	10.89	10.63
2006 (through January 25, 2006)	10.64	10.50	10.56	10.50

Between November 1991 and December 1994, the Mexican Central Bank maintained the exchange rate between the U.S. dollar and the Mexican peso within a prescribed range through intervention in the foreign exchange market. The Mexican Central Bank intervened in the foreign exchange market as the exchange rate reached either the minimum or the maximum of the prescribed range in order to reduce day-to-day fluctuations in the exchange rate. On December 20, 1994, the Mexican government modified the prescribed range within which the Mexican peso was permitted to float by increasing the maximum Mexican peso price of the U.S. dollar by MXN0.53, equivalent to an effective devaluation of 15.3%. On December 22, 1994, the Mexican government suspended intervention by the Mexican Central Bank and allowed the Mexican peso to float freely against the U.S. dollar. Factors that contributed to this decision included the size of Mexico s current account deficit, a decline in the Mexican Central Bank s foreign exchange reserves, rising interest rates for other currencies (especially the U.S. dollar) and reduced confidence in the Mexican economy on the part of investors due to political uncertainty associated with events in the state of Chiapas and presidential and congressional elections in that year. The value of the Mexican peso against the U.S. dollar rapidly declined by 42.9% from December 19, 1994 to December 31, 1994. The Mexican government has since allowed the Mexican peso to float freely against the U.S. dollar.

Historically, the Mexican economy has suffered balance of payment deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert Mexican pesos to U.S. dollars and the terms of NAFTA, to which Mexico is a signatory, generally prohibit exchange controls, the Mexican government could institute a restrictive exchange control policy in the future.

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CAPITALIZATION

The following table sets forth our combined consolidated capitalization as of June 30, 2005. Our capitalization is presented:

On a historical combined consolidated basis,

On an adjusted basis giving effect to the events described below, and

On an adjusted basis giving effect to the offering and the application of the proceeds therefrom as described in Use of Proceeds.

You should read this table in conjunction with the financial statements of Ternium and accompanying notes included elsewhere in this prospectus and with the information provided in Management s Discussion and Analysis of Financial Condition and Results of Operations.

	As of June 30, 2005 (in thousands of U.S. dollars)		
	Historical combined consolidated(1)	As adjusted(2)	As adjusted for the offering(3)
Borrowings			
Banking and financial current	$ 204,216	$ 278,999	$ 278,999
Banking and financial non-current	239,123	2,756,180	1,662,158
Total borrowings	$ 443,339	$ 3,035,179	$ 1,941,157
Minority interest	$ 2,114,883	$ 1,688,512	$ 1,688,512
Capital and reserves			
Capital Stock	1,168,944(4)	1,430,353(5)	2,055,508
Other	274,529	291,073	739,940
Total capital and reserves	$ 1,443,473	$ 1,721,426	$ 2,795,448
Total Capitalization	$ 4,001,695	$ 6,445,117	$ 6,425,117

(1) This column shows selected historical data derived from the audited combined consolidated condensed interim balance sheet of Ternium at June 30, 2005.

(2) This column gives effect to the Credit Facilities and the Subordinated Convertible Loans entered into in connection with the Hylsamex acquisition, the consolidation of Hylsamex s balance sheet, the acquisition of Usiminas s interests in Siderar, Amazonia and Ylopa in exchange for 227,608,254 shares of the Company and the contribution of ISL s interest in Amazonia in exchange for 33,800,735 shares of the Company in accordance with the terms of the Corporate Reorganization Agreement.

(3) This column gives effect to the sale of an aggregate amount of 28,571,428 of the Company s ADSs, the conversion of the Subordinated Convertible Loans into shares of the Company, the consummation of the remaining transactions contemplated in the Corporate Reorganization Agreement and the application of the proceeds therefrom as described in Use of Proceeds. For purposes of this adjustment,

we estimate that we will pay down USD500 million of our outstanding indebtedness under the Ternium Credit Facility, and assume that the gross proceeds from this offering will be USD500 million if the underwriters exercise their over-allotment option in full, at an assumed initial public offering price of USD17.50 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus).

(4) 1,168,943,632 shares issued and outstanding, USD1.00 par value, as of September 16, 2005.

(5) 1,396,551,886 shares issued and outstanding, USD1.00 par value, as of December 31, 2005, plus 33,800,735 shares to be issued in connection with the contribution of Amazonia s shares owned by ISL in accordance with the terms of the Corporate Reorganization Agreement.

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DILUTION

The following table sets forth our net book value per share and ADS as of June 30, 2005. Net book value per share and ADS is presented:

- on a historical combined consolidated basis, and
- on a pro forma basis giving effect to the Pro Forma Transactions.

Net book value per share is determined by subtracting total liabilities from the total book value of assets and dividing the difference by the number of issued shares on the date as of which the book value is determined. Net book value per ADS is calculated by multiplying the net book value per share by 10, which is the number of shares represented by each ADS.

	As of June 30, 2005						
		Pro forma adjustments					
	Historical combined consolidated	Acquisition of Hylsamex related debt	Hylsamex consolidation	Usiminas and Sivensa acquisitions	Pro forma as adjusted	Offering and conversion[1]	Pro forma as further adjusted
Net book value attributable to equity holders (thousands)	$ 1,443,473		$ (87,727)	$ 365,680	$ 1,721,426	$ 1,074,022	$ 2,795,448
Number of shares (thousands)	1,168,944	$ 1,168,944	1,168,944	1,430,353	1,430,353	625,155	2,055,508
Diluted equity per share	$ 1.23	$ 1.23	$ 1.16	$ 1.20	$ 1.20	$ 1.72	$ 1.36
Diluted equity per ADS	$ 12.3	$ 12.3	$ 11.6	$ 12.0	$ 12.0	$ 17.2	$ 13.6

(1) For purposes of this adjustment, we have assumed (a) the receipt of gross proceeds of USD500 million from the sale of 28,571,428 of our ADSs (assuming the underwriters exercise their over-allotment option in full) at an assumed initial public offering price of USD17.50 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus) and (b) the issuance of 339,440,927 shares upon the conversion of the Subordinated Convertible Loans at an assumed conversion price of USD 1.75 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus).

Assuming the Pro Forma Transactions had occurred on June 30, 2005, the following table sets forth the numbers and percentage of total outstanding shares owned after giving effect to the Pro Forma Transactions, the total consideration and percentage of total consideration paid and average price per share immediately after the Pro Forma Transactions.

We have also assumed (a) the receipt of gross proceeds of USD500 million from the sale of 28,571,428 of our ADSs (assuming the underwriters exercise their over-allotment option in full) at an assumed initial public offering price of USD17.50 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus) and (b) the issuance of 339,440,927 shares upon the conversion of the Subordinated Convertible Loans at an assumed conversion price of USD 1.75 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus).

	Outstanding shares (including in the form of ADSs) issued		Total consideration		Average price per share equivalent	Average price per ADS equivalent
	Number	Percent	Amount (USD)	Percent	(USD)	(USD)
ISL	959,482,775	46.68%				
San Faustin[(1)]	251,536,924	12.24%	440,189,615	40.24%	1.75	17.50
Tenaris	232,163,013	11.29%	39,728,775	3.63%	1.75	17.50
Usiminas	292,810,101	14.25%	114,103,232	10.43%	1.75	17.50
Sidetur	33,800,735	1.64%				
Public	285,714,280	13.90%	499,999,990	45.70%	1.75	17.50
Total	2,055,507,828	100.00%	1,094,021,612	100.0%	1.75	17.50

(1) San Faustin will hold 251,536,923 shares through III CI or Techintrade Corp. and 1 share directly.

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SELECTED FINANCIAL AND OPERATING DATA

Unaudited pro forma combined consolidated financial information of Ternium

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

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

- the capitalization in February 2005 of certain debt instruments convertible into shares of Amazonia described elsewhere in this prospectus;
- the acquisition in August 2005 of Hylsamex and the interests of Hylsamex s former controlling shareholder, Alfa, in Amazonia and Ylopa described elsewhere herein;
- the acquisition of Usiminas s interests in Siderar, Amazonia and Ylopa and the completion of the Sivensa Exchange; and
- this offering and the consummation of the transactions contemplated in the Corporate Reorganization Agreement, the related payment of indebtedness and the conversion of the Subordinated Convertible Loans described elsewhere in this prospectus. For this purpose, we estimate that the gross proceeds from this offering will be USD500 million if the underwriters exercise their over-allotment option in full, at an assumed initial public offering price of USD17.50 (the midpoint of the range of the initial public offering price set forth on the cover page of this prospectus).

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

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

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Ternium

	For the six-month period ended June 30, 2005							
		Pro forma adjustments						
Thousands of U.S. dollars (except for per share data)	**I Historical combined consolidated**	**II Amazonia**	**III Acquisition of Hylsamex related debt**	**IV Hylsamex consolidation**	**V Usiminas and Sivensa acquisitions**	**VI Pro forma as adjusted**	**VII Offering and conversion**	**VIII Pro forma as further adjusted**
Summary unaudited pro forma combined consolidated income statement data								
IFRS								
Net sales	$ 1,827,845	$ 260,933		$ 1,178,532		$ 3,267,310		$ 3,267,310
Cost of sales	(905,920)	(111,818)		(850,512)[7]		(1,868,250)		(1,868,250)[12]
Gross profit	$ 921,925	$ 149,115		$ 328,020		$ 1,399,060		$ 1,399,060
Selling, general and administrative expenses	(185,227)	(37,098)		(78,711)		(301,036)		(301,036)
Other operating income (expenses), net	(7,797)	327		1,482		(5,988)		(5,988)
Operating income	$ 728,901	$ 112,344		$ 250,791		$ 1,092,036		$ 1,092,036
Financial expenses, net	(102,723)	(59,044)	$ (3,310)	(14,099)		(179,176)		(179,176)
Interest related to credit facilities			(47,846)[4]			(47,846)	$ 17,626[10]	(30,220)
Subordinated convertible loans interest			(11,299)[5]			(11,299)	11,299[11]	
Excess of fair value of net assets acquired over cost	188,356	(188,356)[1]						
Equity in earnings (losses) of associated companies	19,123	(23,237)				(4,114)		(4,114)
Income (loss) before income tax (expense) benefit	$ 833,657	$ (158,293)	$ (62,455)	$ 236,692		$ 849,601	$ 28,925	$ 878,526
Income tax (expense) benefit	(105,717)	10,297	5,978[6]	(75,339)		(164,781)		(164,781)
Net income (loss) for the period	$ 727,940	$ (147,996)	$ (56,477)	$ 161,353		$ 684,820	$ 28,925	$ 713,745
Attributable to:								
Equity holders of the Company	$ 477,609	$ (210,316)	$ (51,010)	$ 185,230	$ 70,334	$ 471,847	$ 28,925	$ 500,772
Minority interest	250,331	62,320	(5,467)	(23,877)	(70,334)	212,973		212,973
	$ 727,940	$ (147,996)	$ (56,477)	$ 161,353		$ 684,820	$ 28,925	$ 713,745
Number of shares (thousands)	1,168,944				261,409	1,430,353	625,155	2,055,508
Combined earnings per share	$ 0.41					$ 0.33	$ 0.05	$ 0.24

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Thousands of U.S. dollars (except for per share data)	I Historical combined consolidated	II Amazonia	III Acquisition of Hylsamex related debt	IV Hylsamex consolidation	V Usiminas and Sivensa acquisitions	VI Pro forma as adjusted	VII Offering and conversion	VIII Pro forma as further adjusted
	For the six-month period ended June 30, 2005							
		Pro forma adjustments						
U.S. GAAP								
Net income attributable to equity holders of the Company under IFRS	$ 477,609	$ (210,316)	$ (51,010)	$ 185,230	$ 70,334	$ 471,847	$ 28,925	$ 500,772
Capitalization of interest cost PP&E	(22)(a)					(22)		(22)
Change in fair value of financial assets through profit and loss	50,819(b)					50,819		50,819
Troubled debt restructuring	5,212(c)					5,212		5,212
Capitalization of interest cost intangible assets	(155)(a)					(155)		(155)
Inventory valuation	(2,265)(d)					(2,265)		(2,265)
Accounting for pension plans	(846)(e)					(846)		(846)
Valuation of fixed assets PP&E	64,149(f)					64,149		64,149
Excess of fair value of net assets acquired over cost	(188,356)(g)	188,356(2)						
Excess of fair value of net assets acquired over cost depreciation expense	10,105					10,105		10,105
Intangible assets and other assets	(415)(h)					(415)		(415)
Deferred income tax	(25,028)(i)					(25,028)		(25,028)
Minority interest	(84,956)(j)	32,411(3)		3,555(8)	7,264(9)	(41,726)		(41,726)
Net income (loss) under U.S. GAAP	$ 305,851	$ 10,451	$ (51,010)	$ 188,785	$ 77,598	$ 531,675	$ 28,925	$ 560,600
Combined earnings per share	$ 0.26					$ 0.37	$ 0.05	$ 0.27

Notes:

Column I

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

The following is a summary of significant differences between International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles in the United States (U.S. GAAP):

(a) Capitalization of interest cost

Under IFRS, the Company follows the guidance set forth by International Accounting Standard No. 23 Borrowing Costs (IAS No. 23), which states that interest cost should be recognized as an expense in the period in which it is incurred. IAS No. 23 provides for an allowed alternative treatment under which interest cost that is directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. In case the allowed alternative treatment is applied, the amount of interest cost eligible for capitalization should be determined in accordance with IAS No. 23. However, for IFRS purposes, the Company elected to follow the general guidance contained in IAS No. 23 and interest cost has been expensed as incurred.

Under U.S. GAAP, the Company applies the provisions of Statement of Financial Accounting Standards No. 34, Capitalization of Interest Cost (SFAS No. 34), which requires interest capitalization on assets which require a period of time to be prepared for their intended use. In accordance with these requirements interest was capitalized during the years ended December 31, 2004 and 2003. The net U.S. GAAP adjustment also includes amortization of the interest capitalized.

(b) Changes in fair value of financial assets through profit and loss

The Company has certain investments in trust funds. Under IFRS, the Company is carrying these investments at fair value through profit or loss with unrealized gains and losses, if any, included in the statement of income.

Under U.S. GAAP, the Company is carrying these investments at market value with material unrealized gains and losses, if any, included in other comprehensive income in accordance with Statement of Financial Accounting Standards No. 115 Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115). SFAS No. 115 also states that for such investments an enterprise shall determine whether a decline in fair value below the amortized cost basis is other than temporary. In such event, accumulated unrealized losses included in other comprehensive income shall be reclassified into the statement of income.

(c) Troubled debt restructuring

In June 2003, Amazonia and Sidor concluded the restructuring of their financial indebtedness. Under IFRS, each company accounted for their debt restructuring process in accordance with the guidelines set forth by IAS No. 39 which states that a substantial modification of the terms of an existing debt instrument (whether or not due to the financial difficulty of the debtor) should be accounted for as an extinguishment of the old debt. For purposes of IAS No. 39, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original debt instrument. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred are an adjustment to the carrying amount of the liability and are amortized over the remaining term of the modified loan. As the terms of Sidor s new debt were deemed to be substantially different (as this term is defined by IAS No. 39), Sidor recorded a USD59.5 million gain on restructuring in fiscal 2003.

Under U.S. GAAP, Sidor followed the provisions contained in Statement of Financial Accounting Standards No. 15 Accounting by Debtors and Creditors for Troubled Debt Restructurings (SFAS 15) which states that in the case of a troubled debt restructuring (as this term is defined by SFAS 15) involving a cash payment and a modification of terms, a debtor shall reduce the carrying amount of the payable by the total fair value of the assets transferred and no gain on restructuring of payables shall be recognized unless the remaining carrying amount of the payable exceeds the total future cash payments (including amounts contingently payable) specified by the terms of the debt remaining unsettled after the restructuring. Future interest expense, if any, shall be determined by applying the interest rate that equates the present value of the future cash payments specified by the new terms (excluding amounts contingently payable) with the carrying amount of the payable. Based on the above, no gain on restructuring has been recorded by Sidor under U.S. GAAP.

(d) Inventory valuation

Under both IFRS and U.S. GAAP, the Company values inventory at the lower of cost or net realizable value. Nevertheless, under IFRS, Venezuela was considered a hyperinflationary country through December 31, 2002, while, under U.S. GAAP, Venezuela ceased being hyperinflationary as of January 1, 2002. Accordingly, for IFRS purposes, the historical cost of inventories has been adjusted to reflect the effects of inflation up to December 31, 2002, whereas under U.S. GAAP, no inflation adjustment has been recorded.

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In addition, the outstanding balance of inventories at year-end contains a portion of the depreciation of property, plant and equipment for the year. The value of property, plant and equipment for IFRS purposes has been determined based on a technical revaluation while historical cost has been used under U.S. GAAP. Accordingly, the carrying amount and the annual depreciation charge under IFRS are higher than those determined under U.S. GAAP. Therefore, this U.S. GAAP adjustment reflects the reversal of the excess depreciation of property, plant and equipment capitalized within inventory under IFRS.

(e) Accounting for pension plans

Under IFRS, the Company accounts for benefits granted to its employees in accordance with the provisions contained in International Accounting Standard No. 19 Employee Benefits (IAS No. 19), which requires an enterprise to recognize (i) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (ii) an expense when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Under U.S. GAAP, the Company follows the guidance set forth by Statement of Financial Accounting Standard No. 87 Employers Accounting for Pensions (SFAS No. 87), which contains provisions substantially consistent with those provided by IAS No. 19. Nevertheless, differences arise as a consequence of the following:

1. Under IFRS Venezuela was considered a hyperinflationary country through December 31, 2002 while under U.S. GAAP Venezuela ceased being hyperinflationary as of January 1, 2002. The effect of such a divergence gave rise to differences in the accounting for employee benefits.

2. Under IFRS, past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period. Under U.S. GAAP, past service costs are recognized over the remaining service lives of active employees.

(f) Valuation of fixed assets property, plant and equipment

Under IFRS, the Company applied the provisions contained in IFRS 1, for the revaluation of property, plant and equipment. Accordingly, a technical revaluation was adopted by the Company as the deemed cost for its property, plant and equipment.

Under U.S. GAAP, no accommodations are given to first-time adopters with respect to estimates of the original value of property, plant and equipment. Accordingly, no revaluations have been made for US GAAP purposes and historical cost has been used by the Company as its basis of accounting for this caption.

(g) Excess of fair value of net assets acquired over cost

On February 3, 2005, Ylopa exercised its option to convert the outstanding balance of the Amazonia convertible debt instrument into newly issued shares of Amazonia. On February 15, 2005, new shares of Amazonia were issued in exchange for the convertible instrument. As a result, Ternium s indirect participation in Amazonia increased from 31.03% to 53.47%. Under IFRS, this acquisition has been accounted for following the provisions contained in IFRS 3 Business Combinations (IFRS 3) and, accordingly, assets acquired and liabilities assumed have been valued at fair value. The excess of Ternium s interest in the net fair value of Amazonia s identifiable assets, liabilities and contingent liabilities over the purchase price (amounting to USD188.4 million) has b