



**Consolidated Management Report
for the year ended on December 31, 2020**

26 Boulevard Royal, 4th floor
L – 2449 Luxembourg
R.C.S. Luxembourg: B 98 668



TERNIUM S.A.
Consolidated Financial Statements
as of December 31, 2020 and 2019 and
for the years ended on December 31, 2020, 2019 and 2018

26 Boulevard Royal, 4th floor
L – 2449 Luxembourg
R.C.S. Luxembourg: B 98 668

TERNIUM S.A.

Consolidated Financial Statements as of December 31, 2020 and 2019
and for the years ended December 31, 2020, 2019 and 2018
(All amounts in \$ thousands)

Consolidated Income Statements

	Notes	Year ended December 31,		
		2020	2019	2018
Net sales	4	8,735,435	10,192,818	11,454,807
Cost of sales	5	(7,099,923)	(8,452,440)	(8,483,328)
Gross profit		1,635,512	1,740,378	2,971,479
Selling, general and administrative expenses	6	(762,882)	(897,475)	(876,764)
Other operating income (expenses), net	8	206,843	21,663	13,656
Operating income		1,079,473	864,566	2,108,371
Finance expense	9	(46,644)	(88,284)	(131,172)
Finance income	9	49,421	29,071	21,236
Other financial income (expenses), net	9	19,554	(39,756)	(69,640)
Equity in earnings of non-consolidated companies	13	57,555	60,967	102,772
Profit before income tax expense		1,159,359	826,564	2,031,567
Income tax expense	10	(291,488)	(196,519)	(369,435)
Profit for the year		867,871	630,045	1,662,132
Attributable to:				
Owners of the parent		778,468	564,269	1,506,647
Non-controlling interest		89,403	65,776	155,485
Profit for the year		867,871	630,045	1,662,132
Weighted average number of shares outstanding		1,963,077	1,963,077	1,963,077
Basic and diluted earnings per share for profit attributable to the owners of the parent (expressed in \$ per share)		396.56	0.29	0.77

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

4. SEGMENT INFORMATION (continued)**REVENUES BY PRODUCT**

	Year ended December 31,		
	2020	2019	2018
Semi-finished (1)	3,632	51,496	103,099
Slabs	1,047,311	1,753,090	1,818,235
Hot rolled (2)	2,880,055	3,275,941	3,961,144
Cold rolled	1,101,963	1,165,406	1,264,940
Coated (3)	3,015,132	3,263,463	3,506,040
Roll-formed and tubular (4)	413,337	380,688	437,514
Other products (5)	274,005	302,734	363,835
TOTAL SALES	8,735,435	10,192,818	11,454,807

(1) Semi-finished includes 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, steel decks and pre-engineered metal building systems.

(5) Other products include mainly sales of energy and pig iron.

5. COST OF SALES

	Year ended December 31,		
	2020	2019	2018
Inventories at the beginning of the year	2,158,298	2,689,829	2,550,930
Effect of initial inflation adjustment (Note 3 (cc))	—	—	191,708
Translation differences	—	(21,919)	(413,436)
Plus: Charges for the year			
Raw materials and consumables used and other movements	5,359,938	6,165,654	6,961,704
Services and fees	112,924	151,373	158,551
Labor cost	546,045	611,615	699,447
Depreciation of property, plant and equipment	527,283	508,934	456,522
Amortization of intangible assets	14,624	17,805	25,374
Maintenance expenses	371,368	467,090	519,625
Office expenses	6,131	8,513	8,586
Insurance	10,641	9,674	8,769
Change of obsolescence allowance	(1,279)	8,413	17,322
Recovery from sales of scrap and by-products	(20,892)	(23,793)	(27,744)
Others	16,623	17,550	15,799
Less: Inventories at the end of the year	(2,001,781)	(2,158,298)	(2,689,829)
Cost of Sales	7,099,923	8,452,440	8,483,328

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2020	2019	2018
Services and fees (1)	53,220	79,283	76,066
Labor cost	192,854	215,418	241,552
Depreciation of property, plant and equipment	15,920	16,034	13,561
Amortization of intangible assets	73,224	118,339	93,842
Maintenance and expenses	4,275	4,894	5,096
Taxes	97,075	104,014	95,072
Office expenses	27,314	35,956	35,663
Freight and transportation	283,808	307,958	300,676
Increase (decrease) of allowance for doubtful accounts	336	(293)	1,629
Others	14,856	15,872	13,607
Selling, general and administrative expenses	762,882	897,475	876,764

(1) For the year ended December 31, 2020 it includes fees accrued for professional services rendered by PwC to Ternium S.A. and its subsidiaries that amounted to \$ 3,289, including \$ 3,132 for audit services, \$ 41 for audit-related services, \$ 95 for tax services and \$ 21 for all other services.

For the year ended December 31, 2019, it includes fees accrued for professional services rendered by PwC to Ternium S.A. and its subsidiaries that amounted to \$ 3,804, including \$ 3,485 for audit services, \$ 54 for audit-related services, \$ 190 for tax services and \$ 75 for all other services.

For the year ended December 31, 2018, it includes fees accrued for professional services rendered by PwC to Ternium S.A. and its subsidiaries that amounted to \$ 4,704, including \$ 3,937 for audit services, \$ 61 for audit-related services, \$ 281 for tax services and \$ 425 for all other services.

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

	Year ended December 31,		
	2020	2019	2018
Wages, salaries and social security costs	677,541	759,678	884,536
Termination benefits	25,265	28,269	26,601
Post-employment benefits (Note 20 (i))	36,093	39,086	29,862
Labor costs	738,899	827,033	940,999

As of December 31, 2020, 2019 and 2018, the number of employees was 20,173, 19,863 and 20,660, respectively.

8. OTHER OPERATING INCOME (EXPENSES), NET

	Year ended December 31,		
	2020	2019	2018
Results of sundry assets	1,363	258	1,895
Provision for legal claims and other matters (Note 18 and 24 (ii))	—	1,997	7,625
Recovery of provision related to the ICMS action of unconstitutionality (Note 24 (i) (g)) (1)	380,075	—	—
Other operating income	20,093	19,408	4,136
Other operating income	401,531	21,663	13,656
Reversal of the asset in connection with the ICMS provision (Note 24 (i) (g)) (1)	(194,065)	—	—
Provision for legal claims and other matters (Note 18 and 24 (ii))	(623)	—	—
Other operating expense	(194,688)	—	—
Other operating income (expenses), net	206,843	21,663	13,656

(1) It includes the gain generated by the recovery of the provision for contingencies related to the ICMS action of unconstitutionality (\$ 380,075), partially compensated by the reversal of the related credit (\$ 194,065). For more information about this case, see note 24 (i) (g)).

9. OTHER FINANCIAL INCOME (EXPENSES), NET

	Year ended December 31,		
	2020	2019	2018
Interest expense	(46,644)	(88,284)	(131,172)
Finance expense	(46,644)	(88,284)	(131,172)
Interest income	49,421	29,071	21,236
Finance income	49,421	29,071	21,236
Net foreign exchange gain (loss)	3,379	(136,897)	(177,645)
Inflation adjustment results	—	117,956	191,427
Change in fair value of financial assets	6,104	—	—
Derivative contract results	11,933	(10,831)	(99,259)
Others	(1,862)	(9,984)	15,837
Other financial income (expenses), net	19,554	(39,756)	(69,640)