Ternium S.A.
Form 6-K
February 21, 2014

FORM 6 - K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of

the Securities Exchange Act of 1934

As of 2/21/2014

Ternium S.A.

(Translation of Registrant's name into English)

Ternium S.A.
29, Avenue de la Porte-Neuve

L-2227 Luxembourg

(352) 2668-3152

(Address of principal executive offices)

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

Form 20-F _ √___ Form 40-F_

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

Yes _____ No _ √_

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

Not applicable

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

This report contains Ternium S.A.'s consolidated financial statements as of December 31, 2013.

SIGNATURE

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

TERNIUM S.A.

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

Dated: February 21, 2014

TERNIUM S.A.

Consolidated Financial Statements

as of December 31, 2013 and 2012 and

for the years ended on December 31, 2013, 2012 and 2011

29 Avenue de la Porte-Neuve, 3rd floor

L – 2227

R.C.S. Luxembourg: B 98 668

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TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2013 and 2012

and for the years ended December 31, 2013, 2012 and 2011

(All amounts in USD thousands)

Consolidated Income Statements

		Year ended December 31,		
	Notes	**2013**	**2012**	**2011**
Net sales	**5**	8,530,012	8,608,054	9,122,832
Cost of sales	**6**	(6,600,292)	(6,866,379)	(7,016,322)
Gross profit		**1,929,720**	**1,741,675**	**2,106,510**
Selling, general and administrative expenses	**7**	(843,311)	(809,181)	(839,362)
Other operating income (expenses), net	**9**	23,014	(11,881)	(11,495)
Operating income		**1,109,423**	**920,613**	**1,255,653**
Interest expense		(120,254)	(144,439)	(100,712)
Interest income		13,947	19,226	39,981
Other financial (expenses) income, net	**10**	(29,168)	3,581	(239,691)
Equity in (losses) earnings of non-consolidated companies	**3 & 14**	(31,609)	(346,833)	10,137
Income before income tax expense		**942,339**	**452,148**	**965,368**
Income tax expense	**11**	(349,426)	(261,227)	(312,555)
Profit for the year		**592,913**	**190,921**	**652,813**
Attributable to:				
Equity holders of the Company		455,425	142,043	517,668
Non-controlling interest		137,488	48,878	135,145
Profit for the year		**592,913**	**190,921**	**652,813**
Weighted average number of shares outstanding		1,963,076,776	1,963,076,776	1,968,327,917
Basic and diluted earnings per share for profit attributable to the equity holders of the company (expressed in USD per share)		0.23	0.07	0.26

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

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2013 and 2012

and for the years ended December 31, 2013, 2012 and 2011

(All amounts in USD thousands)

Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2013	2012 (adjusted)	2011 (adjusted)
Profit for the year	**592,913**	**190,921**	**652,813**
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment	(301,943)	(149,550)	(414,225)
Currency translation adjustment from participation in non-consolidated companies	(201,362)	(275,897)	(11,403)
Changes in the fair value of derivatives classified as cash flow hedges	1,805	17,556	14,134
Income tax relating to cash flow hedges	(541)	(2,808)	(6,701)
Changes in the fair value of derivatives classified as cash flow hedges from participation in non-consolidated companies	6,869	1,437	-
Others from participation in non-consolidated companies	6,113	(1,961)	-
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post employment benefit obligations	(5,490)	(11,852)	(8,230)
Other comprehensive loss for the year, net of tax	**(494,549)**	**(423,075)**	**(426,425)**
Total comprehensive income for the year	**98,364**	**(232,154)**	**226,388**
Attributable to:			
Equity holders of the Company	98,856	(195,082)	175,480
Non-controlling interest	(492)	(37,073)	50,908
Total comprehensive income for the year	**98,364**	**(232,154)**	**226,388**

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

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2013 and 2012

and for the years ended December 31, 2013, 2012 and 2011

(All amounts in USD thousands)

Consolidated Statements of Financial Position

	Notes	Balances as of December 31, 2013	December 31, 2012
ASSETS			
Non-current assets			
Property, plant and equipment, net	**12**		
Intangible assets, net	**13**		
Investments in non-consolidated companies	**14**		
Other investments	**15**		
Derivative financial instruments	**23**		
Deferred tax assets	**21**		
Receivables, net	**16**		
Trade receivables, net	**17**		
Current assets			
Receivables	**16**		
Derivative financial instruments	**23**		
Inventories, net	**18**		
Trade receivables, net	**17**		
Other investments	**19**		
Cash and cash equivalents	**19**		
Non-current assets classified as held for sale			
Total Assets			
EQUITY			
Capital and reserves attributable to the company's equity holders			
Non-controlling interest			
Total Equity			
LIABILITIES			
Non-current liabilities			
Provisions	**20**		

Deferred tax liabilities	**21**
Other liabilities	**22**
Trade payables	
Derivative financial instruments	**23**
Borrowings	**24**
Current liabilities	
Current income tax liabilities	
Other liabilities	**22**
Trade payables	
Borrowings	**24**
Total Liabilities	
Total Equity and Liabilities	

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

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2013 and 2012

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(All amounts in USD thousands)

Consolidated Statements of Changes in Equity

	Attributable to the Company's equity holders (1)									
	Capital stock (2)	Treasury shares	Initial public offering expenses	Reserves (3)	Capital stock issue discount (4)	Currency translation adjustment	Retained earnings	Total	Non-controlling interest	To Eq
Balance at January 1, 2013 (adjusted)	**2,004,743**	**(150,000)**	**(23,295)**	**1,493,201**	**(2,324,866)**	**(1,199,814)**	**5,569,214**	**5,369,183**	**1,065,730**	**6,43**
Profit for the year							455,425	455,425	137,488	59
Other comprehensive income (loss) for the year										
Currency translation adjustment						(363,748)		(363,748)	(139,557)	(503
Actuarial loss on post employment benefit obligations				(5,126)				(5,126)	(364)	(5
Cash flow hedges, net of tax				6,813				6,813	1,317	8
Others				5,492				5,492	624	6
Total comprehensive income for the year	**-**	**-**	**-**	**7,179**	**-**	**(363,748)**	**455,425**	**98,856**	**(492)**	**98**
Acquisition of non-controlling interest (5)				(404)			-	(404)	(525)	
Dividends paid in cash (6)							(127,600)	(127,600)	-	(127
Dividends paid in cash by								-	(66,704)	(66

subsidiary companies										
Balance at December 31, 2013	**2,004,743**	**(150,000)**	**(23,295)**	**1,499,976**	**(2,324,866)**	**(1,563,562)**	**5,897,039**	**5,340,035**	**998,009**	**6,33**

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

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of December 31, 2013, there were 2,004,743,442 shares issued. All issued shares are fully paid.

(3) Include legal reserve under Luxembourg law for USD 200.5 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD 1.1 million and reserves related to the acquisition of non-controlling interest in subsidiaries according to IAS 27 for USD (58.9) million.

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

(5) Corresponds to the acquisition of the non-controlling interest held by Siderúrgica de Caldas S.A.S., a subsidiary of Ternium S.A., in Procesadora de Materiales Industriales S.A. in April 2013.

(6) Represents USD 0.065 per share (USD 0.65 per ADS).

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

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and for the years ended December 31, 2013, 2012 and 2011

(All amounts in USD thousands)

Consolidated Statements of Changes in Equity

	Attributable to the Company's equity holders (1)									
	Capital stock (2)	Treasury shares	Initial public offering expenses	Reserves (3)	Capital stock issue discount (4)	Currency translation adjustment	Retained earnings	Total	Non-controlling interest	To Eq
Balance at January 1, 2012 (adjusted)	**2,004,743**	**(150,000)**	**(23,295)**	**1,489,794**	**(2,324,866)**	**(859,283)**	**5,574,402**	**5,711,495**	**1,077,055**	**6,78**
Profit for the year							142,043	142,043	48,878	19
Other comprehensive income (loss) for the year										
Currency translation adjustment						(340,531)		(340,531)	(84,916)	(425
Actuarial loss on post employment benefit obligations				(9,632)				(9,632)	(2,220)	(11
Cash flow hedges, net of tax				14,800				14,800	1,385	1
Others				(1,761)				(1,761)	(200)	(1
Total comprehensive income for the year	**-**	**-**	**-**	**3,407**	**-**	**(340,531)**	**142,043**	**(195,081)**	**(37,073)**	**(232**
Dividends paid in cash (5)							(147,231)	(147,231)	-	(147
Dividends paid in cash by subsidiary companies								-	(15,902)	(15
								-	41,650	4

Contributions from non-controlling shareholders in consolidated subsidiaries (6)										
Balance at December 31, 2012 (adjusted)	**2,004,743**	**(150,000)**	**(23,295)**	**1,493,201**	**(2,324,866)**	**(1,199,814)**	**5,569,214**	**5,369,183**	**1,065,730**	**6,43**

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

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of December 31, 2012, there were 2,004,743,442 shares issued. All issued shares are fully paid.

(3) Include legal reserve under Luxembourg law for USD 200.5 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD 1.2 million and reserves related to the acquisition of non-controlling interest in subsidiaries according to IAS 27 for USD (58.5) million.

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

(5) Represents USD 0.075 per share (USD 0.75 per ADS).

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

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

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Consolidated Statements of Changes in Equity

	Attributable to the Company's equity holders (1)									
	Capital stock (2)	Treasury shares (3)	Initial public offering expenses	Reserves (4)	Capital stock issue discount (5)	Currency translation adjustment	Retained earnings	Total	Non-controlling interest	To Eq
Balance at January 1, 2011	**2,004,743**	**-**	**(23,295)**	**1,635,126**	**(2,324,866)**	**(517,432)**	**5,106,464**	**5,880,740**	**1,135,361**	**7,01**
Adjustments (6)				(45,666)		-	(1,828)	(47,494)	(7,835)	(55
Balance at January 1, 2011 (adjusted)	**2,004,743**	**-**	**(23,295)**	**1,589,460**	**(2,324,866)**	**(517,432)**	**5,104,636**	**5,833,246**	**1,127,526**	**6,96**
Profit for the year							517,668	517,668	135,145	65
Other comprehensive income (loss) for the year										
Currency translation adjustment						(341,851)		(341,851)	(83,777)	(425
Actuarial loss on post employment benefit obligations				(6,580)				(6,580)	(1,650)	(8
Cash flow hedges, net of tax				6,243				6,243	1,190	7
Total comprehensive income for the year	**-**	**-**	**-**	**(337)**	**-**	**(341,851)**	**517,668**	**175,480**	**50,908**	**22**
Dividends paid in cash (7)				(99,329)			(47,902)	(147,231)		(147

Dividends paid in cash by subsidiary companies								-	(140,579)	(140
Repurchase of own shares to Usiminas (3)		(150,000)						(150,000)		(150
Contributions from non-controlling shareholders in consolidated subsidiaries (8)								-	39,200	39
Balance at December 31, 2011 (adjusted)	**2,004,743**	**(150,000)**	**(23,295)**	**1,489,794**	**(2,324,866)**	**(859,283)**	**5,574,402**	**5,711,495**	**1,077,055**	**6,78**

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

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of December 31, 2011, there were 2,004,743,442 shares issued. All issued shares are fully paid.

(3) See note 29.

(4) Include legal reserve under Luxembourg law for USD 200.5 million, distributable reserves under Luxembourg law for USD 101.4 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD (14.9) million and reserves related to the acquisition of non-controlling interest in subsidiaries according to IAS 27 for USD (58.5) million.

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

(6) See note 4 (n).

(7)Represents USD 0.075 USD per share (USD 0.75 per ADS).

(8) Corresponds to the contribution made by Nippon Steel Corporation in Tenigal, S.R.L. de C.V.

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

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(All amounts in USD thousands)

Consolidated Statements of Cash Flows

		Year ended December 31,		
	Notes	**2013**	**2012**	**2011**
Cash flows from operating activities				
Profit for the year		**592,913**	**190,921**	**652,813**
Adjustments for:				
Depreciation and amortization	**12 & 13**	377,133	370,855	395,988
Income tax accruals less payments	**30 (b)**	(24,177)	41,030	(259,364)
Equity in losses (earnings) of non-consolidated companies	**3 & 14**	31,609	346,833	(10,137)
Interest accruals less payments	**30 (b)**	(16,869)	816	43,047
Changes in provisions	**20**	7,330	5,754	29,932
Changes in working capital	**30 (b)**	114,611	23,533	(399,292)
Net foreign exchange results and others		9,624	75,350	169,383
Net cash provided by operating activities		**1,092,174**	**1,055,092**	**622,370**
Cash flows from investing activities				
Capital expenditures	**12 & 13**	(883,317)	(1,022,592)	(577,001)
Acquisition of business/stake - Purchase consideration	**3**	-	(2,243,610)	-
(Increase) Decrease in other investments	**15 & 19**	(1,802)	127,875	588,212
Proceeds from the sale of property, plant and equipment		2,133	2,143	1,696
Proceeds from Sidor financial asset		-	136,719	133,084
Dividends received from non-consolidated companies	**14**	207	4,718	-
Acquisition of non-controlling interest		(929)	-	-
Net cash (used in) provided by investing activities		**(883,708)**	**(2,994,747)**	**145,991**
Cash flows from financing activities				
Dividends paid in cash to company's shareholders		(127,600)	(147,231)	(147,231)
Dividends paid in cash by subsidiary companies		(66,704)	(15,902)	(140,579)
Contributions from non-controlling shareholders in consolidated subsidiaries		-	41,650	39,200
Repurchase of treasury shares	**29**	-	-	(150,000)
Proceeds from borrowings		1,863,868	1,284,659	666,180
Repayments of borrowings		(2,134,711)	(814,976)	(632,140)

Net cash (used in) provided by financing activities		**(465,147)**	**348,200**	**(364,570)**
(Decrease) Increase in cash and cash equivalents		**(256,681)**	**(1,591,454)**	**403,791**
Movement in cash and cash equivalents				
At January 1,		560,307	2,158,044	1,779,295
Effect of exchange rate changes		(8,635)	(6,283)	(25,043)
Initial cash of Peña Colorada and Exiros	**14**	12,227	-	-
(Decrease) Increase in cash and cash equivalents		(256,681)	(1,591,454)	403,791
Cash and cash equivalents at December 31, (1)		**307,218**	**560,307**	**2,158,043**

(1) It includes restricted cash of USD 869, USD 941 and USD 248 as of December 31, 2013, 2012 and 2011, respectively. In addition , the Company had other investments with a maturity of more than three months for USD 169,503, USD 160,750 and USD 281,676 as of December 31, 2013, 2012 and 2011, respectively.

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

TERNIUM S.A.
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Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Ternium S.A. (the "Company" or "Ternium"), was incorporated on December 22, 2003 to hold investments in flat and long steel manufacturing and distributing companies. The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of December 31, 2013, there were 2,004,743,442 shares issued. All issued shares are fully paid.

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

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

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

As part of the Company's corporate reorganization in connection with the termination of Luxembourg's 1929 holding company regime, on December 6, 2010, the Company contributed its equity holdings in all its subsidiaries and all its financial assets to its Luxembourg wholly-owned subsidiary Ternium Investments S.à.r.l., or Ternium Investments, in exchange for newly issued corporate units of Ternium Investments. As the assets contributed were recorded at their historical carrying amount in accordance with Luxembourg GAAP, the Company's December 2010 contribution of such assets to Ternium Investments resulted in a non-taxable revaluation of the accounting value of the Company's assets under Luxembourg GAAP. The amount of the December 2010 revaluation was equal to the difference between the historical carrying amounts of the assets contributed and the value at which such assets were contributed and amounted to USD 4.0 billion. However, for the purpose of these consolidated financial statements, the assets contributed by Ternium to its wholly-owned subsidiary Ternium Investments were recorded based on their historical carrying amounts in accordance with IFRS, with no impact on the financial statements.

1. GENERAL INFORMATION (continued)

Following the completion of the corporate reorganization, and upon its conversion into an ordinary Luxembourg holding company, the Company voluntarily recorded a special reserve exclusively for tax-basis purposes. As of December 31, 2013 and 2012, this special tax reserve amounted to USD 7.5 billion and USD 7.6 billion, respectively. The Company expects that, as a result of its corporate reorganization, its current overall tax burden will not increase, as all or substantially all of its dividend income will come from high income tax jurisdictions. In addition, the Company expects that dividend distributions for the foreseeable future will be imputed to the special reserve and therefore should be exempt from Luxembourg withholding tax under current Luxembourg law.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) issued and effective or issued and early adopted as at the time of preparing these statements (February 2014), as issued by the International Accounting Standards Board, and adopted by the European Union ("EU"). These consolidated financial statements are presented in thousands of United States dollars ("USD"), except otherwise indicated.

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on February 19, 2014.

Detailed below are the companies whose financial statements have been consolidated and accounted for interest in these consolidated financial statements.

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and for the years ended December 31, 2013, 2012 and 2011

2. BASIS OF PRESENTATION (continued)

Company	Country of Organization	Main activity	Percentage of ownership at December 31, 2013	2012	2011
Ternium S.A.	Luxembourg	Holding	100.00%	100.00%	100.00%
Ternium Investments S.à.r.l.	Luxembourg	Holding	100.00%	100.00%	100.00%
Ternium Solutions A.G. (1)	Switzerland	Services	100.00%	100.00%	100.00%
Ternium Brasil S.A. (2)	Brazil	Holding	100.00%	100.00%	100.00%
Siderúrgica do Norte Fluminense S.A. (3)	Brazil	Manufacturing and selling of steel products	100.00%	100.00%	100.00%
Consorcio Siderurgia Amazonia S.L. (4)	Spain	Holding	94.38%	94.38%	94.38%
Secor - Servicios Corporativos S.A. (5)	Venezuela	Holding	-	94.53%	94.38%
Ternium Internacional España S.L.U. (2)	Spain	Marketing of steel products	100.00%	100.00%	100.00%
Siderar S.A.I.C. (6)	Argentina	Manufacturing and selling of flat steel products	60.94%	60.94%	60.94%
Impeco S.A. (7)	Argentina	Manufacturing of pipe products	60.97%	60.97%	60.97%
Prosid Investments S.C.A. (7)	Uruguay	Holding	60.94%	60.94%	60.94%
Inversiones Basilea S.A. (8)	Chile	Purchase and sale of real estate and other	-	-	60.94%
Ternium Mexico S.A. de C.V. (9)	Mexico	Holding	88.72%	88.72%	88.72%
Hylsa S.A. de C.V. (19)	Mexico	Manufacturing and selling of steel products	88.72%	88.72%	88.72%
Las Encinas S.A. de C.V. (10)	Mexico	Exploration, exploitation and pelletizing of iron ore	88.72%	88.72%	88.72%
Ferropak Comercial S.A. de C.V. (10)	Mexico	Scrap services company	88.72%	88.72%	88.72%
Ferropak Servicios S.A. de C.V. (10)	Mexico	Services	88.72%	88.72%	88.72%
Galvacer America Inc (10)	USA	Distributing company	88.72%	88.72%	88.72%
Galvamet America Corp (10)	USA	Manufacturing and selling of insulated panel products	88.72%	88.72%	88.72%
Transamerica E. & I. Trading Corp. (10)	USA	Scrap services company	88.72%	88.72%	88.72%
Técnica Industrial S.A. de C.V. (10)	Mexico	Services	88.72%	88.72%	88.72%
Ternium Gas México S.A. de C.V. (11)	Mexico	Financial Services	88.72%	88.72%	88.72%

Ecore Holding S. de R.L. de C.V. (10)	Mexico	Holding	88.72%	88.72%	88.72%
Neotec L.L.C. (10)	USA	Holding	88.72%	88.72%	88.72%
Treasury Services S.A. de C.V. (10)	Mexico	Financial Services	88.72%	88.72%	88.72%
APM, S.A. de C.V. (10)	Mexico	Manufacturing and selling of steel products	88.72%	88.72%	88.72%
Acedor, S.A. de C.V. (10)	Mexico	Holding	88.72%	88.72%	88.72%
Acerus S.A. de C.V. (10)	Mexico	Manufacturing and selling of steel products	88.72%	88.72%	88.72%
Imsa Monclova S.A. de C.V. (12)	Mexico	Services	-	88.72%	88.72%
Ternium Internacional Guatemala S.A. (13)	Guatemala	Selling of steel products	99.98%	99.98%	99.98%
Corporativo Grupo Imsa S.A. de C.V. (10)	Mexico	Services	88.72%	88.72%	88.72%
Ternium USA Inc. (14)	USA	Manufacturing and selling of steel products	100.00%	88.72%	88.72%
Consorcio Minero Benito Juarez Peña Colorada S.A.de C.V. (15)	Mexico	Exploration, exploitation and pelletizing of iron ore	44.36%	-	-

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2. BASIS OF PRESENTATION (continued)

Colombia	Manufacturing and selling of steel products

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2. BASIS OF PRESENTATION (continued)

Company	Country of Organization	Main activity	Percentage of ownership at December 31, 2013	2012	2011
Ferrasa Panamá, S.A. (23)	Panama	Manufacturing and selling of steel products	54.00%	54.00%	54.00%
Aceros Transformados de Panamá, S.A. (24)	Panama	Manufacturing and selling of steel products	54.00%	54.00%	54.00%
Exiros B.V. (15)	Netherlands	Procurement and trading services	50.00%	-	-

(1) Indirectly through Ternium Investments S.à.r.l. Total voting rights held: 100.00%. Incorporated in the first quarter of 2011.

(2) Indirectly through Ternium Investments S.à.r.l. Total voting rights held: 100.00%.

(3) Indirectly through Ternium Brasil S.A. Total voting rights held: 100.00%.

(4) Since December 27, 2011, indirectly through Ternium Investments S.à.r.l. (85,62%) and Prosid Investments S.C.A. (8,76%). Total voting rights held: 100.00%. Before that, indirectly through Ylopa – Servicos de Consultadoría Lda.

(5) This company was dissolved as of January 8, 2013.

(6) Indirectly through Ternium Internacional España S.L.U. Total voting rights held: 60.94%.

(7) Indirectly through Siderar S.A.I.C and Ternium Internacional S.A. Total voting rights held 100.00%.

(8) This company was dissolved as of November 14, 2012.

(9) Indirectly through Siderar S.A.I.C., Ternium Internacional S.A. and Ternium Internacional España S.L.U. Total voting rights held 99.93%.

(10) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 100.00%.

(11) Indirectly through Ternium Mexico S.A. de C.V. and Tenigal S. de R.L. de C.V. Total voting rights held: 100.00%.

(12) Merged with Ternium Mexico S.A. de C.V. during the first quarter of 2013.

(13) Indirectly through Ternium Internacional España S.L.U. Total voting rights held: 100%.

(14) Since first quarter 2013, indirectly through Ternium Investments S.à.r.l. (100,00%). Total voting rights held: 100.00%. Before that, indirectly through Ternium Mexico S.A. de C.V.

(15) Total voting rights held: 50.00%. See note 14.

(16) Indirectly through Ternium Mexico S.A. de C.V. Total voting rights held: 74.50%.

(17) Indirectly through Ternium Internacional España S.L.U.. Total voting rights held: 54.00%.

(18) Indirectly through Ternium Internacional España S.L.U.. Total voting rights held: 51.00%.

(19) Indirectly through Ternium Investments Switzerland AG. Total voting rights held: 100.00%.

(20) Indirectly through Ternium Internacional S.A. Total voting rights held 100.00%.

(21) This company was dissolved as of February 18, 2012.

(22) Indirectly through Ternium Internacional Inc.. Total voting rights held 100.00%.

(23) Indirectly through Ternium Treasury Services S.A. Total voting rights held: 54.00%. Incorporated in the third quarter of 2013.

(24) Indirectly through Ternium Investments S.à.r.l. and Ternium Treasury Services S.A. Total voting rights held: 100.00%. Incorporated in the second quarter of 2013.

3. ACQUISITION OF BUSINESS – USINAS SIDERÚRGICAS DE MINAS GERAIS S.A. - USIMINAS

On November 27, 2011, the Company’s wholly-owned Luxembourg subsidiary Ternium Investments S.à r.l., together with the Company’s Argentine majority-owned subsidiary Siderar S.A.I.C. (and Siderar’s wholly-owned Uruguayan subsidiary Prosid Investments S.C.A.), and Confab Industrial S.A., a Brazilian subsidiary of Tenaris S.A. (“TenarisConfab”), entered into share purchase agreements with Camargo Corrêa, Votorantim and Caixa dos Empregados da Usiminas (Usiminas employee pension fund, or CEU) for the acquisition of 139.7 million ordinary shares of Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS (“Usiminas”), representing 27.66% of Usiminas’ voting capital, at a price of BRL 36.0 (approximately USD 19.0) per ordinary share.

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3. ACQUISITION OF BUSINESS – USINAS SIDERÚRGICAS DE MINAS GERAIS S.A. - USIMINAS (continued)

With strategically located facilities near the main consumers of steel in Brazil and iron ore mines in the Serra Azul region, Usiminas is organized under four main business units: Mining, Steel, Steel Processing and Capital Goods.

Upon closing of the transaction on January 16, 2012, Ternium Investments, Siderar and TenarisConfab joined Usiminas' existing control group through the acquisition of 84.7, 30.0, and 25.0 million ordinary shares, respectively. In addition, Nippon Steel acquired from CEU 8.5 million ordinary shares. In addition, Ternium Investments, Siderar, Prosid and TenarisConfab entered into an amended and restated Usiminas shareholders' agreement with Nippon Steel, Mitsubishi, Metal One and CEU, governing Ternium Investments, Siderar (and Prosid) and TenarisConfab's rights within the Usiminas control group; most decisions in that control group are subject for its approval to a 65% majority of the control group shares. As a result of these transactions, the control group, which holds 322.7 million ordinary shares representing the majority of Usiminas' voting rights, is now formed as follows: Nippon Group 47.2%, Ternium/Tenaris Group 42.4%, and CEU 10.4%. The rights of Ternium Investments, Siderar (and Prosid) and TenarisConfab within the Ternium/Tenaris Group are governed under a separate shareholders agreement.

Ternium holds 35.6% of Usiminas' voting rights over the control group and 22.71% of Usiminas' ordinary shares, and has a participation in Usiminas' results of 11.32%.

During 2012 the Company completed its purchase price allocation procedures and determined a notional goodwill included within the investment balance of USD 583 million, according to the following calculation:

Opening net assets at January 16, 2012	**9,690,397**
Percentage of interest of the Company over opening assets (1)	11.62%
Interest of the Company over opening net assets	**1,126,306**
Net assets at fair value vs. book value	534,531
Goodwill	582,773
Total Purchase consideration	**2,243,610**

(1) This percentage of interest is calculated considering treasury shares.

The Company has performed an impairment test over its investment in Usiminas as of December 31, 2012, and subsequently wrote down the investment by USD 275 million. The impairment was mainly due to expectations of a weaker industrial environment in Brazil, where industrial production and consequently steel demand have been suffering downward adjustments. In addition, a higher degree of uncertainty regarding future prices of iron ore led to a reduction in Ternium's forecast of long term iron ore prices that affected cash flow expectations.

To determine the recoverable value, the Company used the value in use, which was calculated as the present value of the expected cash flows, considering the expected prices for the years covered by the projection. As of December 31, 2012 the discount rate used to test the investment in Usiminas for impairment was 9.6%.

3. ACQUISITION OF BUSINESS – USINAS SIDERÚRGICAS DE MINAS GERAIS S.A. - USIMINAS (continued)

Ternium Investments and Siderar financed their BRL 4.1 billion share (approximately USD 2.2 billion) of the Usiminas acquisition with cash on hand and, in the case of Ternium Investments, a USD 700 million term loan with a syndicate of banks led by Credit Agricole Corporate and Investment Bank as administrative agent (the "Ternium facility").

Ternium Investments' loans under the Ternium Facility were to be repaid in nine consecutive and equal semi-annual installments commencing on January 2013. On November 8, 2013, Ternium Investments fully early repaid this syndicated loan agreement.

4. ACCOUNTING POLICIES

These Consolidated Financial Statements have been prepared following the same accounting policies used in the preparation of the audited Consolidated Financial Statements for the year ended December 31, 2012.

The Company early-adopted the following standards, together with the consequential amendments to other IFRS, for the year ended December 31, 2012:

- IFRS 10, "Consolidated financial statements": IFRS 10 was issued in May 2011 and replaces all the guidance on control and consolidation in IAS 27, "Consolidated and separate financial statements", and SIC-12, "Consolidation – special purpose entities". Full retrospective application is required in accordance with the transition provisions of the standard, unless impracticable, in which case the Company applies it from the earliest practicable date.

- IFRS 11, "Joint arrangements": IFRS 11 was issued in May 2011 and replaces all the guidance on joint arrangements included in IAS 31, "Interests in joint ventures".

• IFRS 12, “Disclosure of interests in other entities”: IFRS 12 was issued in May 2011, and provides disclosure requirements on interests in subsidiaries, associates, joint arrangements, and unconsolidated structured entities.

• IAS 27, “Separate financial statements”: IAS 27 was amended in May 2011 following the issuance of IFRS 10. The revised IAS 27 deals only with the accounting for subsidiaries, associates and joint arrangements in the separate financial statements of the parent company.

The Company has applied the following standards as of January 1, 2013:

• IAS 19, “Employee benefits”

In June 2011, the IASB issued IAS 19 (amended 2011), “Employee benefits”, which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. See information related to this standard in note 4 (n).

4. ACCOUNTING POLICIES (continued)

- Amendments to IAS 1, "Financial statement presentation"

In June 2011, the IASB issued IAS 1 (amended 2011), "Financial statement presentation". The amendment requires entities to separate items presented in Other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. See impact of the application in the Consolidated Statements of Comprehensive Income.

- IFRS 13, "Fair value measurement"

In May 2011, the IASB issued IFRS 13, "Fair value measurement". The standard explains how to measure fair value and aims to enhance fair value disclosures. See information related to this standard in note 32.2.

- IFRIC Interpretation 20, "Stripping costs in the production phase of a surface mine"

In October 2011, the IFRIC issued IFRIC Interpretation 20, "Stripping costs in the production phase of a surface mine". IFRIC addresses the recognition of production stripping costs as an asset and the measurement of the stripping activity asset. See information related to this standard in note 4 (t), which was already applied by the Company.

The following is a summary of the principal accounting policies followed in the preparation of these consolidated financial statements:

(a) Group accounting

(1) Subsidiary companies and transactions with non-controlling interests

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date. Indemnification assets are recognized at the same time that the Company recognizes the indemnified item and measures them on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. The Company measures the value of a reacquired right recognized as an intangible asset on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals in determining its fair value.

4. ACCOUNTING POLICIES (continued)

On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

The measurement period is the earlier of the date that the acquirer receives the information that it is looking for or cannot obtain the information and one year after the acquisition date. Where the accounting for a business combination is not complete by the end of the reporting period in which the business combination occurred provisional amounts are reported.

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. However, the fact that the functional currency of some subsidiaries is their respective local currency, generates some financial gains (losses) arising from intercompany transactions, that are included in the consolidated income statement under Other financial expenses, net.

(2) Investments in non-consolidated companies

Associated companies are those entities in which Ternium has significant influence, but which it does not control.

4. ACCOUNTING POLICIES (continued)

Investments in non-consolidated companies are accounted for using the equity method of accounting. Under this method, interests in joint ventures and associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses in the income statement, and its share of post-acquisition changes in reserves recognized in reserves and in other comprehensive income in the income statement. Unrealized gains on transactions among the Company and its non-consolidated companies are eliminated to the extent of the Company's interest in such non-consolidated companies; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When the Company's share of losses in a non-consolidated company equals or exceeds its interest in such non-consolidated company, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of such non-consolidated company.

The Company's investment in associates and joint ventures includes notional goodwill identified on acquisition.

The Company determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the amount within "Equity on earnings (losses) of non-consolidated companies".

(b) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries and associated companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional and presentation currency of the Company is the U.S. dollar. Although Ternium is located in Luxembourg, it operates in several countries with different currencies. The USD is the currency that best reflects the economic substance of the underlying events and circumstances relevant to Ternium as a whole.

Due to changes in the primary economic environment in which its Mexican subsidiaries operate and in accordance with International Financial Reporting Standards, the Company performed a functional currency review and concluded that the functional currency of its Mexican subsidiaries should change prospectively to the U.S. dollar, effective as of January 1, 2012. The main indicators of such change in economic environment are: an increase of revenues determined and denominated in U.S. dollars (which is expected to continue increasing); the elimination of Mexican import duties on steel products effective 2012; an increase in the weight of raw material costs with U.S. dollar-denominated prices; and a determination that capital expenditures in Mexico (which are made to increase supply capabilities in connection with growing automobile exports to the U.S. market) are mainly incurred in U.S. dollars.

4. ACCOUNTING POLICIES (continued)

(2) Subsidiary companies

The results and financial position of all the group entities (none of which operates in a hyperinflationary economy) that have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate of each statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting translation differences are recognized within other comprehensive income.

In the case of a sale or other disposition of any such subsidiary, any accumulated translation differences would be recognized in the income statement as part of the gain or loss on sale.

(3) Transactions in currencies other than the functional currency

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured.

At the end of each reporting period: (i) monetary items denominated in currencies other than the functional currency are translated using the closing rates, (ii) non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rates prevailing at the date of the transactions; and (iii) non-monetary items that are measured at fair value in a currency other than the functional currency are translated using the exchange rates prevailing at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recorded as gains and losses from foreign exchange and included in "Other financial income (expenses), net" in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the "fair value gain or loss," while translation differences on non-monetary financial assets such as equities classified as available for sale are included in the "available for sale reserve" in equity. Ternium had no such assets or liabilities for any of the periods presented.

4. ACCOUNTING POLICIES (continued)

(c) Financial instruments

Non derivative financial instruments

Non derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Ternium non derivative financial instruments are classified into the following categories:

- Financial instruments at fair value through profit or loss: comprises mainly cash and cash equivalents and investments in debt securities held for trading;

- Held-to-maturity instruments: measured at amortized cost using the effective interest method less impairment losses. As of December 31, 2013 and 2012, there are no instruments classified under this category;

- Loans and receivables: measured at amortized cost using the effective interest method less impairment losses;

- Available-for-sale ("AFS") financial assets: gains and losses arising from changes in fair value are recognized within other comprehensive income ("OCI") with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in OCI is included in the income statement for the period. As of December 31, 2013 and 2012, there are no instruments classified under this category;

- Other financial liabilities: measured at amortized cost using the effective interest method.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets and liabilities are recognized and derecognized on the settlement date.

Financial assets are initially measured at fair value, net of transaction costs, except for those financial assets classified as financial assets at fair value through profit or loss.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists.

4. ACCOUNTING POLICIES (continued)

For loans and receivables category and for held-to-maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Derivative financial instruments

Information about accounting for derivative financial instruments and hedging activities is included in Note 32 "Financial Risk management".

(d) Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment are recognized at historical acquisition or construction cost less accumulated depreciation and accumulated impairment (if applicable), except for land, which is carried at acquisition cost less accumulated impairment (if applicable). There are no material residual values for property, plant and equipment items.

Major overhaul and rebuilding expenditures are recognized as a separate asset when future economic benefits are expected from the item, and the cost can be measured reliably.

Ordinary maintenance expenses on manufacturing properties are recorded as cost of products sold in the period in which they are incurred.

Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Depreciation method is reviewed at each year end. Depreciation is calculated using the straight-line method to amortize the cost of each asset to its residual value over its estimated useful life as follows:

Land	No depreciation
Buildings and improvements	10-50 years
Production equipment	5-20 years
Vehicles, furniture and fixtures and other equipment	5-10 years

Property, plant and equipment used in mining activities are depreciated over its useful life or over the remaining life of the mine if shorter and there is no alternative use possible.

The assets' useful lives are reviewed, and adjusted if appropriate, at each year end.

4. ACCOUNTING POLICIES (continued)

Gains and losses on disposals are determined by comparing the proceeds with the corresponding carrying amounts and are included in the income statement.

If the carrying amount of an asset were greater than its estimated recoverable amount, it would be written down to its recoverable amount. (see Note 4 (f) "Impairment").

(e) Intangible assets

(1) Information system projects

Generally, costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. However, costs directly related to the acquisition and implementation of information systems are recognized as intangible assets if they have a probable economic benefit exceeding the cost beyond one year and comply with the recognition criteria of IAS 38.

Information system projects recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 3 years. Amortization charges are included in cost of sales, selling, general and administrative expenses.

(2) Mining concessions

Mining license was recognized as a separate intangible asset upon the acquisition of the investment in Mexico and comprises the right to exploit the mines and is recognized at its fair value at acquisition date less accumulated amortization.

These mining concessions were granted for a 50-year period; following the expiration of the initial concession term, the concessions are renewable for an additional 50-year term in accordance with, and subject to the procedures set forth in, applicable Mexican mining law.

Amortization charge is calculated by using the unit-of-production method, on the basis of actual mineral extracted in each period compared to the estimated mineral reserves, and is included in cost of sales. Any change in the estimation of reserves is accounted for prospectively. The resulting amortization rate for the years ended December 31, 2013 and 2012, is approximately 9% per year.

(3) Exploration costs

Exploration and evaluation costs are measured at cost. Costs directly associated with exploration activities and leasehold acquisition costs are capitalized until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense. If it is determined that commercial discovery has been achieved, costs incurred are reclassified into Property, Plant and Equipment or Intangible Assets according to the nature of the expenditure and amortization starts. Exploration costs are tested for impairment annually. No impairment losses have been recorded for any of the years presented.

4. ACCOUNTING POLICIES (continued)

(4) Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of Ternium's participation in acquired companies' net assets at the acquisition date. Under IFRS 3 (revised), goodwill is considered to have an indefinite life and not amortized, but is subject to annual impairment testing.

Goodwill is allocated to Cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those cash-generating units expected to benefit from the business combination which generated the goodwill being tested.

As of December 31, 2013, the carrying amount of goodwill allocated to the Mexico CGUs was USD 662.3 million, of which USD 619.8 million corresponds to steel operations and USD 42.5 million to mining operations.

(5) Research and development

Research expenditures are recognized as expenses as incurred. Development costs are recorded as cost of sales in the income statement as incurred because they do not fulfill the criteria for capitalization. Research and development expenditures for the years ended December 31, 2013, 2012 and 2011 totaled USD 7.6 million, USD 8.8 million and USD 8.8 million, respectively.

(6) Customer relationships acquired in a business combination

In accordance with IFRS 3 (revised) and IAS 38, Ternium has recognized the value of customer relationships separately from goodwill in connection with the acquisitions of Grupo Imsa and Ferrasa S.A.S..

Customer relationships are amortized using the straight-line method over a useful life of approximately 10 years.

(7) Trademarks acquired in a business combination

In accordance with IFRS 3 and IAS 38, Ternium has recognized the value of trademarks separately from goodwill in connection with the acquisitions of Grupo Imsa and Ferrasa S.A.S..

Trademarks are amortized using the straight-line method over a useful life of between 5 to 10 years.

(f) Impairment

Assets that have an indefinite useful life (including goodwill) are not subject to amortization and are tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization and investments in affiliates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and the value in use.

4. ACCOUNTING POLICIES (continued)

To carry out these tests, assets are grouped at the lowest levels for which there are separately identifiable cash flows (each, a CGU). When evaluating long-lived assets for potential impairment, the Company estimates the recoverable amount based on the value in use of the corresponding CGU. The value in use of each CGU is determined on the basis of the present value of net future cash flows which will be generated by the assets tested.

Determining the present value of future cash flows involves highly sensitive estimates and assumptions specific to the nature of each CGU's activities, including estimates and assumptions relating to amount and timing of projected future cash flows, expected changes in market prices, expected changes in the demand of Ternium products and services, selected discount rate and selected tax rate.

Ternium uses cash flow projections for the next five years based on past performance and expectations of market development; thereafter, it uses a perpetuity rate. Application of the discounted cash flow (DCF) method to determine the value in use of a CGU begins with a forecast of all expected future net cash flows. Variables considered in forecasts include the gross domestic product (GDP) growth rates of the country under study and their correlation with steel demand, level of steel prices and estimated raw material costs as observed in industry reports.

Cash flows are discounted at rates that reflect specific country and currency risks associated with the cash flow projections. The discount rates used are based on Ternium's weighted average cost of capital (WACC), which is considered to be a good indicator of cost of capital. As of December 31, 2013 the discount rate used to test goodwill allocated to the Steel and Mining Mexico CGUs for impairment was 9.5%.

As a result of the above factors, actual cash flows and values could vary significantly from the forecasted future cash flows and related values derived using discounting techniques. Based on the information currently available, however, Ternium believes that it is not reasonably possible that the variation would cause the carrying amount to exceed the recoverable amount of the CGUs.

Except for the impairment in connection with the investment in Usiminas in 2012, during the years 2013, 2012 and 2011, no impairment provisions were recorded in connection with assets that have an indefinite useful life (including goodwill). For the impairment in connection with the investment in Usiminas, see note 3.

(g) Other investments

Other investments consist primarily of investments in financial debt instruments and equity investments where the Company holds a minor equity interest and does not exert significant influence.

All purchases and sales of investments are recognized on the settlement date, which is not significantly different from the trade date, which is the date that Ternium commits to purchase or sell the investment.

4. ACCOUNTING POLICIES (continued)

Income from financial instruments is recognized in Other financial income (expenses), net in the income statement. The fair value of quoted investments are based on current bid prices. If the market for a financial investment is not active or the securities are not listed, the Company estimates the fair value by using standard valuation techniques. Dividends from investments in equity instruments are recognized in the income statement when the Company's right to receive payments is established.

(h) Inventories

Inventories are stated at the lower of cost (calculated using the first-in-first-out "FIFO" method) or net realizable value. The cost of finished goods and goods in process comprises raw materials, direct labor, depreciation, other direct costs and related production overhead costs. It excludes borrowing costs. Goods acquired in transit at year end are valued at supplier's invoice cost.

The cost of iron ore produced in our mines comprises all direct costs necessary to extract and convert stockpiled inventories into raw materials, including stripping costs, depreciation of fixed assets related to the mining activity and amortization of mine exploration costs for those under-production mines.

The Company assesses the recoverability of its inventories considering their selling prices, if the inventories are damaged, or if they have become wholly or partially obsolete (see note 4 (x) (4)).

(i) Trade receivables and other receivables

Trade and other receivables are carried at face value less an allowance for doubtful accounts, if applicable. This amount does not differ significantly from fair value.

A provision for impairment is established when there is objective evidence that a financial asset or group of assets is impaired. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about a loss event, such as a significant financial difficulty of the obligor or a breach of contract. The amount of the impairment is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognized in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents and highly liquid short-term securities are carried at fair market value or at a historical cost which approximates fair market value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash, bank current accounts and short-term highly liquid investments (original maturity of three months or less at date of acquisition) and overdrafts.

In the consolidated statement of financial position, bank overdrafts are included in borrowings within current liabilities.

4. ACCOUNTING POLICIES (continued)

(k) Non-current assets (disposal groups) classified as held for sale

Non-current assets (disposal groups) are classified as assets held for sale, complying with the recognition criteria of IFRS 5, and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

The carrying value of non-current assets classified as held for sale, at December 31, 2013 and 2012 totals USD 17.8 million and USD 12.0 million, respectively, which corresponds principally to land and other real estate items. Sale is expected to be completed within a one-year period.

(l) Borrowings

Borrowings are recognized initially for an amount equal to the proceeds received. In subsequent periods, borrowings are stated at amortized cost; any difference between proceeds and the redemption value is recognized in the income statement over the period of the borrowings.

Capitalized costs for issue of debt are amortized over the life of their respective debt.

(m) Income taxes - current and deferred

The current income tax charge is calculated on the basis of the tax laws in force in the countries in which Ternium and its subsidiaries operate. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation could be subject to interpretation. A liability is recorded for tax benefits that were taken in the applicable tax return but have not been recognized for financial reporting.

Deferred income taxes are calculated using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The principal temporary differences arise on fixed assets, intangible assets, inventories valuation and provisions for pensions. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at year end. Under IFRS, deferred income tax assets (liabilities) are classified as non-current assets (liabilities).

Deferred tax assets are recognized to the extent it is probable that future taxable income will be available to offset temporary differences.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

4. ACCOUNTING POLICIES (continued)

(n) Employee liabilities

(1) Post-employment obligations

The Company has defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Prior to January 1, 2013, the liability recognized in the statement of financial position in respect of defined benefit pension plans was the present value of the defined benefit obligation at year end, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation was calculated annually (at year end) by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions were charged or credited to income over the employees' expected average remaining working lives.

Past-service costs were recognized immediately in income, unless the changes to the pension plan were conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs were amortized on a straight-line basis over the vesting period.

The Company applied IAS 19 (amended 2011), “Employee benefits”, on January 1, 2013. In accordance with the amended standard, post-employment benefits are accounted as follows:

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually (at year end) by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income.

For defined benefit plans, net interest income/expense is calculated based on the surplus or deficit derived by the difference between the defined benefit obligations less plan assets.

4. ACCOUNTING POLICIES (continued)

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

As required by IAS 19, comparative figures have been adjusted to reflect the retrospective application.

The main effect of these adjustments in the pension obligations and other post-employment obligations is as follows:

		Year ended	
	December 31, 2012	**December 31, 2011**	**December 31, 2010**
Effect in Equity	**(60,733)**	**(52,649)**	**(55,329)**
Effect in Liabilities	**60,733**	**52,649**	**55,329**
Deferred income tax liability	(24,880)	(21,515)	(22,430)
Other liabilities	85,613	74,164	77,759

Mexico

Ternium Mexico has defined benefit and defined contribution plans.

The valuation of the liabilities for the defined benefit employee retirement plans (pensions and seniority premiums) covers all employees and is based primarily on their years of service, their present age and their remuneration at the date of retirement. The cost of the employee retirement plans (pension, health-care expenses and seniority premiums) is recognized as an expense in the year in which services are rendered in accordance with actuarial studies made by independent actuaries. The formal retirement plans are congruent with and complementary to the retirement benefits established by the Mexican Institute of Social Security. Additionally, the Company has established a plan to cover health-care expenses of retired employees. The Company has established irrevocable trust funds for the payment of pensions and seniority premiums, as well as for health-care expenses.

The defined contribution plans provides a benefit equivalent to the capital accumulated with the company's contributions, which are provided as a match of employees' contributions to the plan. The plan provides vested rights according to the years of service and the cause of retirement.

Argentina

Siderar implemented an unfunded defined benefit employee retirement plan for certain senior officers. The plan is designed to provide certain benefits to those officers (additional to those contemplated under applicable Argentine labor laws) in case of termination of the employment relationship due to certain specified events, including retirement. Benefits provided by the plan are denominated in U.S. Dollars and are calculated based on a seven-year salary average.

4. ACCOUNTING POLICIES (continued)

(2) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(3) Other compensation obligations

Employee entitlements to annual leave and long-service leave are accrued as earned.

During 2007, Ternium launched an incentive retention program (the "Program") applicable to certain senior officers and employees of the Company, who will be granted a number of Units throughout the duration of the Program. The value of each of these Units is based on Ternium's shareholders' equity (excluding non-controlling interest). Also, the beneficiaries of the Program are entitled to receive cash amounts based on (i) the amount of dividend payments made by Ternium to its shareholders, and (ii) the number of Units held by each beneficiary to the Program. Units vest ratably over a period of four years and will be redeemed by the Company ten years after grant date, with the option of an early redemption at seven years after grant date. As the cash payment of the benefit is tied to the book value of the shares, and not to their market value, Ternium valued this long-term incentive program as a long term benefit plan as classified in IAS 19.

As of December 31, 2013 and 2012, the outstanding liability corresponding to the Program amounts to USD 19.3 million and USD 15.2 million, respectively. The total value of the units granted to date under the program, considering the number of units and the book value per share as of December 31, 2013 and 2012, is USD 21.8 million and USD 16.6 million, respectively.

Under Mexican law, Ternium's subsidiaries are required to pay their employees an annual benefit which is determined as a percentage of taxable profit for the year.

(4) Social security contributions

Social security laws in force in the countries in which the Company operates provide for pension benefits to be paid to retired employees from government pension plans and/or private fund managed plans to which employees may elect to contribute. As stipulated by the respective laws, Siderar and Ternium Mexico make monthly contributions calculated based on each employee's salary to fund such plans. The related amounts are expensed as incurred. No additional liabilities exist once the contributions are paid.

(o) Provisions and other liabilities

Ternium has certain contingencies with respect to existing or potential claims, lawsuits and other proceedings. Unless otherwise specified, Ternium accrues a provision for a present legal or constructive obligation as a result of a past event, when it is probable that future cost could be incurred and that cost can be reasonably estimated. Generally, accruals are based on developments to date, Ternium's estimates of the outcomes of these matters and the advice of Ternium's legal advisors.

4. ACCOUNTING POLICIES (continued)

(p) Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(q) Revenue recognition

Revenues are recognized as sales when revenue is earned and is realized or realizable. This includes satisfying all of the following criteria: the arrangement with the customer is evident, usually through the receipt of a purchase order; the sales price is fixed or determinable; delivery as defined by the risk transfer provision of the sales contracts has occurred, and collectability is reasonably assured.

Interest income is recognized on an effective yield basis.

(r) Borrowing Costs

The Company capitalizes the borrowing costs incurred to finance construction, acquisition or production of qualifying assets. In the case of specific borrowings, Ternium determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. For general borrowings, Ternium determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

The amount of borrowing costs that Ternium capitalizes during a period will not exceed the amount of borrowing costs incurred during that period. At December 31, 2013 and 2012, the capitalized borrowing costs amounted to USD

1.1 million and USD 0.3 million, respectively.

(s) Cost of sales, selling, general and administrative expenses

Cost of sales and expenses are recognized in the income statement on the accrual basis of accounting.

Commissions, freight and other selling expenses, including shipping and handling costs, are recorded in Selling, general and administrative expenses in the Consolidated Income Statement.

(t) Removal of waste materials to access mineral deposits

Costs associated with the removal of overburden and other waste materials are usually known as stripping costs. Stripping costs can be incurred before the mining production commences ("developmental stripping") or during the production stage ("production stripping").

Development stripping costs that contribute to the future economic benefits of mining operations are capitalized as tangible assets (work in progress). Production stripping costs which are part of on-going activities are included in the cost of the inventory produced (that is extracted) at each mine during the period in which they are incurred.

4. ACCOUNTING POLICIES (continued)

Capitalization of development stripping costs finishes when the commercial production of the mine commences. At that time, all development stripping costs are presented within mining assets and depreciated on a unit-of-production basis. It is considered that commercial production begins when the production stage of mining operations begins and continues throughout the life of a mine.

(u) Earnings per share

Earnings per share are calculated by dividing the net income attributable to shareholders by the daily weighted average number of ordinary shares issued during the year (see Note 26).

(v) Derivative financial instruments and hedging activities

Ternium designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. These transactions are classified as cash flow hedges (mainly interest rate swaps, collars, currency forward contracts on highly probable forecast transactions and commodities contracts). The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI. Amounts accumulated in OCI are recognized in the income statement in the same period as any offsetting losses and gains on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of Ternium derivative financial instruments (asset or liability) continues to be reflected in the statement of financial position.

For transactions designated and qualifying for hedge accounting, Ternium documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. At December 31, 2013, the effective portion of designated cash flow hedges amounts to USD 1.1 million (net of taxes) and is included under "changes in the fair value of derivatives classified as cash flow hedges" line item in the statement of comprehensive income (see Note 31 (a)).

More information about accounting for derivative financial instruments and hedging activities is included in Note 32 "Financial risk management".

(w) Segment information

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

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

4. ACCOUNTING POLICIES (continued)

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

The Mining segment includes the sales of mining products, mainly iron ore and pellets, and comprises the mining activities of Las Encinas, an iron ore mining company in which Ternium holds a 100% equity interest and the 50% of the operations and results performed by Peña Colorada, another iron ore mining company in which Ternium maintains that same percentage over its equity interest. Both mining operations are located in Mexico. In the comparative information as of December 31, 2012 and 2011, the 50% of the operations and results performed by Peña Colorada are only included under management view, see explanation included in note 14.

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

- The use of direct cost methodology to calculate the inventories, while under IFRS is at full cost, including absorption of production overheads and depreciation.

- The use of costs based on previously internally defined cost estimates, while, under IFRS, costs are calculated at historical cost (with the FIFO method).

- Under IFRS, the results of Peña Colorada are aggregated in equity in earnings of non-consolidated companies until December 31, 2012. Starting on January 1, 2013, these results are included considering 50% of the operations on a line by line basis, see note 14 for further detail. In the comparative information as of December 31, 2012 and 2011, the 50% of the operations and results performed by Peña Colorada are only included under management view.

- Other timing and non-significant differences.

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

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4. ACCOUNTING POLICIES (continued)

(x) Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management makes estimates and assumptions concerning the future. Actual results may differ significantly from these estimates under different assumptions or conditions.

The principal estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(1) Goodwill impairment test

Assessment of the recoverability of the carrying value of goodwill requires significant judgment. Management evaluates goodwill allocated to the operating units for impairment on an annual basis or whenever there is an impairment indicator.

Goodwill is tested at the level of the CGUs. Impairment testing of the CGUs is carried out and the value in use determined in accordance with the accounting policy stated in Note 4(f). The discount rates used for these tests are based on Ternium's weighted average cost of capital adjusted for specific country and currency risks associated with the cash flow projections. The discount rate used at December 31, 2013 was 9.5% and no impairment charge resulted from the impairment test performed.

(2) Income taxes

Management calculates current and deferred income taxes according to the tax laws applicable to each subsidiary in the countries in which such subsidiaries operate. However, certain adjustments necessary to determine the income tax provision are finalized only after the balance sheet is issued. In cases in which the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Also, when assessing the recoverability of tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies.

4. ACCOUNTING POLICIES (continued)

(3) Loss contingencies

Ternium is subject to various claims, lawsuits and other legal proceedings that arise in the ordinary course of business, including customer claims in which a third party is seeking reimbursement or indemnity. The Company's liability with respect to such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Periodically, management reviews the status of each significant matter and assesses potential financial exposure. If the potential loss from the claim or proceeding is considered probable and the amount can be reasonably estimated, a liability is recorded. Management estimates the amount of such liability based on the information available and the assumptions and methods it has concluded are appropriate, in accordance with the provisions of IFRS. Accruals for such contingencies reflect a reasonable estimate of the losses to be incurred based on information available, including the relevant litigation or settlement strategy, as of the date of preparation of these financial statements. As additional information becomes available, management will reassess its evaluation of the pending claims, lawsuits and other proceedings and revise its estimates. The loss contingencies provision amounts to USD 14.0 million and USD 17.5 million as of December 31, 2013 and 2012, respectively.

(4) Allowance for obsolescence of supplies and spare parts and slow-moving inventory

Management assesses the recoverability of its inventories considering their selling prices or whether they are damaged or have become wholly or partly obsolete.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

The Company establishes an allowance for obsolete or slow-moving inventory in connection with finished goods and goods in process. The allowance for slow-moving inventory is recognized for finished goods and goods in process based on management's analysis of their aging. In connection with supplies and spare parts, the calculation is based on management's analysis of their aging, the capacity of such materials to be used based on their levels of preservation and maintenance, and their potential obsolescence due to technological change.

As of December 31, 2013 and 2012, the Company recorded no allowance for net realizable value and USD 47.8 million and USD 66.1 million, respectively, as allowance for obsolescence.

(5) Useful Lives and Impairment of Property, Plant and Equipment and Other Long-lived Assets

In determining useful lives, management considered, among others, the following factors: age, operating condition and level of usage and maintenance. Management conducted visual inspections for the purpose of (i) determining whether the current conditions of such assets are consistent with normal conditions of assets of similar age; (ii) confirming that the operating conditions and levels of usage of such assets are adequate and consistent with their design; (iii) establishing obsolescence levels and (iv) estimating life expectancy, all of which were used in determining useful lives. Management believes, however, that it is possible that the periods of economic utilization of property, plant and equipment may be different than the useful lives so determined. Furthermore, management believes that this accounting policy involves a critical accounting estimate because it is subject to change from period to period as a result of variations in economic conditions and business performance.

4. ACCOUNTING POLICIES (continued)

When assessing whether an impairment indicator may exist, the Company evaluates both internal and external sources of information, such as the following:

- whether significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;

- whether market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;

- whether the carrying amount of the net assets of the entity is more than its market capitalization;

- whether evidence is available of obsolescence or physical damage of an asset.

- whether significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and

- whether evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

None of the Company's CGUs were tested for impairment, other than for the investment in Usiminas and goodwill test (see note 4 (x) (1)), in 2013 and 2012, as no impairment indicators were identified. Furthermore, based on information currently available, management believes that the recognition of a future impairment charge is not reasonably possible. For the impairment in connection with the investment in Usiminas in 2012, see note 3.

(6) Allowances for doubtful accounts

Management makes estimates of the uncollectibility of our accounts receivable. Management analyses the trade accounts receivable on a regular basis and, when aware of a third party´s inability to meet its financial commitments to the Company, managements impairs the amount due by means of a charge to the allowance for doubtful accounts. Management specifically analyses accounts receivable and historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Allowances for doubtful accounts are adjusted periodically in accordance with the aging of overdue accounts. For this purpose, trade accounts receivable overdue by more than 90 days, and which are not covered by a credit collateral, guarantee or similar surety, are fully provisioned. As of December 31, 2013 and 2012, allowance for doubtful accounts totals USD 12.8 million and USD 15.3 million, respectively.

5. SEGMENT INFORMATION

REPORTABLE OPERATING SEGMENTS

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

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

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

The Mining segment includes the sales of mining products, mainly iron ore and pellets, and comprises the mining activities of Las Encinas, an iron ore mining company in which Ternium holds a 100% equity interest and the 50% of the operations and results performed by Peña Colorada, another iron ore mining company in which Ternium maintains that same percentage over its equity interest. Both mining operations are located in Mexico. In the comparative information as of December 31, 2012 and 2011, the 50% of the operations and results performed by Peña Colorada are only included under management view, see explanation included in note 14.

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

- The use of direct cost methodology to calculate the inventories, while under IFRS is at full cost, including absorption of production overheads and depreciation.

- The use of costs based on previously internally defined cost estimates, while, under IFRS, costs are calculated at historical cost (with the FIFO method).

- Under IFRS, the results of Peña Colorada are aggregated in equity in earnings of non-consolidated companies until December 31, 2012. Starting on January 1, 2013, these results are included considering 50% of the operations on a line by line basis, see note 14 for further detail. In the comparative information as of December 31, 2012 and 2011, the 50% of the operations and results performed by Peña Colorada are only included under management view.

- Other timing and non-significant differences.

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

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5. SEGMENT INFORMATION (continued)

	Year ended December 31, 2013			
	Steel	**Mining**	**Inter-segment eliminations**	**Total**
IFRS				
Net sales	8,459,943	386,466	(316,397)	8,530,012
Cost of sales	(6,645,180)	(268,307)	313,195	(6,600,292)
Gross profit	**1,814,763**	**118,159**	**(3,202)**	**1,929,720**
Selling, general and administrative expenses	(820,338)	(22,973)	-	(843,311)
Other operating income, net	23,070	(56)	-	23,014
Operating income - IFRS	**1,017,495**	**95,130**	**(3,202)**	**1,109,423**
Management view				
Net sales	8,459,943	505,603	(435,534)	8,530,012
Operating income	777,505	219,610	(3,202)	993,913
Reconciliation items:				
Differences in Cost of sales				115,510
Operating income - IFRS				**1,109,423**
Financial income (expense), net				(135,475)
Equity in earnings of non-consolidated companies				(31,609)
Income before income tax expense - IFRS				**942,339**
Depreciation and amortization - IFRS	(344,413)	(32,718)	-	(377,131)

	Year ended December 31, 2012			
	Steel	**Mining**	**Inter-segment eliminations**	**Total**
IFRS				
Net sales	8,601,134	190,698	(183,778)	8,608,054
Cost of sales	(6,909,538)	(132,766)	175,925	(6,866,379)
Gross profit	**1,691,596**	**57,932**	**(7,853)**	**1,741,675**

Selling, general and administrative expenses	(804,690)	(4,491)	-	(809,181)
Other operating income, net	(12,261)	380	-	(11,881)
Operating income - IFRS	**874,645**	**53,821**	**(7,853)**	**920,613**
Management view				
Net sales	8,601,134	498,171	(491,251)	8,608,054
Operating income	803,487	265,802	(7,853)	1,061,436
Reconciliation items:				
Differences in Cost of sales				(120,118)
Differences related to Peña Colorada (Line by line vs Equity method)				(20,704)
Operating income - IFRS				**920,613**
Financial income (expense), net				(121,632)
Equity in earnings of non-consolidated companies				(346,833)
Income before income tax expense - IFRS				**452,148**
Depreciation and amortization - IFRS	(355,246)	(15,608)	-	(370,854)

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5. SEGMENT INFORMATION (continued)

	Year ended December 31, 2011			
	Steel	**Mining**	**Inter-segment eliminations**	**Total**
IFRS				
Net sales	9,058,948	213,231	(149,347)	9,122,832
Cost of sales	(6,996,857)	(164,340)	144,875	(7,016,322)
Gross profit	**2,062,091**	**48,891**	**(4,472)**	**2,106,510**
Selling, general and administrative expenses	(833,431)	(5,931)	-	(839,362)
Other operating income, net	(10,788)	(707)	-	(11,495)
Operating income - IFRS	**1,217,872**	**42,253**	**(4,472)**	**1,255,653**
Financial income (expense), net				(300,422)
Equity in earnings of non-consolidated companies				10,137
Income before income tax expense - IFRS				**965,368**
Depreciation and amortization - IFRS	(379,353)	(16,637)	-	(395,990)

GEOGRAPHICAL INFORMATION

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

For purposes of reporting geographical information, net sales are allocated based on the customer's location. Allocation of depreciation and amortization is based on the geographical location of the underlying assets.

	Year ended December 31, 2013			
	Mexico	**Southern region**	**Other markets**	**Total**
Net sales	4,260,676	2,952,372	1,316,964	8,530,012

Non-current assets (1)	4,314,223	1,078,966	277,210	5,670,399

	Year ended December 31, 2012			
	Mexico	**Southern region**	**Other markets**	**Total**
Net sales	4,475,139	2,746,585	1,386,330	8,608,054
Non-current assets (1)	3,902,868	1,220,886	279,570	5,403,324

	Year ended December 31, 2011			
	Mexico	**Southern region**	**Other markets**	**Total**
Net sales	4,544,807	2,980,256	1,597,769	9,122,832
Non-current assets (1)	3,420,127	1,230,370	296,401	4,946,898

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

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5. SEGMENT INFORMATION (continued)

REVENUES BY PRODUCT

	Year ended December 31,		
	2013	**2012**	**2011**
Semi-finished (1)	202,826	192,335	168,911
Hot rolled (2)	3,416,674	3,617,300	3,798,573
Cold rolled	1,314,392	1,342,036	1,458,875
Coated (3)	2,906,477	2,808,765	2,926,301
Roll-formed and tubular (4)	585,627	611,551	657,262
Steel products	8,425,996	8,571,987	9,009,922
Other products (5)	104,016	36,067	112,910
TOTAL SALES	**8,530,012**	**8,608,054**	**9,122,832**

(1) Semi-finished includes slabs, billets and round bars.

(2) Hot rolled includes hot rolled flat products, merchant bars, reinforcing bars, stirrups and rods.

(3) Coated includes tin plate and galvanized products.

(4) Roll-formed and tubular includes tubes, beams, insulated panels, roofing and cladding, roof tiles and steel decks.

(5) Other products include pre-engineered metal building systems and pig iron.

6. COST OF SALES

	Year ended December 31,		
	2013	**2012**	**2011**

Inventories at the beginning of the year	2,000,137	2,123,516	1,943,115
Opening inventories - Peña Colorada (see note 14)	18,006	-	-
Translation differences	(186,609)	(103,129)	(227,982)
Plus: Charges for the year			
Raw materials and consumables used and other movements	5,242,806	5,474,845	6,101,699
Services and fees	93,366	114,612	124,233
Labor cost	608,151	552,009	531,750
Depreciation of property, plant and equipment	310,257	306,584	313,871
Amortization of intangible assets	15,851	10,851	16,558
Maintenance expenses	440,328	387,672	332,357
Office expenses	7,034	7,360	5,631
Insurance	14,848	7,743	6,783
Charge of obsolescence allowance	1,245	12,289	6,197
Recovery from sales of scrap and by-products	(42,556)	(44,085)	(40,532)
Others	18,558	16,249	26,158
Less: Inventories at the end of the year	(1,941,130)	(2,000,137)	(2,123,516)
Cost of Sales	**6,600,292**	**6,866,379**	**7,016,322**

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7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2013	**2012**	**2011**
Services and fees (1)	76,450	97,443	96,750
Labor cost	234,519	212,820	205,938
Depreciation of property, plant and equipment	13,839	8,788	15,057
Amortization of intangible assets	37,186	44,632	50,503
Maintenance and expenses	7,443	6,904	17,648
Taxes	143,834	113,898	120,040
Office expenses	41,254	44,988	37,014
Freight and transportation	271,364	263,083	269,630
(Decrease) Increase of allowance for doubtful accounts	(202)	855	322
Others	17,624	15,770	26,460
Selling, general and administrative expenses	**843,311**	**809,181**	**839,362**

(1) Includes fees accrued for professional services rendered by PwC to Ternium S.A. and its subsidiaries during the year ended December 31, 2013 that amounted to USD 4,288, including USD 3,821 for audit services, USD 391 for audit-related services, USD 39 for tax services and USD 37 for all other services.

8. LABOR COSTS (Included Cost of sales and Selling, General and Administrative expenses)

	Year ended December 31,		
	2013	**2012**	**2011**
Wages, salaries and social security costs	790,378	699,899	672,689
Termination benefits	19,680	37,176	38,093
Post-employment benefits (Note 22 (i))	32,612	27,754	26,906
Labor costs	**842,670**	**764,829**	**737,688**

9. OTHER OPERATING INCOME (EXPENSES), NET

	Year ended December 31,		
	2013	**2012**	**2011**
Results from the sale of sundry assets	1,987	3,916	(4,176)
Provision for legal claims and other matters (Note 20 and 25 (ii))	(7,330)	(5,754)	(29,932)
Fees related to the repurchase of shares from Usiminas (Note 29)	-	-	10,200
Others (1)	28,357	(10,043)	12,413
Other operating (expenses) income, net	**23,014**	**(11,881)**	**(11,495)**

(1) Includes an insurance collection of USD 11,700 in Argentina in the year 2013.

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10. OTHER FINANCIAL INCOME (EXPENSES), NET

	Year ended December 31,		
	2013	**2012**	**2011**
Net foreign exchange gain (1)	259	7,145	(236,098)
Change in fair value of financial instruments	(12,275)	11,041	7,968
Debt issue costs	(11,097)	(5,814)	(5,078)
Others	(6,055)	(8,791)	(6,483)
Other financial income, net	**(29,168)**	**3,581**	**(239,691)**

(1) See note 4 (b)(1), in connection with the change in functional currency in Mexican subsidiaries.

11. INCOME TAX EXPENSE

Income tax expense for each of the years presented is as follows:

	Year ended December 31,		
	2013	**2012**	**2011**

(1) It includes the effects of the 2014 Mexican tax reform package, which mainly maintained the current 30% corporate income tax rate, eliminating the scheduled reduction to 29% in 2014 and to 28% in 2015 and repealed the existing tax consolidation regime.
It also includes the effects of the enactment of a new law in Argentina, which included a 10% withholding tax on dividend distributions made by Argentine companies to foreign beneficiaries.
(2) The amounts recorded in 2013, 2012 and 2011 corresponded to the recovery of income tax.

Income tax expense for the years ended December 31, 2013, 2012 and 2011 differed from the amount computed by applying the statutory income tax rate in force in each country in which the company operates to pre-tax income as a result of the following:

	Year ended December 31,		
	2013	**2012**	**2011**
Income before income tax	942,339	452,148	965,368
Income tax expense at statutory tax rate	(302,741)	(205,408)	(289,252)
Non taxable income	14,799	1,012	5,929
Non deductible expenses	(3,933)	(53,286)	(28,197)
Unrecognized tax losses	-	-	(5,452)
Recovery of income tax	321	2,224	4,417
Effect of changes in tax law	(57,872)	(5,769)	-
Income tax expense	**(349,426)**	**(261,227)**	**(312,555)**

Tax rates used to perform the reconciliation between tax expense (income) and accounting profit are those in effect at each relevant date or period in each applicable jurisdiction.

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12. PROPERTY, PLANT AND EQUIPMENT, NET

	Year ended December 31, 2013						
	Land	**Buildings and improvements**	**Production equipment**	**Vehicles, furniture and fixtures**	**Work in progress**	**Spare parts**	**Total**
Cost							
Values at the beginning of the year	**498,757**	**1,768,194**	**3,754,450**	**142,628**	**1,021,352**	**52,633**	**7,238,014**
Translation differences	(4,056)	(313,836)	(341,357)	(25,169)	(96,771)	(9,573)	(790,762)
Interest in joint operation (note 14)	-	-	79,002	909	3,233	37	83,181
Additions	7,983	20,235	3,102	3,002	792,504	29,908	856,734
Capitalized borrowing costs	-	-	-	-	1,078	-	1,078
Disposals / Consumptions	-	(2,235)	(12,554)	(3,975)	(544)	(5,425)	(24,733)
Transfers	583	367,369	600,373	8,164	(979,298)	(6,145)	(8,954)
Values at the end of the year	**503,267**	**1,839,727**	**4,083,016**	**125,559**	**741,554**	**61,435**	**7,354,558**
Depreciation							
Accumulated at the beginning of the year	**-**	**(673,934)**	**(2,005,899)**	**(116,999)**	**-**	**(3,065)**	**(2,799,897)**
Translation differences	-	151,850	286,744	22,786	-	885	462,265
Depreciation charge	-	(90,855)	(223,328)	(7,091)	-	(2,822)	(324,096)
Disposals / Consumptions	-	1,759	7,822	2,216	-	197	11,994
Transfers	-	440	3,430	201	-	-	4,071
Accumulated at the end of the year	**-**	**(610,740)**	**(1,931,231)**	**(98,887)**	**-**	**(4,805)**	**(2,645,663)**
At December 31, 2013	**503,267**	**1,228,987**	**2,151,785**	**26,672**	**741,554**	**56,630**	**4,708,895**

	Year ended December 31, 2012						
	Land						**Total**

		Buildings and improvements	Production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts	
Cost							
Values at the beginning of the year	**476,987**	**1,720,296**	**3,791,217**	**146,526**	**531,846**	**37,231**	**6,704,103**
Translation differences	(4,255)	(152,844)	(190,298)	(10,058)	(37,534)	(5,125)	(400,114)
Additions	32,653	703	10,541	5,375	907,618	21,218	978,108
Capitalized borrowing costs	-	-	-	-	349	-	349
Disposals / Consumptions	-	(1,278)	(10,025)	(4,546)	(21,263)	(691)	(37,803)
Transfers	(6,628)	201,317	153,015	5,331	(359,664)	-	(6,629)
Values at the end of the year	**498,757**	**1,768,194**	**3,754,450**	**142,628**	**1,021,352**	**52,633**	**7,238,014**
Depreciation							
Accumulated at the beginning of the year	**-**	**(648,820)**	**(1,960,146)**	**(123,936)**	**-**	**(2,013)**	**(2,734,915)**
Translation differences	-	76,255	156,373	9,262	-	286	242,176
Depreciation charge	-	(101,891)	(206,962)	(5,182)	-	(1,337)	(315,372)
Disposals / Consumptions	-	522	4,836	2,857	-	(1)	8,214
Accumulated at the end of the year	**-**	**(673,934)**	**(2,005,899)**	**(116,999)**	**-**	**(3,065)**	**(2,799,897)**
At December 31, 2012	**498,757**	**1,094,260**	**1,748,551**	**25,629**	**1,021,352**	**49,568**	**4,438,117**

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13. INTANGIBLE ASSETS, NET

	Year ended December 31, 2013						
	Information system projects	**Mining concessions**	**Exploration costs**	**Customer relationships and other contractual rights**	**Trademarks**	**Goodwill**	**Total**
Cost							
Values at the beginning of the year	**165,515**	**111,321**	**26,658**	**290,172**	**73,665**	**663,807**	**1,331,138**
Translation differences	(15,518)	-	-	(142)	-	-	(15,660)
Interest in joint operation (note 14)	124	8,533	1,755	-	-	-	10,412
Additions	37,574	-	8,861	-	-	-	46,435
Disposals / Consumptions	(1,014)	-	-	(1,555)	-	(1,500)	(4,069)
Transfers	-	2,507	(2,507)	-	-	-	-
Values at the end of the year	**186,681**	**122,361**	**34,767**	**288,475**	**73,665**	**662,307**	**1,368,256**
Depreciation							
Accumulated at the beginning of the year	**(85,985)**	**(59,732)**	**-**	**(156,305)**	**(63,910)**	**-**	**(365,932)**
Translation differences	12,217	-	-	-	-	-	12,217
Depreciation charge	(14,490)	(8,700)	-	(28,160)	(1,687)	-	(53,037)
Accumulated at the end of the year	**(88,258)**	**(68,432)**	**-**	**(184,465)**	**(65,597)**	**-**	**(406,752)**
At December 31, 2013	**98,423**	**53,929**	**34,767**	**104,010**	**8,068**	**662,307**	**961,504**

	Year ended December 31, 2012						
	Information system projects	**Mining concessions**	**Exploration costs**	**Customer relationships and other contractual rights**	**Trademarks**	**Goodwill**	**Total**
Cost							
Values at the beginning of the year	**138,022**	**111,321**	**17,670**	**290,321**	**73,665**	**663,807**	**1,294,806**
Translation differences	(8,003)	-	-	(149)	-	-	(8,152)
Additions	35,496	-	8,988	-	-	-	44,484
Values at the end of the year	**165,515**	**111,321**	**26,658**	**290,172**	**73,665**	**663,807**	**1,331,138**
Depreciation							
Accumulated at the beginning of the year	**(85,259)**	**(50,849)**	**-**	**(125,304)**	**(55,684)**	**-**	**(317,096)**
Translation differences	6,653	-	-	-	(6)	-	6,647
Depreciation charge	(7,379)	(8,883)	-	(31,001)	(8,220)	-	(55,483)
Accumulated at the end of the year	**(85,985)**	**(59,732)**	**-**	**(156,305)**	**(63,910)**	**-**	**(365,932)**
At December 31, 2012	**79,530**	**51,589**	**26,658**	**133,867**	**9,755**	**663,807**	**965,206**

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14. INVESTMENTS IN NON-CONSOLIDATED COMPANIES

	As of December 31, 2013	2012
At the beginning of the year	**1,710,722**	**94,875**
Other comprehensive income	(188,588)	(276,420)
Transfers (1) (2)	(115,153)	208
(Disposals)/Acquisitions	-	2,243,610
Dividends received from non-consolidated companies	(207)	(4,718)
Equity in earnings of non-consolidated companies	(31,609)	(71,499)
Impairment charge	-	(275,334)
At the end of the year	**1,375,165**	**1,710,722**

The principal investments in non-consolidated companies, all of which are unlisted, except for Usiminas, are:

Company	Country of incorporation	Main activity	Voting rights at December 31, 2013	Voting rights at December 31, 2012	Value at December 31, 2013	Value at December 31, 2012
Usinas Siderurgicas de Minas Gerais S.A. - USIMINAS	Brazil	Manufacturing and selling of steel products	22.71%	22.71%	1,369,820	1,592,340
Consorcio Minero Benito Juarez Peña Colorada S.A.de C.V. (1)	Mexico	Exploration, exploitation and pelletizing of iron ore	50.00%	50.00%	-	106,167
Exiros B.V. (2)	Netherlands	Holding company	50.00%	50.00%	-	8,986
Other non-consolidated companies (3)					5,345	3,228
					1,375,165	**1,710,722**

(1) Until December 31, 2012, Ternium's investment in Consorcio Minero Benito Juarez Peña Colorada S.A. de C.V. and Peña Colorada Servicios S.A. de C.V. was presented as an investment in non-consolidated companies and its results under the equity in earnings (losses) in non-consolidated companies within the consolidated income statement. Starting on January 1, 2013, and in connection with certain new agreements, the Company began to recognize its assets, liabilities, revenue and expenses in relation to its interest in the joint operation.

(2) Formerly Lomond Holdings B.V. Until December 31, 2012, Ternium's investment in Exiros B.V. was presented as an investment in non-consolidated companies and its results under the equity in earnings (losses) in non-consolidated companies within the consolidated income statement. Starting on January 1, 2013, and in connection with an amendment in the shareholders' agreement, the Company began to recognize its assets, liabilities, revenue and expenses in relation to its interest in the joint operation.

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

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14. INVESTMENTS IN NON-CONSOLIDATED COMPANIES (continued)

As of December 31, 2013 and 2012, the value of the investment in Usiminas is comprised as follows:

	USIMINAS	
Value of investment	**As of December 31, 2013**	**As of December 31, 2012**
At the beginning of the year	**1,592,340**	**-**
Acquisition of participation	-	2,243,610
Dividends received	-	(4,718)
Share of results	(35,267)	(88,556)
Other comprehensive income	(187,253)	(282,662)
Impairment charge	-	(275,334)
At the end of the year	**1,369,820**	**1,592,340**

On February 13, 2014, Usiminas approved its annual accounts as of and for the year ended December 31, 2013, which state that revenues, post-tax losses from continuing operations and shareholders' equity amounted to USD 5,971 million, USD 75 million and USD 7,134 million, respectively.

	USIMINAS	
Summarized balance sheet (in million USD)	**As of December 31, 2013**	**As of December 31, 2012**
Assets		
Non-current	9,348	10,763
Current	4,038	5,276
Total Assets	**13,386**	**16,039**
Liabilities		
Non-current	3,174	4,335
Current	2,172	2,644
Total Liabilities	**5,346**	**6,979**
Minority interest	**906**	**932**
Shareholders' equity	**7,134**	**8,127**

Summarized income statement (in million USD)	**USIMINAS** **As of December 31, 2013**	 **As of December 31, 2012**
Net sales	5,971	6,502
Cost of sales	(5,294)	(6,162)
Gross Profit	**677**	**340**
Selling, general and administrative expenses	(422)	(439)
Other operating expenses, net	(22)	-
Operating income/(loss)	**233**	**(99)**
Financial expenses, net	(420)	(253)
Equity in earnings of associated companies	84	31
Income before income tax	**(103)**	**(321)**
Income tax expense	101	58
Net loss before minority interest	**(2)**	**(263)**
Minority interest in other subsidiaries	(73)	(56)
Net loss for the year	**(75)**	**(319)**

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15. OTHER INVESTMENTS, NET – NON CURRENT

	As of December 31, 2013	2012
Investments in debt instruments	-	6,950
Other investments, net – Non-current	**-**	**6,950**

16. RECEIVABLES, NET – NON CURRENT AND CURRENT

	As of December 31, 2013	2012
Receivables with related parties (Note 27)	43	115
Employee advances and loans	6,288	7,792
Advances to suppliers for the purchase of property, plant and equipment	22,250	57,347
Advances to suppliers for the purchase of property, plant and equipment with related parties (Note 27)	330	4,314
Tax credits	46,828	295
Others	3,668	2,943
Receivables, net – Non-current	**79,407**	**72,806**

	As of December 31, 2013	2012
Value added tax	19,459	73,716
Tax credits	45,963	36,371
Employee advances and loans	8,196	8,922
Advances to suppliers	6,784	32,877
Advances to suppliers with related parties (Note 27)	10	8
Expenses paid in advance	6,068	5,075
Government tax refunds on exports	4,530	3,840
Receivables with related parties (Note 27)	5,581	1,772
Others	15,797	24,631

Receivables, net – Current	**112,388**	**187,212**

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17. TRADE RECEIVABLES, NET – NON CURRENT AND CURRENT

	As of December 31, 2013	2012
Trade receivables	1,754	5,029
Allowance for doubtful accounts (Note 20)	-	-
Trade receivables, net – Non-current	**1,754**	**5,029**

	As of December 31, 2013	2012
Current accounts	659,871	726,986
Trade receivables with related parties (Note 27)	24,385	23,458
Allowance for doubtful accounts (Note 20)	(12,803)	(15,304)
Trade receivables, net - Current	**671,453**	**735,140**

18. INVENTORIES, NET

	As of December 31, 2013	2012
Raw materials, materials and spare parts	560,720	575,212
Goods in process	934,909	1,001,625
Finished goods	330,098	397,765
Goods in transit	163,228	91,637
Obsolescence allowance (Note 20)	(47,825)	(66,102)
Inventories, net	**1,941,130**	**2,000,137**

19. CASH, CASH EQUIVALENTS AND OTHER INVESTMENTS

	As of December 31, 2013	2012

(i) Other investments		
Deposits with maturity of more than three months	**169,503**	**160,750**
Other investments	**169,503**	**160,750**
(ii) Cash and cash equivalents		
Cash and banks	102,465	98,052
Restricted cash	869	941
Deposits with maturity of less than three months	203,884	461,314
Cash and cash equivalents	**307,218**	**560,307**

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20. ALLOWANCES AND PROVISIONS – NON CURRENT AND CURRENT

Provisions and allowances - Non current	**Deducted from assets**	**Liabilities**
	Allowance for doubtful accounts	**Legal claims and other matters**
Year ended December 31, 2013		
Values at the beginning of the year	-	17,498
Translation differences	-	(3,753)
Additions	-	11,518
Reversals	-	(4,188)
Uses	-	(7,091)
At December 31, 2013	**-**	**13,984**
Year ended December 31, 2012		
Values at the beginning of the year	146	15,340
Translation differences	(5)	(1,488)
Additions	-	6,185
Reversals	(141)	(431)
Uses	-	(2,108)
At December 31, 2012	**-**	**17,498**

Provisions and allowances - Current	**Deducted from assets**	
	Allowance for doubtful accounts	**Obsolescence allowance**
Year ended December 31, 2013		
Values at the beginning of the year	15,304	66,102
Translation differences	(756)	(2,856)
Interest in joint operation (note 14)	-	679
Additions	1,678	21,396

Reversals	(1,880)	(20,151)
Uses	(1,543)	(17,345)
At December 31, 2013	**12,803**	**47,825**
Year ended December 31, 2012		
Values at the beginning of the year	16,002	59,911
Translation differences	(174)	(1,676)
Additions	1,442	27,769
Reversals	(445)	(15,480)
Uses	(1,521)	(4,422)
At December 31, 2012	**15,304**	**66,102**

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21. DEFERRED INCOME TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rate of the applicable country.

Changes in deferred income tax are as follows:

	As of December 31,	
	2013	**2012**
At the beginning of the year	(644,670)	(710,947)
Interest in joint operation (note 14)	(8,116)	-
Translation differences	49,521	34,428
Effect of changes in tax law (note 11)	(57,872)	(5,769)
Effect of changes in IAS 19 (note 4.n)	-	3,365
Deferred tax credit (charge)	80,156	34,252
At the end of the year	**(580,981)**	**(644,670)**

The changes in deferred tax assets and liabilities (prior to offsetting the balances within the same tax jurisdiction) during the year are as follows:

Deferred tax liabilities	**Fixed assets**	**Inventories**	**Intangible assets**	**Other**	**Total at December 31, 2013**
At the beginning of the year	**(515,943)**	**(68,710)**	**(48,382)**	**(166,582)**	**(799,617)**
Translation differences	26,774	1,128	255	29,736	57,893
Interest in joint operation (note 14)	(6,277)	(2,467)	(3,024)	-	(11,768)
Effect of changes in tax law	(26,476)	-	(3,108)	(24,046)	(53,630)
Income statement credit (charge)	5,111	17,369	10,123	25,763	58,366
At the end of the year	**(516,811)**	**(52,680)**	**(44,136)**	**(135,129)**	**(748,756)**

Deferred tax assets	**Provisions**	**Trade receivables**	**Tax losses (1)**	**Other**	**Total at December**

					31, 2013
At the beginning of the year	**54,659**	**8,291**	**18,193**	**73,804**	**154,947**
Translation differences	(8,054)	109	-	(427)	(8,372)
Interest in joint operation (note 14)	1,806	-	-	1,846	3,652
Effect of changes in tax law	-	-	-	(4,242)	(4,242)
Income statement credit (charge)	9,826	(409)	9,378	2,995	21,790
At the end of the year	**58,237**	**7,991**	**27,571**	**73,976**	**167,775**

(1) As of December 31, 2013, the recognized deferred tax assets on tax losses amount to USD 27,571 and the net unrecognized deferred tax assets amount to USD 17,782. According to the tax law in force in the jurisdictions in which the tax losses are generated, these amounts do not have a certain expiration date.

Deferred tax assets and liabilities are offset when the entity a) has a legally enforceable right to set off the recognized amounts; and b) intends to settle the tax on a net basis or to realize the asset and settle the liability simultaneously.

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21. DEFERRED INCOME TAX (continued)

The amounts shown in the statement of financial position include the following:

	As of December 31,	
	2013	**2012**
Deferred tax assets to be recovered after more than 12 months	115,201	83,341
Deferred tax liabilities to be settled after more than 12 months	(681,459)	(720,231)
	(566,258)	**(636,890)**

22. OTHER LIABILITIES – NON CURRENT AND CURRENT

	As of December 31,	
	2013	**2012**
(i) Other liabilities - Non current		
Termination benefits	474	3,323
Post-employment benefits	291,822	261,415
Other employee benefits	30,111	41,413
Asset retirement obligation (1)	19,853	-
Other	3,171	4,418
Other liabilities – Non-current	**345,431**	**310,569**

(1) The asset in connection with this liability is included in Property, plant and equipment.

Post-employment benefits

The amounts recognized in the consolidated statement of financial position are determined as follows:

	Post-employment benefits As of December 31, 2013	2012
Present value of unfunded obligations	313,269	281,822
Fair value of plan assets	(21,447)	(20,407)
Liability in the statement of financial position	**291,822**	**261,415**

The amounts recognized in the consolidated income statement are as follows:

	Post-employment benefits Year ended December 31, 2013	2012
Current service cost	8,355	6,275
Interest cost	22,976	20,821
Amortization of prior service costs	1,281	658
Total included in labor costs	**32,612**	**27,754**

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22. OTHER LIABILITIES – NON CURRENT AND CURRENT (continued)

Changes in the liability recognized in the consolidated statement of financial position are as follows:

	Post-employment benefits As of December 31,	
	2013	**2012**
Interest in joint operation (note 14)	8,103	-
Transfers, new participants and funding of the plan	7,592	(17,445)
Total expense	32,612	27,754
Remeasurements	7,787	11,708
Translation differences	(2,477)	15,366
Contributions paid	(23,210)	(1,897)
At the end of the year	**291,822**	**261,415**

The principal actuarial assumptions used were as follows:

	Year ended December 31,	
Mexico	**2013**	**2012**
Discount rate	8.50%	8.25%
Compensation growth rate	4.00%	4.00%

	Year ended December 31,	
Argentina	**2013**	**2012**
Discount rate	7.00%	7.00%
Compensation growth rate	2.00%	2.00%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptios is as follows:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	-5.2%	5.7%
Compensation growth rate	0.50%	1.1%	-1.0%
Pension growth rate	0.25%	0.3%	-0.3%
Life expectancy	1 year	-0.2%	0.2%

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22. OTHER LIABILITIES – NON CURRENT AND CURRENT (continued)

	As of December 31, 2013	2012
(ii) Other liabilities - Current		
Payroll and social security payable	92,188	70,070
VAT liabilities	50,765	40,633
Other tax liabilities	46,042	25,698
Termination benefits	4,584	10,459
Related Parties (Note 27)	3,901	3,323
Others	5,846	4,687
Other liabilities – Current	**203,326**	**154,870**

23. DERIVATIVE FINANCIAL INSTRUMENTS

Net fair values of derivative financial instruments

The net fair values of derivative financial instruments at December 31, 2013 and 2012 were as follows:

	As of December 31, 2013	2012
Contracts with positive fair value		
Interest rate swap contracts	1,535	-
Foreign exchange contracts	-	64
	1,535	**64**
Contracts with negative fair value		
Interest rate swap contracts	-	(271)

-	**(271)**

Derivative financial instruments breakdown is as follows:

(a) Interest rate contracts

Fluctuations in market interest rates create a degree of risk by affecting the amount of the Company's interest payments and the value of its floating-rate debt. As of December 31, 2013, most of the Company's long-term borrowings were at variable rates.

During 2012 and 2013, Tenigal entered into several interest rate starting forward swap agreements that fix the interest rate to be paid over an aggregate amount of USD 100 million, in an average rate of 1.71% to 2.43%. These agreements will be effective starting on July 2014, will be due on July 2022 and have been accounted for as cash flow hedges. As of December 31, 2013, the after-tax cash flow hedge reserve related to these agreements amounted to USD 1.1 million.

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23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Changes in fair value of derivative instruments designated as cash flow hedges for each of the years presented are included below:

		Cash flow hedges	
	Gross amount	**Income tax**	**Total**
At December 31, 2011	**(9,627)**	**2,889**	**(6,738)**
(Decrease) / Increase	(553)	165	(388)
Reclassification to income statement	9,910	(2,973)	6,937
At December 31, 2012	**(270)**	**81**	**(189)**
(Decrease) / Increase	1,805	(541)	1,264
Reclassification to income statement	-	-	-
At December 31, 2013	**1,535**	**(460)**	**1,075**

The gross amount of the pre-tax reserve recorded in other comprehensive income at December 31, 2013 (amounting to a gain of USD 1.5 million) is expected to be reclassified to the income statements beginning on July 2014.

(b) Foreign exchange contracts

From time to time, Ternium's subsidiaries enter into derivative agreements to manage their exposure to currencies other than the USD.

During 2011 and 2012, Prosid Investments entered into several non-deliverable forward agreements to manage the exchange rate exposure generated by Siderar's debt in ARS against USD. As of December 31, 2013, there is no residual notional amount on this agreement.

The net fair values of the exchange rate derivative contracts as of December 31, 2013 and December 31, 2012 were as follows:

			Fair value at December 31,	
Currencies	**Contract**	**Notional amount**	**2013**	**2012**
ARS/USD	ND Forward	1.4 billion ARS	-	64
			-	**64**

USD: US dollars; ARS: Argentine pesos.

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24. BORROWINGS

	As of December 31,	
	2013	**2012**
(i) Non-current		
Bank borrowings	1,212,070	1,309,743
Less: debt issue costs	(7,190)	(6,990)
	1,204,880	**1,302,753**
(ii) Current		
Bank borrowings	800,791	1,127,007
Less: debt issue costs	(2,847)	(5,397)
	797,944	**1,121,610**
Total Borrowings	**2,002,824**	**2,424,363**

The maturity of borrowings is as follows:

	Expected Maturity Date				
				At December 31, (1)	
	2014	**2015**	**2016 and thereafter**	**2013**	**2012**
Fixed Rate	441,300	30,837	14,818	486,955	570,760
Floating Rate	356,644	274,894	884,331	1,515,869	1,853,603
Total	**797,944**	**305,731**	**899,149**	**2,002,824**	**2,424,363**

(1) As most borrowings incorporate floating rates that approximate market rates and the contractual repricing occurs every 3 to 6 months, the fair value of the borrowings approximates their carrying amount and it is not disclosed separately.

The weighted average interest rates - which incorporate instruments denominated mainly in US dollars and Argentina pesos and which also include the effect of derivative financial instruments- at year-end were as follows:

	As of December 31,	
	2013	**2012**
Bank borrowings	4.89%	5.99%

The nominal average interest rates shown above were calculated using the rates set for each instrument in its corresponding currency and weighted using the dollar-equivalent outstanding principal amount of said instruments at December 31, 2013 and 2012, respectively.

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24. BORROWINGS (continued)

Breakdown of borrowings by currency is as follows:

		As of December 31,	
Currencies	**Contract**	**2013**	**2012**
USD	Floating	1,391,298	1,699,371
USD	Fixed	150,790	5,522
ARS	Floating	152	328
ARS	Fixed	313,366	542,686
BRL	Floating	-	18,028
COP	Floating	124,418	135,876
CRC	Fixed	6,975	6,887
GTQ	Fixed	15,825	15,665
		2,002,824	**2,424,363**

USD: US dollars; ARS: Argentine pesos; BRL: Brazilian reales; COP: Colombian pesos; GTQ: Guatemalan quetzales; CRC: Costa Rican colon.

On April 6, 2011, the Company's subsidiary Ternium Mexico, S.A. de C.V. (Ternium Mexico), Crédit Agricole Corporate and Investment Bank, acting as Administrative Agent, and certain banks parties to a loan agreement dated as of July 12, 2007, partially refinanced a syndicated loan facility that had been incurred to finance Ternium's 2007 acquisition of Grupo Imsa, a company subsequently merged into Ternium Mexico.

The outstanding balance of the facility refinanced amounted to USD 1.0 billion. As part of the refinancing, the final maturity date of bank loans in a principal amount of USD 0.8 billion was extended to July 23, 2014 (with the extended loans being payable in four consecutive and equal semi-annual installments commencing on January 26, 2013), and the applicable margin structure for the extended loans was amended. On July 26, 2012, Ternium Mexico repaid the remaining USD 0.2 billion principal amount of the loans that was not refinanced.

On November 4, 2013, Ternium Mexico entered into a loan agreement with Crédit Agricole Corporate and Investment Bank, acting as Administrative Agent, and The Bank of Tokyo-Mitsubishi UFJ Ltd, HSBC Securities (USA) Inc and Natixis, New York Branch, for a USD 800 million syndicated loan facility for the purpose of the repayment of certain short term debt, a dividend payment and other general purposes. The loan was disbursed on November 8, 2013 and the final maturity date is on November 8, 2018, being payable in eight consecutive and equal semi-annual installments commencing on May 5, 2015.

On November 8, 2013, Ternium Investments fully early repaid a syndicated loan agreement dated as of January 10, 2012, that had been incurred to finance Usiminas' stake acquisition.

On November 26, 2013, Ternium Mexico repaid in advance USD 100 million of the refinanced loan agreement dated as of April 6, 2011. The outstanding balance of the facility amounted to USD 302 million as of December 31, 2013.

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

Ternium is involved in litigation arising from time to time in the ordinary course of business. The Company recorded a provision for those cases in which there is a probable cash outflow and the outcome can be reliably estimated. Based on management's assessment and the advice of legal counsel, it is not anticipated that the ultimate resolution of existing litigation would be material to Ternium's consolidated financial position, results of operations or liquidity.

(i) Tax claims and other contingencies

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

The Administración Federal de Ingresos Públicos ("AFIP" – the Argentine tax authority) has challenged the charge to income of certain disbursements that Siderar has treated as expenses necessary to maintain industrial installations, which as such should be deducted in the year in which they take place. The AFIP asserts that these are investments or improvements that must be capitalized and, therefore, it made a jeopardy assessment of income tax due on a nominal tax basis plus fines and interest in fiscal years 1995 to 1999 amounting to approximately USD 13.8 million as of December 31, 2013.

The Company appealed these assessments before the National Tax Court, as in the view of its legal and tax advisors, there are reasons that would likely result in a favorable ruling for the Company.

On April 13, 2005 the Company was notified of a ruling issued by the National Tax Court reducing the assessments made by the AFIP for fiscal years 1995 and 1996. The ruling was appealed both by the Company and the AFIP.

On June 10, 2010 the Company was notified of a ruling issued by the Court of Appeals in federal administrative law which mainly resulted in favor of the Company. The ruling was appealed both by the Company and the AFIP.

On June 8, October 31 and October 15, 2012 the Company was notified of rulings issued by the National Tax Court reducing partially the assessments made by the AFIP for the fiscal years 1997, 1998 and 1999, respectively. The ruling was appealed both by the Company and the AFIP.

Based on the above, the Company recognized a provision amounting to USD 1.4 million as of December 31, 2013 as management considers there could be a potential cash outflow.

(b) Ternium Mexico. SAT – Income tax claim for fiscal year 2004

On January 26, 2012, the Mexican tax authorities notified Ternium Mexico and its subsidiary Acerus S.A. de C.V. of a tax assessment that challenged the value attributed by a predecessor of Acerus to a capital reduction made in 2004 (i.e., prior to the Company's investment in Ternium Mexico's predecessor Grupo Imsa in 2007) and assessed an income tax deficiency. The tax authorities asserted that the capital reduction should have been valued at a price significantly higher than the value attributed at the time by the shareholder. The proposed assessment represented an amount of MXN 4,300 million (approximately USD 348 million). On April 2, 2012, Ternium Mexico filed an appeal to this assessment before the Mexican tax authorities and reserved the right to further appeal to the tax courts. Following the enactment of a tax amnesty program in Mexico, in May 2013 Ternium Mexico elected to avoid further litigation and settled this claim, without admitting any liability or wrongdoing, through the payment of a total amount of MXN 420 million (approximately USD 34 million).

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

(c) Companhia Siderúrgica Nacional (CSN) – Lawsuit

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

On September 23, 2013, the first instance court issued its decision finding in favor of the defendants and dismissing the CSN lawsuit. Such decision is not final and is subject to appeal. Ternium believes that CSN's allegations are groundless and without merit, as confirmed by several opinions of Brazilian counsel and previous decisions by Brazil's securities regulator Comissão de Valores Mobiliários (including a February 2012 decision determining that the above mentioned acquisition did not trigger any tender offer requirement) and, more recently, the first instance court decision on this matter referred to above. Accordingly, the Company did not record any provision in connection with this lawsuit.

(ii) Commitments

The following are Ternium's main off-balance sheet commitments:

(a) Siderar entered into a contract with Tenaris, a related company of Ternium, for the supply of steam generated at the power generation facility that Tenaris owns in the compound of the Ramallo facility of Siderar. Under this contract, Tenaris has to provide 250 tn/hour of steam, and Siderar has the obligation to take or pay this volume. The amount of this outsourcing agreement totals USD 66.2 million and is due to terminate in 2018.

(b) Siderar, within the investment plan, has entered into several commitments to acquire new production equipment for a total consideration of USD 80.3 million.

(c) Siderar assumed fixed commitments for the purchase of raw materials for a total amount of USD 174.3 million to be expended during the next four years.

(d) Siderar is a party to a long-term contract with Air Liquide Argentina S.A. for the supply of oxygen, nitrogen and argon. The agreement requires Siderar to take or pay minimum daily amounts of these gases for an aggregate amount of USD 45.6 million to satisfy Siderar's current production needs through 2021, and to make incremental purchases of these gases for an aggregate amount of USD 135.1 million to satisfy the requirements through 2030.

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

(e) The production process of Ternium Mexico’s (former Hylsa's plants) requires a large amount of electricity. On December 20, 2000, Hylsa entered into a 25-year contract with Iberdrola Energia Monterrey, S.A. de C.V. (“Iberdrola”), a Mexican subsidiary of the Spanish Company Iberdrola Energía, S.A., for the supply to four of Mexico’s plants of a contracted electrical demand of 111.2 MW, for a contracted amount of USD 0.8 billion, which is due to terminate in 2027. There are no penalties if consumption is lower in 30 MW per year. This contract effectively started on April 30, 2002, and currently supplies approximately 23% of Ternium Mexico's electricity needs.

(f) Several Ternium Mexico’s subsidiaries which have facilities throughout the Mexican territory are parties to a long term energy purchase agreement for purchased capacity of electricity with Tractebel Energía de Monterrey, S. de R.L. de C.V., distributed among each plant defined as a capacity user. Each capacity user is committed to pay Tractebel for the purchased capacity and for the net energy delivered. Ternium Mexico is required to provide its best estimate of its expected nomination for capacity and energy under the specific limits and timelines. The monthly payments are calculated considering the capacity charges, energy charges, back-up power charges, and transmission charges, less any steam credits. The contracted amount is of USD 170 million and the contract will terminate in 2018.

(iii) Restrictions on the distribution of profits

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

As of December 31, 2013, Ternium may pay dividends up to USD 5.8 billion in accordance with Luxembourg law and regulations.

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

	As of December 31, 2013

Share capital	2,004,743
Legal reserve	200,474
Non distributable reserves	1,414,122
Accumulated profit at January 1, 2013 (1)	5,844,993
Loss for the year	(6,947)
Total shareholders' equity under Luxembourg GAAP	**9,457,385**

(1) As a result of the repurchase of its own shares from Usiminas on February 15, 2011 (see Note 29), the Company is required under applicable Luxembourg law to create a new non-distributable reserve in the amount of USD 150 million.

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26. EARNINGS PER SHARE

As of December 31, 2013, the capital was USD 2,004,743,442 represented by 2,004,743,442 shares, each having a nominal value of USD 1.00 each.

For fiscal years 2013, 2012 and 2011, the weighted average of shares outstanding totaled 1,963,076,776, 1,963,076,776 and 1,968,327,917 shares, respectively. See note 29.

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the daily weighted average number of ordinary shares outstanding during the year.

	2013	**2012**	**2011**
Profit from continuing operations attributable to equity holders of the Company	455,425	142,043	517,668
Weighted average number of ordinary shares in issue	1,963,076,776	1,963,076,776	1,968,327,917
Basic and diluted earnings per share from continuing operations attributable to equity holders of the Company (USD per share)	0.23	0.07	0.26

27. RELATED PARTY TRANSACTIONS

As of December 31, 2013, Techint owned 62.02% of the Company's share capital and Tenaris held 11.46% of the Company's share capital. Each of Techint and Tenaris were controlled by San Faustin S.A., a Luxembourg company ("San Faustin"). Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin ("RP STAK"), a Dutch private foundation (Stichting), held shares in San Faustin sufficient in number to control San Faustin. No person or group of persons controls RP STAK.

For commitments with Related parties, see note 25.

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27. RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties:

	Year ended December 31,		
	2013	**2012**	**2011**
(i) Transactions			
(a) Sales of goods and services			
Sales of goods to non-consolidated parties	23	171	14,182
Sales of goods to other related parties	210,622	216,392	167,786
Sales of services and others to non-consolidated parties	2,270	173	109
Sales of services and others to other related parties	2,004	616	1,682
	214,919	**217,352**	**183,759**
(b) Purchases of goods and services			
Purchases of goods from non-consolidated parties	228,065	399,495	232,331
Purchases of goods from other related parties	86,883	75,482	58,219
Purchases of services and others from non-consolidated parties	13,433	45,033	44,086
Purchases of services and others from other related parties	234,372	248,647	129,844
	562,753	**768,657**	**464,480**
(c) Financial results			
Income with non-consolidated parties	-	-	95
Expenses with non-consolidated parties	-	(308)	(21)
	-	**(308)**	**74**
(d) Dividends received			
Dividends received from non-consolidated parties	207	4,718	-
	207	**4,718**	**-**
(e) Other income and expenses			
Income with non-consolidated parties	4,597	-	-
	4,597	**-**	**-**

	As of December 31,	
	2013	**2012**

(ii) Year-end balances
(a) Arising from sales/purchases of goods/services and other transactions

Receivables from non-consolidated parties	5,218	1,102
Receivables from other related parties	24,802	24,243
Advances to suppliers with other related parties	330	4,321
Payables to non-consolidated parties	(40,244)	(84,708)
Payables to other related parties	(35,451)	(68,792)
	(45,345)	**(123,834)**

(iii) Officers and Directors' compensation

During the year ended December 31, 2013 the cash compensation of Officers and Directors amounted to USD 13,168. In addition, Officers received 977.000 Units for a total amount of USD 2,611 in connection with the incentive retention program mentioned in note 4 (n)(3).

28. INVESTMENTS IN MEXICO

(a) Investments in Production Plants

On October 4, 2010, Ternium and Nippon Steel Corporation signed a definitive agreement to form an operation in Mexico for the manufacturing and sale of hot-dip galvanized and galvannealed steel sheets to serve the Mexican automobile market. The company was established in November 2010 and operates under the name of Tenigal, S.R.L. de C.V. Ternium and Nippon Steel hold 51% and 49% participations in Tenigal, respectively.

Tenigal built a hot-dip galvanizing plant in the vicinity of Monterrey City (equivalent to the state-of-the-art equipment now in operation at Nippon Steel's steelworks in Japan) with a production capacity of 400,000 metric tons per year. The investment in the construction of this facility would require a total amount of approximately USD 315 million. The plant initiated production of high-grade and high-quality galvanized and galvannealed automotive steel sheets, including outer-panel and high-strength qualities, during the second half of 2013. Tenigal is expected to serve the requirements of the growing automotive industry in Mexico, including those of the Japanese car makers. As of December 31, 2013, the invested amount totaled USD 298 million.

In addition, Ternium Mexico is currently completing the construction of a new pickling, cold-rolling, annealing and tempering lines at the same site. Some of these lines have already commenced production during the second half of 2013. Part of the output from these lines will be used to supply the Tenigal plant. The investment in the construction of this facility would require a total amount of approximately USD 740 million. As of December 31, 2013, the invested amount totaled USD 641 million.

(b) Investments in Power Plant

Following the execution of an August 2013 memorandum of understanding for the construction and operation of a natural gas-fired combined cycle electric power plant in the Pesquería area of the State of Nuevo León, Mexico, as of February 2014, Ternium, Tenaris and Tecpetrol International S.A. (a wholly-owned subsidiary of San Faustin S.A., the controlling shareholder of both Ternium and Tenaris) have completed their initial investments in Techgen, S.A. de C.V., a Mexican project company owned 48% by Ternium, 30% by Tecpetrol and 22% by Tenaris. Tenaris and Ternium have also agreed to enter into power supply and transportation agreements with Techgen, pursuant to which Ternium and Tenaris will contract 78% and 22%, respectively, of Techgen's power capacity of between 850 and 900 megawatts.

29. REPURCHASE OF SHARES FROM USIMINAS CONCURRENTLY WITH SECONDARY PUBLIC OFFERING

On January 31, 2011, Ternium entered into a transaction and registration rights agreement with its 14.3% shareholder Usiminas and Techint Holdings S.à.r.l. ("Techint"). The transaction and registration rights agreement provided, among other things, for a SEC-registered underwritten public offering of up to all of Ternium shares held by Usiminas (less the number of shares that Ternium and Techint agreed to purchase as discussed below) in the form of ADSs listed on the New York Stock Exchange. Neither Ternium nor Techint offered to sell any Ternium shares or ADSs in the public offering.

On February 9, 2011, Ternium and Techint, following the pricing of the underwritten public offering mentioned above, entered into purchase agreements with Usiminas relating to their concurrent purchase transactions of Ternium shares. Under these agreements, on February 15, 2011, Ternium and Techint purchased from Usiminas 41,666,666 and 27,777,780 Ternium shares for a total consideration of USD 150 million and USD 100 million, respectively. In connection with the sale of Ternium's shares by Usiminas, Ternium collected a USD 10.2 million fee, included in "Other operating income (expenses), net" and was reimbursed of all expenses relating to the offering and concurrent purchase.

Following consummation of these transactions, Techint owns directly 62.02% of the Company's share capital and Tenaris holds directly 11.46% of the Company's share capital (both including treasury shares) and Usiminas no longer owns any Ternium shares. In addition, the two members of Ternium's Board of Directors nominated by Usiminas resigned from the Ternium Board.

Related to the dividends distributed on May 10, 2013, May 2, 2012, and June 9, 2011, and as these treasury shares are held by one of Ternium's subsidiaries, the dividends attributable to these treasury shares amounting to USD 2.7 million, USD 3.1 million and USD 3.1 million, respectively, were included in equity as less dividend paid.

30. OTHER REQUIRED DISCLOSURES

(a) Statement of comprehensive income

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30. OTHER REQUIRED DISCLOSURES (continued)

(b) Statement of cash flows

	Year ended December 31,		
	2013	**2012**	**2011**
(i) Changes in working capital (1)			
Inventories	(115,843)	20,250	(410,088)
Receivables and others	78,797	(86,319)	(8,635)
Trade receivables	58,332	38,219	(136,547)
Other liabilities	58,591	(41,456)	25,332
Trade payables	34,734	92,839	130,646
	114,611	**23,533**	**(399,292)**
(ii) Income tax accrual less payments			
Tax accrued (Note 11)	349,426	261,227	312,555
Taxes paid	(373,603)	(220,197)	(571,919)
	(24,177)	**41,030**	**(259,364)**
(iii) Interest accruals less payments			
Interest accrued	132,113	150,302	105,570
Interest paid	(148,982)	(149,486)	(62,523)
	(16,869)	**816**	**43,047**

(1) Changes in working capital are shown net of the effect of exchange rate changes.

31. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The following standards, amendments to standards and interpretations are not mandatory for the financial year beginning January 1, 2013 and have not been early adopted:

(i) International Financial Reporting Standard 9 (amended 2011), "Financial Instruments"

In November 2009 and October 2010, the IASB issued IFRS 9, “Financial Instruments”. The standard addresses the classification, measurement and recognition of financial assets and liabilities and it replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

The Company's management is currently assessing the potential impact that the application of this standard may have on the Company's financial condition or results of operations.

32. FINANCIAL RISK MANAGEMENT

1) Financial risk factors

Ternium’s activities expose the Company to a variety of risks: market risk (including the effects of changes in foreign currency exchange rates, interest rates and commodities prices), credit risk and liquidity risk.

Ternium’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Ternium’s subsidiaries may use derivative financial instruments to hedge certain risk exposures.

32. FINANCIAL RISK MANAGEMENT (continued)

1.1) Market Risk

(i) Foreign exchange rate risk

Ternium operates and sells its products in different countries, and as a result is exposed to foreign exchange rate volatility. In addition, the Company entered into several borrowings that contain covenants providing for the compliance with certain financial ratios, including ratios measured in currencies other that the U.S. dollar. This situation exposes Ternium to a risk of non-compliance derived from volatility in foreign exchange rates. Ternium's subsidiaries may use derivative contracts in order to hedge their exposure to exchange rate risk derived from their trade and financial operations.

Ternium general policy is to minimize the negative impact of fluctuations in the value of other currencies with respect to the U.S. dollar. Ternium's subsidiaries monitor their net operating cash flows in currencies other than the U.S. dollar, and analyze potential hedging according to market conditions. This hedging can be carried out by netting operational positions or by financial derivatives. However, regulatory or legal restrictions in the countries in which Ternium's subsidiaries operate, could limit the possibility of the Company carrying out its hedging policy.

Ternium has foreign operations, whose net assets are exposed to foreign currency translation risk, some of which may impact net income. The fact that some subsidiaries have measurement currencies other than the U.S. dollar may, at times, distort the results of the hedging efforts as reported under IFRS.

The following table shows a breakdown of Ternium's assessed financial position exposure to currency risk as of December 31, 2013. These balances include intercompany positions where the intervening parties have different functional currencies.

USD million Exposure to	Functional currency	
	USD	ARS

US dollar (USD)	-	(16)
EU euro (EUR)	23	(1)
Argentine peso (ARS)	(7)	-
Mexican peso (MXN)	(276)	-
Colombian peso (COP)	(51)	-
Other currencies	(3)	-

We estimate that if the Argentine peso, Mexican peso, Colombian peso and Brazilian real had weakened by 1% against the US dollar with all other variables held constant, total pre-tax income for the year would have been USD 2.9 million higher (USD 2.1 million higher as of December 31, 2012), as a result of foreign exchange gains/losses on translation of US dollar-denominated financial position, mainly trade receivables, trade payables and other liabilities.

Considering the same variation of the currencies against the US dollar of all net investments in foreign operations amounting to USD 2.4 billion, the currency translation adjustment included in total equity would have been USD 23.4 million lower (USD 24.5 million lower as of December 31, 2012), arising mainly from the adjustment on translation of the equity related to the Argentine peso and the Brazilian real.

32. FINANCIAL RISK MANAGEMENT (continued)

(ii) Interest rate risk

Ternium manages its exposure to interest rate volatility through its financing alternatives and hedging instruments. Borrowings issued at variable rates expose the Company to the risk of increased interest expense in the event of a raise in market interest rates, while borrowings issued at fixed rates expose the Company to a variation in its fair value. The Company's interest-rate risk mainly arises from long-term borrowings that bear variable-rate interest that is partially fixed through different derivative transactions, such as swaps and structures with options. The Company's general policy is to maintain a balance between instruments exposed to fixed and variable rates; which can be modified according to long term market conditions.

Ternium's nominal weighted average interest rate for its debt instruments, which also includes the effect of derivative financial instruments, was 4.89% and 5.99% for 2013 and 2012, respectively. These rates were calculated using the rates set for each instrument in its corresponding currency and weighted using the dollar-equivalent outstanding principal amount of each instrument as of December 31, 2013 and 2012, respectively.

Ternium's total variable interest rate debt amounted to USD 1,516 million (75.7% of total borrowings) at December 31, 2013 and USD 1,843 million (76.0% of total borrowings) at December 31, 2012.

If interest rates on the aggregate average notional of US dollar denominated borrowings held during 2013, excluding borrowings with derivatives contracts mentioned in Note 23(a), had been 100 basis points higher with all other variables held constant, total pre-tax income for the year ended December 31, 2013 would have been USD 20.2 million lower (USD 21.6 million lower as of December 31, 2012).

(iii) Commodity price risk

In the ordinary course of its operations, Ternium purchases raw materials (such as iron ore, coal and slabs) and other commodities (including electricity and gas). Commodity prices are generally volatile as a result of several factors, including those affecting supply and demand, political, social and economic conditions, and other circumstances.

Ternium monitors its exposure to commodity price volatility on a regular basis and applies customary commodity price risk management strategies. For further information on long-term commitments, see note 25(ii).

1.2) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Ternium's subsidiaries have credit guidelines in place to ensure that derivative and treasury counterparties are limited to high credit quality financial institutions.

Ternium invests in financial assets with a minimum credit rating of investment grade established by an international qualification agency renowned in the financial market, in line with corporate investment portfolio policies.

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32. FINANCIAL RISK MANAGEMENT (continued)

Ternium has no significant concentrations of credit risk from customers. No single customer accounts for more than five percent of Ternium's sales. Ternium's subsidiaries have policies in place to ensure that sales are made to customers with an appropriate credit history, and that credit insurances, letters of credit or other instruments are requested to reduce credit risk whenever deemed necessary. The subsidiaries maintain allowances for potential credit losses. The utilization of credit limits is regularly monitored.

Trade and other receivables are carried at face value less allowance for doubtful accounts, if applicable. This amount does not differ significantly from fair value. The other receivables do not contain significant impaired assets.

As of December 31, 2013, trade receivables total USD 673.2 million. These trade receivables are collateralized by guarantees under letter of credit and other bank guarantees of USD 3.6 million, credit insurance of USD 518.1 million and other guarantees of USD 12.7 million.

As of December 31, 2013, trade receivables of USD 604.4 million were fully performing.

As of December 31, 2013, trade receivables of USD 53.2 million were past due. These trade receivables as of December 31, 2013, are past due less than 3 months.

The amount of the allowance for doubtful accounts was USD 12.8 million as of December 31, 2013.

The carrying amounts of the Company's trade and other receivables as of December 31, 2013, are denominated in the following currencies:

Currency	USD million
US dollar (USD)	542

EU euro (EUR)	43
Argentine peso (ARS)	21
Mexican peso (MXN)	158
Colombian peso (COP)	98
Other currencies	3
	865

1.3) Liquidity risk

Management maintains sufficient cash and marketable securities and credit facilities to finance normal operations. Management monitors rolling forecasts of the group's liquidity reserve on the basis of expected cash flow.

The table below analyses financial liabilities into relevant maturity groups based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

USD million	**2014**	**2015**	**2016**	**2017**	**Thereafter**
Borrowings	798	306	338	238	323
Interests to be accrued (1)	54	27	17	8	7
Trade payables and other liabilities	699	3	3	3	26
Total	**1,551**	**336**	**358**	**249**	**356**

(1) These amounts do not include the effect of derivative financial instruments.

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32. FINANCIAL RISK MANAGEMENT (continued)

As of December 31, 2013, total borrowings less cash and cash equivalents and other current investments amounted to USD 1,526.1 million.

1.4) Capital risk

Ternium seeks to maintain an adequate debt/equity ratio considering the industry and the markets where it operates. The year-end ratio debt over debt plus equity is 0.24 and 0.27 as of December 31, 2013 and 2012, respectively. The Company does not have to comply with regulatory capital adequacy requirements as known in the financial services industry.

2) Financial instruments by category and fair value hierarchy level

The accounting policies for financial instruments have been applied to the line items below. According to the scope and definitions set out in IFRS 7 and IAS 32, employers' rights and obligations under employee benefit plans, and non-financial assets and liabilities such as advanced payments and income tax payables, are not included.

As of December 31, 2013 (in USD thousands)	Loans and receivables	Assets at fair value through profit and loss	Total
(i) Assets as per statement of financial position			
Receivables	39,575	-	39,575
Derivative financial instruments	-	1,535	1,535
Trade receivables	673,207	-	673,207
Other investments	58,198	111,305	169,503
Cash and cash equivalents	2,002	305,216	307,218
Total	**772,982**	**418,056**	**1,191,038**

As of December 31, 2013 (in USD thousands)	Derivatives	Total

		Other financial liabilities	
(ii) Liabilities as per statement of financial position			
Other liabilities	-	44,841	44,841
Trade payables	-	689,092	689,092
Borrowings	-	2,002,824	2,002,824
Total	**-**	**2,736,757**	**2,736,757**

As of December 31, 2012 (in USD thousands)	Loans and receivables	Assets at fair value through profit and loss	Total
(i) Assets as per statement of financial position			
Receivables	46,196	-	46,196
Derivative financial instruments	-	64	64
Trade receivables	740,169	-	740,169
Other investments	16,737	150,963	167,700
Cash and cash equivalents	55,016	505,291	560,307
Total	**858,118**	**656,318**	**1,514,436**

As of December 31, 2012 (in USD thousands)	Derivatives	Other financial liabilities	Total
(ii) Liabilities as per statement of financial position			
Other liabilities	-	26,347	26,347
Trade payables	-	727,795	727,795
Derivative financial instruments	271	-	271
Borrowings	-	2,424,363	2,424,363
Total	**271**	**3,178,505**	**3,178,776**

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32. FINANCIAL RISK MANAGEMENT (continued)

Fair Value by Hierarchy

Following the requirements contained in IFRS 13, Ternium categorizes each class of financial instrument measured at fair value in the statement of financial position into three levels, depending on the significance of the judgment associated with the inputs used in making the fair value measurements. Level 1 comprises financial assets and financial liabilities whose fair values have been determined on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 includes financial assets and financial liabilities for which fair values have been estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 comprises financial instruments for which inputs to estimate fair value of the assets or liabilities are not based on observable market data (unobservable inputs).

	Fair value measurement as of December 31, 2013 (in USD thousands):		
Description	**Total**	**Level 1**	**Level 2**
Financial assets at fair value through profit or loss			
Cash and cash equivalents	305,216	300,211	5,005
Other investments	111,305	64,971	46,334
Derivative financial instruments	1,535	-	1,535
Total assets	**418,056**	**365,182**	**52,874**
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	-	-	-
Total liabilities	**-**	**-**	**-**

	Fair value measurement as of December 31, 2012 (in USD thousands):		
Description	**Total**	**Level 1**	**Level 2**
Financial assets at fair value through profit or loss			
Cash and cash equivalents	505,291	389,032	116,259

Other investments	150,963	130,926	20,037
Derivative financial instruments	64	-	64
Total assets	**656,318**	**519,958**	**136,360**
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	271	-	271
Total liabilities	**271**	**-**	**271**

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

3) Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized in the statement of financial position at cost and subsequently measured at fair value. Changes in fair value are disclosed under "Other financial income (expenses), net" line item in the income statement. Ternium does not hedge its net investments in foreign entities.

32. FINANCIAL RISK MANAGEMENT (continued)

Ternium designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. These transactions are classified as cash flow hedges (mainly interest rate swaps, collars and commodities contracts). The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized within other comprehensive income. Amounts accumulated in other comprehensive income are recognized in the income statement in the same period than any offsetting losses and gains on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. The fair value of Ternium derivative financial instruments (asset or liability) continues to be reflected on the statement of financial position.

For transactions designated and qualifying for hedge accounting, Ternium documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. At December 31, 2013, the effective portion of designated cash flow hedges amounts to USD 1.1 million (net of taxes) and is included as “Cash flow hedges” line item in the statement of comprehensive income.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

4) Fair value estimation

The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For the purpose of estimating the fair value of financial assets and liabilities with maturities of less than one year, the Company uses the market value less any estimated credit adjustments. For other investments, the Company uses quoted market prices.

As most borrowings include variable rates or fixed rates that approximate market rates and the contractual re-pricing occurs every 3 to 6 months, the fair value of the borrowings approximates its carrying amount and is not disclosed separately.

In assessing the fair value of derivatives and other financial instruments, Ternium uses a variety of methods, including, but not limited to, estimated discounted value of future cash flows using assumptions based on market conditions existing at each year end.

Pablo Brizzio

Chief Financial Officer