Ternium S.A.
Form 6-K
February 24, 2016

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 2/23/2016

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, 2015.

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 23, 2016

TERNIUM S.A.

Consolidated Financial Statements

as of December 31, 2015 and 2014 and

for the years ended on December 31, 2015, 2014 and 2013

29 Avenue de la Porte-Neuve, 3rd floor

L – 2227

R.C.S. Luxembourg: B 98 668

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2015 and 2014

and for the years ended December 31, 2015, 2014 and 2013

(All amounts in USD thousands)

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TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2015 and 2014

and for the years ended December 31, 2015, 2014 and 2013

(All amounts in USD thousands)

Consolidated Income Statements

	Notes	Year ended December 31, 2015	2014	2013
Net sales	**5**	7,877,449	8,726,057	8,530,012
Cost of sales	**6**	(6,477,272)	(6,925,169)	(6,600,292)
Gross profit		**1,400,177**	**1,800,888**	**1,929,720**
Selling, general and administrative expenses	**7**	(770,292)	(816,478)	(843,311)
Other operating income (expenses), net	**9**	9,454	71,751	23,014
Operating income		**639,339**	**1,056,161**	**1,109,423**
Finance expense	**10**	(89,489)	(117,866)	(132,113)
Finance income	**10**	7,981	7,685	9,517
Other financial income (expenses), net	**10**	(17,922)	40,731	(12,879)
Equity in (losses) earnings of non-consolidated companies	**3 & 14**	(272,810)	(751,787)	(31,609)
Profit before income tax expense		**267,099**	**234,924**	**942,339**
Income tax expense	**11**	(207,320)	(339,105)	(349,426)
Profit (Loss) for the year		**59,779**	**(104,181)**	**592,913**
Attributable to:				
Owners of the parent		8,127	(198,751)	455,425
Non-controlling interest		51,652	94,570	137,488
Profit (Loss) for the year		**59,779**	**(104,181)**	**592,913**
Weighted average number of shares outstanding		1,963,076,776	1,963,076,776	1,963,076,776
Basic and diluted (losses) earnings per share for profit attributable to the owners of the parent (expressed in USD per share)		0.00	(0.10)	0.23

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

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2015 and 2014

and for the years ended December 31, 2015, 2014 and 2013

(All amounts in USD thousands)

Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2015	**2014**	**2013**
Profit (Loss) for the year	**59,779**	**(104,181)**	**592,913**
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment	(409,767)	(270,773)	(301,943)
Currency translation adjustment from participation in non-consolidated companies	(230,774)	(119,808)	(201,362)
Changes in the fair value of derivatives classified as cash flow hedges and available-for-sale financial instruments	1,277	(3,016)	1,805
Income tax relating to cash flow hedges and available-for-sale financial instruments	(371)	638	(541)
Changes in the fair value of derivatives classified as cash flow hedges from participation in non-consolidated companies	-	154	6,869
Others from participation in non-consolidated companies	(4,140)	(5,642)	6,113
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post employment benefit obligations	5,277	(27,561)	(7,714)
Income tax relating to remeasurement of post employment benefit obligations	(1,946)	7,711	2,224
Other comprehensive loss for the year, net of tax	**(640,444)**	**(418,297)**	**(494,549)**
Total comprehensive (loss) income for the year	**(580,665)**	**(522,478)**	**98,364**
Attributable to:			
Equity holders of the Company	(457,750)	(495,603)	98,856
Non-controlling interest	(122,915)	(26,875)	(492)
Total comprehensive (loss) income for the year	**(580,665)**	**(522,478)**	**98,364**

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

TERNIUM S.A.
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(All amounts in USD thousands)

Consolidated Statements of Financial Position

		Balances as of			
	Notes	**December 31, 2015**		**December 31, 2014**	
ASSETS					
Non-current assets					
Property, plant and equipment, net	**12**	4,207,566		4,481,027	
Intangible assets, net	**13**	888,206		948,886	
Investments in non-consolidated companies	**14**	250,412		748,178	
Deferred tax assets	**20**	98,058		115,626	
Receivables, net	**15**	36,147		47,482	
Trade receivables, net		-	5,480,389	91	6,341,290
Current assets					
Receivables	**15**	89,484		112,229	
Derivative financial instruments	**22**	1,787		4,338	
Inventories, net	**17**	1,579,120		2,134,034	
Trade receivables, net	**16**	511,464		720,214	
Other investments	**18**	237,191		149,995	
Cash and cash equivalents	**18**	151,491	2,570,537	213,303	3,334,113
Non-current assets classified as held for sale			11,667		14,756
			2,582,204		3,348,869
Total Assets			**8,062,593**		**9,690,159**
EQUITY					
Capital and reserves attributable to the owners of the parent			4,033,148		4,697,201
Non-controlling interest			769,849		937,502
Total Equity			**4,802,997**		**5,634,703**
LIABILITIES					
Non-current liabilities					
Provisions	**19**	8,142		9,067	
Deferred tax liabilities	**20**	609,514		670,523	
Other liabilities	**21**	320,673		371,900	
Trade payables		13,413		11,969	

Borrowings	**23**	607,237	1,558,979	900,611	1,964,070
Current liabilities					
Current income tax liabilities		41,064		51,083	
Other liabilities	**21**	156,654		210,206	
Trade payables		568,478		564,513	
Derivative financial instruments	**22**	20,635		1,376	
Borrowings	**23**	913,786	1,700,617	1,264,208	2,091,386
Total Liabilities			3,259,596		4,055,456
Total Equity and Liabilities			**8,062,593**		**9,690,159**

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

TERNIUM S.A.
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(All amounts in USD thousands)

Consolidated Statements of Changes in Equity

	Attributable to the owners of the parent (1)									
	Capital stock (2)	Treasury shares (2)	Initial public offering expenses	Reserves (3)	Capital stock issue discount (4)	Currency translation adjustment	Retained earnings	Total	Non-controlling interest	T Ec
Balance at January 1, 2015	**2,004,743**	**(150,000)**	**(23,295)**	**1,475,619**	**(2,324,866)**	**(1,836,057)**	**5,551,057**	**4,697,201**	**937,502**	**5,63**
Profit for the period							8,127	8,127	51,652	5
Other comprehensive income (loss) for the year										
Currency translation adjustment						(464,278)		(464,278)	(176,263)	(64
Remeasurement of post employment benefit obligations				1,535				1,535	1,796	
Cash flow hedges and others, net of tax				714				714	192	
Others				(3,848)				(3,848)	(292)	(
Total comprehensive loss for the year	**-**	**-**	**-**	**(1,599)**	**-**	**(464,278)**	**8,127**	**(457,750)**	**(122,915)**	**(58**
Dividends paid in cash (5)							(176,677)	(176,677)	-	(17
Dividends paid in cash to non-controlling interest								-	(32,743)	(3
								-	30,870	3

Contributions from non-controlling shareholders in consolidated subsidiaries (6)										
Sale of participation in subsidiary companies (7)								-	1,509	
Acquisition of non-controlling interest (8)				(29,626)				(29,626)	(44,374)	(7
Balance at December 31, 2015	**2,004,743**	**(150,000)**	**(23,295)**	**1,444,394**	**(2,324,866)**	**(2,300,335)**	**5,382,507**	**4,033,148**	**769,849**	**4,8**

(1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 24 (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, 2015, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of December 31, 2015, the Company held 41,666,666 shares as treasury shares.

(3) Include mainly 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 (0.4) million and reserves related to the acquisition of non-controlling interest in subsidiaries for USD (88.5) million.

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

(5) Represents USD 0.090 per share (USD 0.90 per ADS). Related to the dividends distributed on May 6, 2015, and as 41,666,666 shares are held as treasury shares by Ternium, the dividends attributable to these treasury shares amounting to USD 3.7 million were included in equity as less dividend paid.

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

(7) Corresponds to the sale of the participation in Ferrasa Panamá S.A. See note 2.b.

(8) Corresponds to the acquisition on the non-controlling interest in Ferrasa S.A.S. See note 2.b.

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 24 (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 owners of the parent (1)									
	Capital stock (2)	**Treasury shares (2)**	**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, 2014	**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**
Loss for the year							(198,751)	(198,751)	94,570	(104
Other comprehensive income (loss) for the year										
Currency translation adjustment						(272,495)		(272,495)	(118,086)	(390
Remeasurement of post employment benefit obligations				(17,871)				(17,871)	(1,979)	(19
Cash flow hedges, net of tax				(1,327)				(1,327)	(897)	(2
Others				(5,159)				(5,159)	(483)	(5
Total comprehensive loss for the year	**-**	**-**	**-**	**(24,357)**	**-**	**(272,495)**	**(198,751)**	**(495,603)**	**(26,875)**	**(522**
Dividends paid in cash (5)				-			(147,231)	(147,231)	-	(147
Dividends paid in cash to non-controlling interest								-	(33,632)	(33

Balance at December 31, 2014	**2,004,743**	**(150,000)**	**(23,295)**	**1,475,619**	**(2,324,866)**	**(1,836,057)**	**5,551,057**	**4,697,201**		**937,502**	**5,63**

(1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 24 (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, 2014, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of December 31, 2014, the Company held 41,666,666 shares as treasury shares.

(3) Include mainly 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 (0.4) million and reserves related to the acquisition of non-controlling interest in subsidiaries 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) Represents USD 0.075 per share (USD 0.75 per ADS). Related to the dividends distributed on May 7, 2014, and as 41,666,666 shares are held as treasury shares by Ternium, the dividends attributable to these treasury shares amounting to USD 3.1 million were included in equity as less dividend paid.

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 24 (iii). The accompanying notes are an integral part of these consolidated financial statements.

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and for the years ended December 31, 2015, 2014 and 2013

(All amounts in USD thousands)

Consolidated Statements of Changes in Equity

	Attributable to the owners of the parent (1)									
	Capital stock (2)	Treasury shares (2)	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	**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
Remeasurement of post employment benefit obligations				(5,126)				(5,126)	(364)	(5
Cash flow hedges and others, net of tax				6,813				6,813	1,317	
Others				5,492				5,492	624	
Total comprehensive income for the year	**-**	**-**	**-**	**7,179**	**-**	**(363,748)**	**455,425**	**98,856**	**(492)**	**9**
Acquisition of non-controlling interest (5)				(404)				(404)	(525)	
Dividends paid in cash (6)							(127,600)	(127,600)	-	(127
Dividends paid in cash to								-	(66,704)	(66

non-controlling interest										
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 24 (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. Also, as of December 31, 2013, the Company held 41,666,666 shares as treasury shares.

(3) Include mainly 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 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). Related to the dividends distributed on May 10, 2013, and as 41,666,666 shares are held as treasury shares by Ternium, the dividends attributable to these treasury shares amounting to USD 2.7 million were included in equity as less dividend paid.

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 24 (iii). The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
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(All amounts in USD thousands)

Consolidated Statements of Cash Flows

		Year ended December 31,		
	Notes	**2015**	**2014**	**2013**
Cash flows from operating activities				
Profit (Loss) for the year		**59,779**	**(104,181)**	**592,913**
Adjustments for:				
Depreciation and amortization	**12 & 13**	433,788	414,797	377,133
Income tax accruals less payments	**26 (b)**	(23,932)	(39,529)	(24,177)
Equity in losses of non-consolidated companies	**3 & 14**	272,810	751,787	31,609
Interest accruals less payments	**26 (b)**	5,496	5,162	(16,869)
Results on the sale of participation in subsidiary companies	**2 (c)**	1,739	-	-
Changes in provisions	**19**	3,180	92	7,330
Changes in working capital (1)	**26 (b)**	509,144	(550,980)	114,611
Net foreign exchange results and others		61,487	28,696	9,624
Net cash provided by operating activities		**1,323,491**	**505,844**	**1,092,174**
Cash flows from investing activities				
Capital expenditures	**12 & 13**	(466,643)	(443,463)	(883,317)
Acquisition of business/stake - Purchase consideration Usiminas	**3 & 14**	-	(249,032)	-
(Increase) Decrease in other investments	**18**	(85,946)	18,258	(1,802)
Proceeds from the sale of property, plant and equipment		1,217	1,473	2,133
Sale of participation in subsidiary company, net of cash disposed	**2 (c)**	(673)	-	-
Loans granted to non-consolidated companies - Techgen	**14**	(10,416)	-	-
Dividends received from non-consolidated companies		-	-	207
Investments in non-consolidated companies - Techgen	**14**	(9,600)	(3,010)	-
Net cash used in investing activities		**(572,061)**	**(675,774)**	**(882,779)**
Cash flows from financing activities				
		(176,677)	(147,231)	(127,600)

Dividends paid in cash to company's shareholders				
Dividends paid in cash to non-controlling interests		(32,743)	(33,632)	(66,704)
Contributions from non-controlling shareholders in consolidated subsidiaries		30,870	-	-
Acquisition of non-controlling interest	**2 (c)**	(74,000)	-	(929)
Proceeds from borrowings		822,663	1,038,820	1,863,868
Repayments of borrowings		(1,379,747)	(773,396)	(2,134,711)
Net cash (used in) provided by financing activities		**(809,634)**	**84,561**	**(466,076)**
Decrease in cash and cash equivalents		**(58,204)**	**(85,369)**	**(256,681)**
Movement in cash and cash equivalents				
At January 1,		213,303	307,218	560,307
Effect of exchange rate changes		(3,608)	(8,546)	(8,635)
Initial cash of Peña Colorada and Exiros		-	-	12,227
Decrease in cash and cash equivalents		(58,204)	(85,369)	(256,681)
Cash and cash equivalents at December 31, (2)		**151,491**	**213,303**	**307,218**

(1) The working capital is impacted by non-cash movement of USD (210.6) million as of December 31, 2015 (USD (149.9) million and USD (157.7) million as of December 31, 2014 and 2013, respectively) due to the variations in the exchange rates used by subsidiaries with functional currencies different from the US dollar.

(2) It includes restricted cash of USD 88, USD 93 and USD 869 as of December 31, 2015, 2014 and 2013, respectively. In addition , the Company had other investments with a maturity of more than three months for USD 237,191, USD 149,995 and USD 169,503 as of December 31, 2015, 2014 and 2013, respectively.

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

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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, 2015, 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.

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.

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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, 2015 and 2014, this special tax reserve amounted to USD 7.1 billion and USD 7.3 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

a) 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 2016), as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union ("EU"). These consolidated financial statements are presented in thousands of United States dollars ("USD"), except otherwise indicated.

These Consolidated financial statements fairly present the consolidated equity and consolidated financial situation of Ternium at 31 December 2015, and the consolidated results of its operations, the Changes in the Consolidated Statement of Comprehensive Income, the Changes in Consolidated Net Equity and the Consolidated Cash Flows of Ternium for the year then ended.

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

These 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.

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

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2. BASIS OF PRESENTATION (continued)

Company	Country of Organization	Main activity	Percentage of ownership at December 31, 2015	2014	2013
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. (1)	Brazil	Holding	100.00%	100.00%	100.00%
Ternium Investments Switzerland AG (1)	Switzerland	Holding	100.00%	100.00%	100.00%
Ternium Internacional España S.L.U. (1)	Spain	Marketing of steel products	100.00%	100.00%	100.00%
Ternium USA Inc. (1)	USA	Manufacturing and selling of steel products	100.00%	100.00%	100.00%
Siderúrgica do Norte Fluminense S.A. (2)	Brazil	Manufacturing and selling of steel products	-	-	100.00%
Consorcio Siderurgia Amazonia S.L. (3)	Spain	Holding	-	-	94.38%
Siderar S.A.I.C. (4)	Argentina	Manufacturing and selling of flat steel products	60.94%	60.94%	60.94%
Impeco S.A. (5)	Argentina	Manufacturing of pipe products	60.97%	60.97%	60.97%
Prosid Investments S.A. (5)	Uruguay	Holding	60.94%	60.94%	60.94%
Ternium Mexico S.A. de C.V. (6)	Mexico	Holding	88.72%	88.72%	88.72%
Hylsa S.A. de C.V. (7)	Mexico	Manufacturing and selling of steel products	88.72%	88.72%	88.72%
Las Encinas S.A. de C.V. (7)	Mexico	Exploration, exploitation and pelletizing of iron ore	88.72%	88.72%	88.72%
Ferropak Comercial S.A. de C.V. (7)	Mexico	Scrap services company	88.72%	88.72%	88.72%
Ferropak Servicios S.A. de C.V. (7)	Mexico	Services	88.72%	88.72%	88.72%
Galvacer America Inc (7)	USA		88.72%	88.72%	88.72%

		Distributing company			
Galvamet America Corp (7)	USA	Manufacturing and selling of insulated panel products	88.72%	88.72%	88.72%
Transamerica E. & I. Trading Corp. (7)	USA	Scrap services company	88.72%	88.72%	88.72%
Técnica Industrial S.A. de C.V. (7)	Mexico	Services	88.72%	88.72%	88.72%
Corporativo Grupo Imsa S.A. de C.V. (7)	Mexico	Services	88.72%	88.72%	88.72%
Acedor, S.A. de C.V. (7)	Mexico	Holding	88.72%	88.72%	88.72%
Ternium Gas México S.A. de C.V. (8)	Mexico	Financial Services	88.72%	88.72%	88.72%
Ecore Holding S. de R.L. de C.V. (9)	Mexico	Holding	-	-	88.72%
Treasury Services S.A. de C.V. (9)	Mexico	Financial Services	-	-	88.72%
APM, S.A. de C.V. (9)	Mexico	Manufacturing and selling of steel products	-	-	88.72%
Acerus S.A. de C.V. (9)	Mexico	Manufacturing and selling of steel products	-	-	88.72%
Neotec L.L.C. (10)	USA	Holding	-	-	88.72%
Ternium Internacional Guatemala S.A. (11)	Guatemala	Selling of steel products	99.98%	99.98%	99.98%
Consorcio Minero Benito Juarez Peña Colorada S.A.de C.V. (12)	Mexico	Exploration, exploitation and pelletizing of iron ore	44.36%	44.36%	44.36%
Peña Colorada Servicios S.A. de C.V. (12)	Mexico	Services	44.36%	44.36%	44.36%
Exiros B.V. (12)	Netherlands	Procurement and trading services	50.00%	50.00%	50.00%
Servicios Integrales Nova de Monterrey S.A. de C.V. (13)	Mexico	Medical and Social Services	66.09%	66.09%	66.09%

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2. BASIS OF PRESENTATION (continued)

Company	Country of Organization	Main activity	Percentage of ownership at December 31, 2015	2014	2013
Ternium Internacional Nicaragua S.A.	Nicaragua	Manufacturing and selling of steel products	99.38%	99.38%	99.38%
Ternium Internacional Honduras S.A. de C.V.	Honduras	Manufacturing and selling of steel products	99.18%	99.18%	99.18%
Ternium Internacional El Salvador S.A. de C.V.	El Salvador	Manufacturing and selling of steel products	99.91%	99.91%	99.91%
Ternium Internacional Costa Rica S.A.	Costa Rica	Manufacturing and selling of steel products	99.98%	99.98%	99.98%
Ferrasa S.A.S. (14)	Colombia	Manufacturing and selling of steel products	100.00%	54.00%	54.00%
Perfilamos del Cauca S.A.S. (14)	Colombia	Manufacturing and selling of steel products	100.00%	54.00%	54.00%
Siderúrgica de Caldas S.A.S. (14)	Colombia	Manufacturing and selling of steel products	100.00%	54.00%	54.00%
Procesadora de Materiales Industriales S.A. (14)	Colombia	Scrap services company	100.00%	54.00%	54.00%
Figuraciones S.A.S. (15)	Colombia	Manufacturing and selling of steel products	-	-	54.00%
Tenigal S. de R.L. de C.V. (16)	Mexico	Manufacturing and selling of steel products	51.00%	51.00%	51.00%
Ternium Internacional S.A. (17)	Uruguay	Holding and marketing of steel products	100.00%	100.00%	100.00%
Ternium Procurement S.A. (17)	Uruguay	Procurement services	100.00%	100.00%	100.00%
Ternium International Inc. (17)	Panama	Marketing of steel products	100.00%	100.00%	100.00%

Ternium Treasury Services S.A. (17)	Uruguay	Financial Services	100.00%	100.00%	100.00%
Ternium International Ecuador S.A. (18)	Ecuador	Marketing of steel products	100.00%	100.00%	100.00%
Ternium International USA Corporation (19)	USA	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internacional de Colombia S.A.S. (19)	Colombia	Marketing of steel products	100.00%	100.00%	100.00%
Ternium Internationaal B.V. (20)	Netherlands	Marketing of steel products	100.00%	100.00%	100.00%
Technology & Engineering Services S.A. (formerly Ternium Engineering & Services S.A.) (21)	Uruguay	Engineering and other services	100.00%	100.00%	100.00%
Ternium Ingeniería y Servicios de Argentina S.A. (22)	Argentina	Engineering and other services	-	100.00%	100.00%
Ternium Ingeniería y Servicios de México S.A. de C.V.	Mexico	Engineering and other services	100.00%	100.00%	100.00%
Ternium Treasury Services B.V. (23)	Netherlands	Financial Services	-	-	100.00%
Soluciones Integrales de Gestión S.A. (24)	Argentina	Other services	100.00%	100.00%	100.00%
Ferrasa Panamá, S.A. (25)	Panama	Manufacturing and selling of steel products	-	54.00%	54.00%
Aceros Transformados de Panamá, S.A. (25)	Panama	Manufacturing and selling of steel products	-	54.00%	54.00%

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2. BASIS OF PRESENTATION (continued)

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

(2) This company was sold on January 9, 2014.

(3) This company was dissolved as of December 17, 2014.

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

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

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

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

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

(9) Merged with Ternium Mexico S.A. de C.V. during the first quarter of 2014.

(10) This company was dissolved as of September 5, 2014.

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

(12) Total voting rights held: 50.00%.

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

(14) Indirectly through Ternium Internacional España S.L.U.. Total voting rights held: 100.00%. See note 2.c.

(15) This company was dissolved as of December 24, 2014.

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

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

(18) Indirectly through Ternium Internacional S.A. and Ternium Internationaal B.V. Total voting rights held 100.00%.

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

(20) Since fourth quarter 2014, indirectly through Ternium Investments Switzerland AG (100.00%). Total voting rights held: 100.00%. Before that, indirectly through Ternium Internacional S.A.

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

(22) Merged with Soluciones Integrales de Gestión S.A. during the third quarter of 2015.

(23) Merged with Ternium Internationaal B.V. during the fourth quarter of 2014.

(24) Since third quarter 2015, indirectly through Ternium Investments S.à.r.l.,Ternium Internacional España S.L.U. and Technology & Engineering Services S.A. Total voting rights held: 100.00%. Before that, indirectly through Ternium Investments S.à.r.l. and Ternium Treasury Services S.A.

(25) These companies were sold during the first quarter of 2015. See note 2.c.

The most important non-controlling interest is related to the investment in Siderar S.A.I.C., which is a company listed in the Buenos Aires Stock Exchange. All the information related to this investment could be found in the Buenos Aires Stock Exchange webpage.

b) Acquisition of non-controlling interest in Ferrasa S.A.S.

On January 20, 2015, Ternium entered into an agreement to acquire the remaining 46% interest in Ferrasa for a total consideration of USD 74.0 million. The Ferrasa transaction closed on April 7, 2015 and it was accounted for as an acquisition of non-controlling interest resulting in a decrease of equity attributable to the owners of the parent company amounting to USD 29.6 million. In addition, on January 20, 2015, Ternium sold its 54% interest in Ferrasa Panamá S.A. for a total consideration of USD 2.0 million, with no significant impact in these financial statements.

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. ("Ternium Investments"), together with its 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 Usiminas employee pension fund Previdência Usiminas (f.k.a. Caixa dos Empregados da Usiminas) ("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.

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 & Sumitomo Metal Corporation (f.k.a. Nippon Steel Corporation) ("NSSMC") 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 held 322.7 million ordinary shares representing the majority of Usiminas' voting rights, was then formed as follows: NSSMC Group 46.1%, Ternium/Tenaris Group 43.3%, and CEU 10.6%. The rights of Ternium Investments, Siderar (and Prosid), and TenarisConfab within the Ternium/Tenaris Group are governed under a separate shareholders agreement. During 2012, the Company completed its purchase price allocation procedures and determined a notional goodwill included within the investment balance of USD 583 million.

The Company reviews periodically the recoverability of its investment in Usiminas. To determine the recoverable value, the Company estimates the value in use of the investment by calculating the present value of the expected cash flows or its fair value less costs of disposal.

As of December 31, 2012, the Company wrote down its investment in Usiminas 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 had suffered 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. As of December 31, 2012, the discount rate used to test the investment in Usiminas for impairment was 9.6%.

Following discussions with the Staff of the U.S. Securities and Exchange Commission, the Company re-evaluated and revised the assumptions used to calculate the carrying value of the Usiminas investment at September 30, 2014 and, as a result, wrote down the carrying value of its investment in Usiminas by USD 739.8 million. As of September 30, 2014, the discount rate used to test the investment in Usiminas for impairment was 10.4%.

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

On October 2, 2014, Ternium Investments entered into a definitive purchase agreement with Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI for the acquisition of 51.4 million ordinary shares of Usiminas at a price of BRL 12 per share, for a total amount of BRL 616.7 million. On October 30, 2014, Ternium Investments completed the acquisition.

Following the acquisition of these additional shares, Ternium (through Ternium Investments, Siderar and Prosid) owns 166.1 million ordinary shares, representing 32.9% of Usiminas' ordinary shares. Ternium continues to hold 35.6% of Usiminas' voting rights over the control group and has a participation in Usiminas' results of 16.82%.

Usiminas' financial statements as of December 31, 2015 described a downgraded economic scenario for the company that caused a significant impact on its financial leverage and cash generation. In addition, Usiminas' auditors (KPMG) included in their report on these financial statements an emphasis of matter paragraph which, without qualifying their opinion, indicated the existence of "a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern" as a result of the risk of not achieving an action plan defined by Usiminas' management to equalize its financial obligations with cash generation. Consequently, Ternium, in a conservative approach and considering the guidance of IAS 36, assessed the recoverable value of its investment in Usiminas based on Usiminas ordinary shares average market price for December 2015, and impaired its investment by USD 191.9 million. The resulting book value of Ternium's investment in Usiminas as of December 31, 2015 is USD 240.0 million (see note 14).

At December 31, 2015, the closing price of the Usiminas' ordinary shares as quoted on the BM&FBovespa Stock Exchange was BRL 4.02 (approximately USD 1.03) per share, giving Ternium's ownership stake a market value of approximately USD 171.0 million.

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, 2014.

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.

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.

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4. ACCOUNTING POLICIES (continued)

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.

Joint arrangements are understood as combinations in which there are contractual agreements by virtue of which two or more companies hold an interest in companies that undertake operations or hold assets in such a way that any financial or operating decision is subject to the unanimous consent of the partners. A joint arrangement is classed as a joint operation if the parties hold rights to its assets and have obligations in respect of its liabilities or as a joint venture if the venturers hold rights only to the investee's net assets.

Investments in non-consolidated companies (associated companies and joint ventures) 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.

4. ACCOUNTING POLICIES (continued)

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"). Except for the Argentine and the Brazilian subsidiaries and non-consolidated companies whose functional currencies are their local currencies, Ternium determined that the functional currency of its subsidiaries 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.

(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 (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); 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.

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4. ACCOUNTING POLICIES (continued)

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.

(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, 2015 and 2014, 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, 2015 and 2014, there are no AFS amounts and USD 35 million classified under this category, respectively;

- 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.

4. ACCOUNTING POLICIES (continued)

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.

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 28 "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.

4. ACCOUNTING POLICIES (continued)

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	5-30 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. The re-estimation of assets useful lives by the Company did not materially affect depreciation charges in 2015, 2014 and 2013.

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 assets

Mining assets include:

(a) Mining licenses acquired;

(b) Capitalized exploration and evaluation costs, reclassified from exploration and evaluation costs (see note 4 (e) 3); and

(c) Capitalized developmental stripping costs (see note 4 (t)).

Mining licenses were recognized as separate intangible assets upon the acquisition of the investment in Mexico and comprise the right to exploit the mines and are recognized at its fair value at acquisition date less accumulated amortization.

4. ACCOUNTING POLICIES (continued)

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, 2015, 2014 and 2013, is approximately 10%, 10% and 9% per year, respectively.

(3) Exploration and evaluation costs

Exploration and evaluation activities involve the search for iron ore resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs are measured at cost. Costs directly associated with exploration and evaluation activities are capitalized as intangible assets until the determination of reserves is evaluated. The costs associated to the acquisition of machinery and equipment are recognized as property, plant and equipment. If it is determined that commercial discovery has been achieved, costs incurred are reclassified into Mining assets and amortization starts once production begins.

Exploration costs are tested for impairment when there are indicators that impairment exists. Indicators of impairment include, but are not limited to:

- Rights to explore in an area have expired or will expire in the near future without renewal;
- No further exploration and evaluation is planned or budgeted;
- A decision to discontinue exploration and evaluation in an area because of the absence of commercial reserves; and

- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

When analyzing the existence of impairment indicators, the exploration and evaluation areas from the mining cash-generating units will be evaluated.

(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, 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. The impairment losses on goodwill cannot be reversed.

As of December 31, 2015 and 2014, 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.

4. ACCOUNTING POLICIES (continued)

(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, 2015, 2014 and 2013 totaled USD 6.2 million, USD 8.0 million and USD 7.6 million, respectively.

(6) Customer relationships acquired in a business combination

In accordance with IFRS 3 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.

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.

4. ACCOUNTING POLICIES (continued)

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, 2015 the discount rate used to test goodwill allocated to the Steel and Mining Mexico CGUs for impairment was 9.59%.

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 2015, 2014 and 2012, during the years 2015, 2014 and 2013, 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 notes 2(b) and 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.

Income from financial instruments at fair value through profit or loss is recognized in Other financial income (expenses), net in the consolidated income statement. The fair value of quoted investments is 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.

Certain fixed income financial instruments purchased by the Company have been categorized as available for sale if designated in this category or not classified in any of the other categories. The results of these financial investments are recognized in Finance Income in the Consolidated Income Statement using the effective interest method. Unrealized gains and losses other than impairment and foreign exchange results are recognized in Other comprehensive income. On maturity or disposal, net gain and losses previously deferred in Other comprehensive income are recognized in Finance Income in the Consolidated Income Statement.

4. ACCOUNTING POLICIES (continued)

(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 production stripping costs, depreciation of fixed assets related to the mining activity and amortization of mining assets for those mines under production.

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 (aa) (4)).

(i) Trade receivables and other receivables

Trade and other receivables are recognized initially at fair value, generally the original invoice amount. The Company analyzes its trade receivables on a regular basis and, when aware of a specific counterparty's difficulty or inability to meet its obligations, impairs any amounts due by means of a charge to an allowance for doubtful accounts. Additionally, this allowance is adjusted periodically based on the aging of receivables.

(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.

(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, 2015 and 2014 totals USD 11.7 million and USD 14.8 million, respectively, which corresponds principally to land and other real estate items. Sale is expected to be completed within a one-year period.

4. ACCOUNTING POLICIES (continued)

(l) Borrowings

Borrowings are recognized initially for an amount equal to the net proceeds received. In subsequent periods, borrowings are stated at amortized cost following the effective interest method.

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.

Deferred tax assets and liabilities are re-estimated if tax rates change. These amounts are charged or credited to the consolidated income statement or to the item "Other comprehensive income for the year" in the consolidated statement of comprehensive income, depending on the account to which the original amount was charged or credited.

(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.

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4. ACCOUNTING POLICIES (continued)

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.

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.

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 provide 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.

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4. ACCOUNTING POLICIES (continued)

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. This unfunded plan provides defined benefits based on years of service and final average salary.

(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, 2015 and 2014, the outstanding liability corresponding to the Program amounts to USD 19.5 million and USD 22.5 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, 2015 and 2014, is USD 21.4 million and USD 24.4 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.

4. ACCOUNTING POLICIES (continued)

(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.

(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. Revenues are shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

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, 2015, 2014 and 2013, the capitalized borrowing costs are not material.

(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.

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4. ACCOUNTING POLICIES (continued)

(t) Stripping costs

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

Development stripping costs that contribute to the future economic benefits of mining operations are capitalized as intangible assets (Mining assets). 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.

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) Mining development costs

Mining development costs are the costs associated to the activities related to the establishment of access to the mineral reserve and other preparations for commercial production. These activities often continue during production.

Development expenditures are capitalized and classified as Work in progress. On completion of development, all assets included in Work in progress are individually reclassified to the appropriate category of property, plant and equipment and depreciated accordingly.

(v) Asset retirement obligations

Ternium records asset retirement obligations ("ARO") initially at the fair value of the legal or constructive obligation in the period in which it is incurred and capitalizes the ARO by increasing the carrying amount of property, plant and equipment. The fair value of the obligation is determined as the discounted value of the expected future cash flows and is included in Provisions. The liability is accreted to its present value through net financing cost and the capitalized cost is depreciated based in the unit of production method.

(w) 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, excluding the average number of shares of the parent Company held by the Group. There are no dilutive securities for the periods presented.

4. ACCOUNTING POLICIES (continued)

(x) 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, 2015 and 2014, the effective portion of designated cash flow hedges (net of taxes) amounted to USD (0.4) million and USD (0.4) million, respectively, and were included under "changes in the fair value of derivatives classified as cash flow hedges" line item in the statement of comprehensive income (see Note 26 (a)).

More information about accounting for derivative financial instruments and hedging activities is included in Note 28 "Financial risk management".

(y) Treasury shares

Acquisitions of treasury shares are recorded at acquisition cost, deducted from equity until disposal. The gains and losses on disposal of treasury shares are recognized under "Reserves" in the consolidated statement of financial position.

(z) Cash flow

The consolidated statements of cash flows have been prepared using the indirect method and contain the use of the following expressions and their respective meanings:

a) Operating activities: activities that constitute ordinary Group revenues, as well as other activities that cannot be qualified as investing or financing.

b) Investing activities: acquisition, sale or disposal by other means of assets in the long-term and other investments not included in cash and cash equivalents.

c) Financing activities: activities that generate changes in the size and composition of net equity and liabilities that do not form part of operating activities.

4. ACCOUNTING POLICIES (continued)

(aa) 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, 2015 was 9.59% 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 8.1 million and USD 9.1 million as of December 31, 2015 and 2014, 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, 2015 and 2014, the Company recorded no allowance for net realizable value and USD 32.4 million and USD 48.0 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.

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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.

Considering that some of the impairment indicators were identified as of December 31, 2015, the Company tested all its CGUs for impairment, resulting in no impairment charges to be recognized. 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 2015, 2014 and 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, 2015 and 2014, allowance for doubtful accounts totals USD 7.6 million and USD 11.4 million, respectively.

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4. ACCOUNTING POLICIES (continued)

(7) Mining reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's mining concessions. In order to estimate reserves, a range of geological, technical and economic factors is required to be considered. Estimating the quantity and/or grade of reserves requires complex and difficult geological judgments to interpret the data. Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period.

Changes in reported reserves may affect the Company's financial results and financial position, including the following:

• Asset carrying amounts may be affected due to changes in estimated future cash flows.

• Depreciation and amortization charges may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

• Stripping costs recognized in Mining assets or charged to results may change due to changes in stripping ratios or the units of production basis of depreciation.

• Asset retirement obligations may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

(8) Post-employment obligation estimates

The Company estimates at each year-end the provision necessary to meet its post-employment obligations in accordance with the advice from independent actuaries. The calculation of post-employment and other employee obligations requires the application of various assumptions. The main assumptions for post-employment and other employee obligations include discount rates, compensation growth rates, pension growth rates and life expectancy. Changes in the assumptions could give rise to adjustments in the results and liabilities recorded and might have an impact on the post-employment and other employee obligations recognized in the future.

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, Brazil, Chile, Bolivia and Uruguay. The Other markets operating segment includes businesses mainly in United States, Colombia, Guatemala, Costa Rica, El Salvador, Nicaragua, Panamá 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. 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.

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).

- 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, 2015			
	Steel	Mining	Inter-segment eliminations	Total
IFRS				
Net sales	7,875,161	203,105	(200,817)	7,877,449
Cost of sales	(6,456,584)	(214,651)	193,963	(6,477,272)
Gross profit	**1,418,577**	**(11,546)**	**(6,854)**	**1,400,177**
Selling, general and administrative expenses	(757,078)	(13,214)	-	(770,292)
Other operating income, net	9,151	303	-	9,454
Operating income - IFRS	**670,650**	**(24,457)**	**(6,854)**	**639,339**
Management view				
Net sales	7,875,161	216,095	(213,807)	7,877,449
Operating income	1,012,282	(3,490)	(640)	1,008,152
Reconciliation items:				
Differences in Cost of sales				(368,813)
Operating income - IFRS				**639,339**
Financial income (expense), net				(99,430)
Equity in (losses) earnings of non-consolidated companies				(272,810)
Income before income tax expense - IFRS				**267,099**
Depreciation and amortization - IFRS	(384,380)	(49,408)	-	(433,788)

	Year ended December 31, 2014			
	Steel	Mining	Inter-segment eliminations	Total
IFRS				
Net sales	8,700,521	313,157	(287,621)	8,726,057
Cost of sales	(6,960,009)	(255,216)	290,056	(6,925,169)

Gross profit	**1,740,512**	**57,941**	**2,435**	**1,800,888**
Selling, general and administrative expenses	(799,844)	(16,634)	-	(816,478)
Other operating income, net	70,725	1,026	-	71,751
Operating income - IFRS	**1,011,393**	**42,333**	**2,435**	**1,056,161**
Management view				
Net sales	8,700,521	333,718	(308,182)	8,726,057
Operating income	830,312	65,671	(1,504)	894,479
Reconciliation items:				
Differences in Cost of sales				161,682
Operating income - IFRS				**1,056,161**
Financial income (expense), net				(69,450)
Equity in (losses) earnings of non-consolidated companies				(751,787)
Income before income tax expense - IFRS				**234,924**
Depreciation and amortization - IFRS	(369,197)	(45,600)	-	(414,797)

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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 (losses) earnings of non-consolidated companies				(31,609)
Income before income tax expense - IFRS				**942,339**
Depreciation and amortization - IFRS	(344,415)	(32,718)	-	(377,133)

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, 2015			
	Mexico	**Southern region**	**Other markets**	**Total**
Net sales	4,395,273	2,572,723	909,453	7,877,449
Non-current assets (1)	4,166,148	682,705	246,919	5,095,772

	Year ended December 31, 2014			
	Mexico	**Southern region**	**Other markets**	**Total**
Net sales	4,911,989	2,648,512	1,165,556	8,726,057
Non-current assets (1)	4,248,087	916,447	265,379	5,429,913

	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

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

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5. SEGMENT INFORMATION (continued)

REVENUES BY PRODUCT

	Year ended December 31,		
	2015	**2014**	**2013**
Semi-finished (1)	88,264	209,061	202,826
Hot rolled (2)	3,049,433	3,581,566	3,416,674
Cold rolled	1,176,019	1,297,969	1,314,392
Coated (3)	3,004,700	3,061,580	2,906,477
Roll-formed and tubular (4)	509,034	514,586	585,627
Steel products	7,827,450	8,664,762	8,425,996
Other products (5)	49,999	61,295	104,016
TOTAL SALES	**7,877,449**	**8,726,057**	**8,530,012**

(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, steel decks and pre-engineered metal building systems.

(5) Other products include mainly pig iron.

6. COST OF SALES

	Year ended December 31,		
	2015	**2014**	**2013**
Inventories at the beginning of the year	2,134,034	1,941,130	2,000,137
Opening inventories - Peña Colorada	-	-	18,006
Translation differences	(204,512)	(161,983)	(186,609)
Plus: Charges for the year			
Raw materials and consumables used and other movements	4,548,219	5,718,736	5,242,806
Services and fees	86,874	95,940	93,366
Labor cost	599,989	601,258	608,151
Depreciation of property, plant and equipment	335,302	330,866	310,257
Amortization of intangible assets	48,442	34,988	15,851
Maintenance expenses	507,895	484,929	440,328
Office expenses	6,683	7,238	7,034
Insurance	9,435	12,310	14,848
(Recovery) Charge of obsolescence allowance	(4,816)	15,924	1,245
Recovery from sales of scrap and by-products	(31,096)	(39,846)	(42,556)
Others	19,943	17,713	18,558
Less: Inventories at the end of the year	(1,579,120)	(2,134,034)	(1,941,130)
Cost of Sales	**6,477,272**	**6,925,169**	**6,600,292**

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7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
	2015	**2014**	**2013**
Services and fees (1)	69,434	75,057	76,450
Labor cost	214,352	232,837	234,519
Depreciation of property, plant and equipment	13,761	10,957	13,839
Amortization of intangible assets	36,283	37,986	37,186
Maintenance and expenses	4,957	5,785	7,443
Taxes	130,061	133,383	143,834
Office expenses	40,487	39,831	41,254
Freight and transportation	246,762	263,682	271,364
(Decrease) Increase of allowance for doubtful accounts	(824)	1,287	(202)
Others	15,019	15,673	17,624
Selling, general and administrative expenses	**770,292**	**816,478**	**843,311**

(1) For the year ended December 31, 2015, it includes fees accrued for professional services rendered by PwC to Ternium S.A. and its subsidiaries that amounted to USD 3,888, including USD 3,535 for audit services, USD 114 for audit-related services, USD 217 for tax services and USD 22 for all other services.

For the year ended December 31, 2014, it includes fees accrued for professional services rendered by PwC to Ternium S.A. and its subsidiaries that amounted to USD 3,928, including USD 3,450 for audit services, USD 74 for audit-related services, USD 204 for tax services and USD 199 for all other services.

For the year ended December 31, 2013, it includes fees accrued for professional services rendered by PwC to Ternium S.A. and its subsidiaries 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,		
	2015	**2014**	**2013**

Wages, salaries and social security costs	754,063	778,932	790,378
Termination benefits	30,888	25,348	19,680
Post employment benefits (Note 21 (i))	29,390	29,815	32,612
Labor costs	**814,341**	**834,095**	**842,670**

As of December 31, 2015, 2014 and 2013, the quantity of employees was 16,739, 16,919 and 16,788, respectively.

9. OTHER OPERATING INCOME (EXPENSES), NET

	Year ended December 31,		
	2014	**2014**	**2013**
Results of sundry assets	2,009	4,111	1,987
Collection of insurance (1)	-	57,500	11,700
Other operating income	10,625	10,232	16,657
Other operating income	**12,634**	**71,843**	**30,344**
Provision for legal claims and other matters (Note 19 and 24 (ii))	(3,180)	(92)	(7,330)
Other operating expense	**(3,180)**	**(92)**	**(7,330)**
Other operating (expenses) income, net	**9,454**	**71,751**	**23,014**

(1) Corresponds to insurance collection in Argentina.

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10. OTHER FINANCIAL INCOME (EXPENSES), NET

	Year ended December 31,		
	2015	**2014**	**2013**
Interest expense	(87,313)	(114,472)	(121,016)
Debt issue costs	(2,176)	(3,394)	(11,097)
Finance expense	**(89,489)**	**(117,866)**	**(132,113)**
Interest income	7,981	7,685	9,517
Finance income	**7,981**	**7,685**	**9,517**
Net foreign exchange (loss) gain	(5,181)	26,664	259
Change in fair value of financial assets	(8,143)	(1,970)	(11,875)
Derivative contract results	(2,058)	19,748	(400)
Others	(2,540)	(3,711)	(863)
Other financial income (expenses), net	**(17,922)**	**40,731**	**(12,879)**

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11. INCOME TAX EXPENSE

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

	Year ended December 31,		
	2015	**2014**	**2013**
Current tax	(234,040)	(336,176)	(370,349)
Deferred tax (Note 20)			
Deferred tax	19,463	2,363	78,474
Effect of changes in tax law on deferred income tax (1)	3,080	(12,702)	(33,826)
Withholding tax on dividend distributions (2)	4,177	(10,474)	(24,046)
Recovery of income tax (3)	-	17,884	321
Income tax expense	**(207,320)**	**(339,105)**	**(349,426)**

(1) For 2015, it includes mainly the effects of the Mexican mining tax. For 2014, it includes mainly the effects of the Colombian tax rate reform which introduced an increase from 34% to 39% in 2015, 40% in 2016, 42% in 2017 and 43% in 2018 and of the Mexican mining tax. For the year 2013, it includes the effects of the 2013 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.

(2) It includes the 10% withholding tax on dividend distributions made by Argentine companies to foreign beneficiaries since 2013.

(3) The amounts recorded in 2014 and 2013 corresponded to the capitalization of tax losses carried forward generated and not recognized in previous years.

Income tax expense for the years ended December 31, 2015, 2014 and 2013 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,		
	2015	**2014**	**2013**
Income before income tax	267,099	234,924	942,339
Income tax expense at statutory tax rate	(131,325)	(254,548)	(302,741)

Non taxable income	4,980	2,073	14,799
Non deductible expenses	(19,408)	(25,413)	(1,940)
Effect of currency translation on tax base (1)	(64,175)	(55,925)	(1,993)
Withholding tax on dividend distributions	4,177	(10,474)	(24,046)
Recovery of income tax	-	17,884	321
Effect of changes in tax law	(1,569)	(12,702)	(33,826)
Income tax expense	**(207,320)**	**(339,105)**	**(349,426)**

(1) Ternium applies the liability method to recognize deferred income tax on temporary differences between the tax bases of assets and their carrying amounts in the financial statements. By application of this method, Ternium recognizes gains and losses on deferred income tax due to the effect of the change in the value on the tax basis in subsidiaries, which have a functional currency different to their local currency, mainly Mexico.

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, 2015						
	Land	**Buildings and improvements**	**Production equipment**	**Vehicles, furniture and fixtures**	**Work in progress**	**Spare parts**	**Total**
Cost							
Values at the beginning of the year	**527,467**	**1,717,832**	**4,306,227**	**113,623**	**352,625**	**85,811**	**7,103,585**
Translation differences	(3,484)	(294,629)	(363,834)	(25,358)	(71,027)	(14,085)	(772,417)
Additions	4,452	172	1,424	3,493	398,143	31,906	439,590
Capitalized borrowing costs	-	-	-	-	331	-	331
Disposals / Consumptions	-	(2,417)	(5,560)	(4,221)	(2,131)	(17,150)	(31,479)
Transfers	-	84,338	128,430	7,665	(221,809)	1,376	-
Values at the end of the year	**528,435**	**1,505,296**	**4,066,687**	**95,202**	**456,132**	**87,858**	**6,739,610**
Depreciation							
Accumulated at the beginning of the year	**-**	**(575,347)**	**(1,952,468)**	**(86,251)**	**-**	**(8,492)**	**(2,622,558)**
Translation differences	-	152,220	255,579	21,897	-	1,122	430,818
Depreciation charge	-	(77,438)	(258,583)	(9,128)	-	(3,914)	(349,063)
Disposals / Consumptions	-	101	5,119	3,045	-	494	8,759
Accumulated at the end of the year	**-**	**(500,464)**	**(1,950,353)**	**(70,437)**	**-**	**(10,790)**	**(2,532,044)**
At December 31, 2015	**528,435**	**1,004,832**	**2,116,334**	**24,765**	**456,132**	**77,068**	**4,207,566**

Year ended December 31, 2014

	Land	Buildings and improvements	Production equipment	Vehicles, furniture and fixtures	Work in progress	Spare parts	Total
Cost							
Values at the beginning of the year	**503,267**	**1,839,727**	**4,083,016**	**125,559**	**741,554**	**61,435**	**7,354,558**
Translation differences	(3,036)	(246,741)	(263,228)	(18,871)	(70,393)	(5,753)	(608,022)
Additions	6,202	5,134	4,461	3,256	331,281	35,035	385,369
Disposals / Consumptions	-	-	(12,452)	(4,015)	(541)	(13,215)	(30,223)
Transfers	21,034	119,712	494,430	7,694	(649,276)	8,309	1,903
Values at the end of the year	**527,467**	**1,717,832**	**4,306,227**	**113,623**	**352,625**	**85,811**	**7,103,585**
Depreciation							
Accumulated at the beginning of the year	**-**	**(610,740)**	**(1,931,231)**	**(98,887)**	**-**	**(4,805)**	**(2,645,663)**
Translation differences	-	118,714	213,284	16,854	-	775	349,627
Depreciation charge	-	(83,321)	(246,485)	(7,133)	-	(4,884)	(341,823)
Disposals / Consumptions	-	-	11,964	2,915	-	422	15,301
Accumulated at the end of the year	**-**	**(575,347)**	**(1,952,468)**	**(86,251)**	**-**	**(8,492)**	**(2,622,558)**
At December 31, 2014	**527,467**	**1,142,485**	**2,353,759**	**27,372**	**352,625**	**77,319**	**4,481,027**

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13. INTANGIBLE ASSETS, NET

	Year ended December 31, 2015						
	Information system projects	**Mining assets**	**Exploration and evaluation costs**	**Customer relationships and other contractual rights**	**Trademarks**	**Goodwill**	**Total**
Cost							
Values at the beginning of the year	**203,557**	**142,658**	**38,439**	**298,475**	**73,665**	**662,307**	**1,419,101**
Translation differences	(15,785)	-	-	-	-	-	(15,785)
Additions	14,043	11,182	1,828	-	-	-	27,053
Transfers	-	34,973	(34,973)	-	-	-	-
Values at the end of the year	**201,815**	**188,813**	**5,294**	**298,475**	**73,665**	**662,307**	**1,430,369**
Depreciation							
Accumulated at the beginning of the year	**(109,210)**	**(77,673)**	**-**	**(213,510)**	**(69,822)**	**-**	**(470,215)**
Translation differences	12,777	-	-	-	-	-	12,777
Depreciation charge	(38,639)	(14,884)	-	(29,802)	(1,400)	-	(84,725)
Accumulated at the end of the year	**(135,072)**	**(92,557)**	**-**	**(243,312)**	**(71,222)**	**-**	**(542,163)**
At December 31, 2015	**66,743**	**96,256**	**5,294**	**55,163**	**2,443**	**662,307**	**888,206**

	Year ended December 31, 2014						
	Information system	**Mining assets**	**Exploration and**	**Customer relationships**	**Trademarks**	**Goodwill**	**Total**

	projects		evaluation costs	and other contractual rights			
Cost							
Values at the beginning of the year	**186,681**	**122,361**	**34,767**	**288,475**	**73,665**	**662,307**	**1,368,256**
Translation differences	(12,097)	-	-	-	-	-	(12,097)
Additions	28,973	2,341	21,628	10,000	-	-	62,942
Transfers	-	17,956	(17,956)	-	-	-	-
Values at the end of the year	**203,557**	**142,658**	**38,439**	**298,475**	**73,665**	**662,307**	**1,419,101**
Depreciation							
Accumulated at the beginning of the year	**(88,258)**	**(68,432)**	**-**	**(184,465)**	**(65,597)**	**-**	**(406,752)**
Translation differences	9,511	-	-	-	-	-	9,511
Depreciation charge	(30,463)	(9,241)	-	(29,045)	(4,225)	-	(72,974)
Accumulated at the end of the year	**(109,210)**	**(77,673)**	**-**	**(213,510)**	**(69,822)**	**-**	**(470,215)**
At December 31, 2014	**94,347**	**64,985**	**38,439**	**84,965**	**3,843**	**662,307**	**948,886**

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14. INVESTMENTS IN NON-CONSOLIDATED COMPANIES

	As of December 31,	
	2015	**2014**
At the beginning of the year	**748,178**	**1,375,165**
Equity in lossses of non-consolidated companies	(80,874)	(12,026)
Other comprehensive income	(234,556)	(125,384)
Dividends from non-consolidated companies	-	(1,858)
Contributions to non-consolidated companies	9,600	3,010
Acquisitions (note 3)	-	249,032
Impairment charge (note 3)	(191,936)	(739,761)
At the end of the year	**250,412**	**748,178**

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**		**Value at**	
			December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Usinas Siderurgicas de Minas Gerais S.A. - USIMINAS	Brazil	Manufacturing and selling of steel products	32.88%	32.88%	239,960	742,335
Techgen S.A. de C.V.	Mexico	Provision of electric power	48.00%	48.00%	6,026	1,119
Other non-consolidated companies (1)					4,426	4,724
					250,412	**748,178**

(1) 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.

Usinas Siderurgicas de Minas Gerais S.A. – USIMINAS

Usiminas is a Brazilian producer of high quality flat steel products used in the energy, automotive and other industries.

As of December 31, 2015 and 2014, the value of the investment in Usiminas is comprised as follows:

	USIMINAS	
Value of investment	**As of December 31, 2015**	**As of December 31, 2014**
At the beginning of the year	**742,335**	**1,369,820**
Share of results (1)	(77,066)	(10,463)
Other comprehensive income	(233,373)	(124,435)
Dividends	-	(1,858)
Acquisitions (note 3)	-	249,032
Impairment charge (note 3)	(191,936)	(739,761)
At the end of the year	**239,960**	**742,335**

(1) It includes the depreciation of the values associated to the purchase price allocation.

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14. INVESTMENTS IN NON-CONSOLIDATED COMPANIES (continued)

On February 17, 2016, Usiminas approved its annual accounts as of and for the year ended December 31, 2015, which state that revenues, post-tax losses from continuing operations and shareholders' equity amounted to USD 3,116 million, USD 926 million and USD 3,434 million, respectively.

	USIMINAS	
Summarized balance sheet (in million USD)	**As of December 31, 2015**	**As of December 31, 2014**
Assets		
Non-current	5,343	8,372
Current	1,766	3,104
Total Assets	**7,109**	**11,476**
Liabilities		
Non-current	2,118	2,618
Current	1,151	1,796
Total Liabilities	**3,269**	**4,414**
Minority interest	**406**	**769**
Shareholders' equity	**3,434**	**6,293**

	USIMINAS	
Summarized income statement (in million USD)	**As of December 31, 2015**	**As of December 31, 2014**
Net sales	3,116	5,017
Cost of sales	(3,045)	(4,569)
Gross Profit	**71**	**448**
Selling, general and administrative expenses	(212)	(337)
Other operating income (loss), net	(906)	118
Operating income	**(1,047)**	**229**
Financial expenses, net	(377)	(220)
Equity in earnings of associated companies	28	79
Profit (Loss) before income tax	**(1,396)**	**88**

Income tax benefit	342	8
Net profit (loss) before minority interest	**(1,054)**	**96**
Minority interest in other subsidiaries	128	(33)
Net profit (loss) for the year	**(926)**	**63**

Techgen S.A. de C.V.

Techgen is a Mexican project company currently undertaking 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) completed their initial investments in Techgen. Techgen is currently owned 48% by Ternium, 30% by Tecpetrol and 22% by Tenaris. Ternium and Tenaris 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. During 2015, each of Techgen's shareholders made additional investments in Techgen, primarily in the form of cash contributions and subordinated loans. Ternium made cash contributions of USD 9.6 million and granted a subordinated loan which amounted to USD 10.4 million.

For commitments from Ternium in connection with Techgen, see note 24.

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15. RECEIVABLES, NET – NON CURRENT AND CURRENT

	As of December 31,	
	2015	**2014**
Receivables with related parties (Note 25)	10,419	-
Employee advances and loans	3,637	5,804
Advances to suppliers for the purchase of property, plant and equipment	9,767	17,218
Advances to suppliers for the purchase of property, plant and equipment with related parties (Note 25)	247	467
Tax credits	10,901	21,644
Others	1,176	2,349
Receivables, net – Non-current	**36,147**	**47,482**

	As of December 31,	
	2015	**2014**
Value added tax	20,725	9,300
Tax credits	30,434	51,120
Employee advances and loans	8,525	8,282
Advances to suppliers	4,664	6,830
Advances to suppliers with related parties (Note 25)	3,376	37
Expenses paid in advance	9,321	10,864
Government tax refunds on exports	1,855	6,631
Receivables with related parties (Note 25)	1,241	5,441
Others	9,343	13,724
Receivables, net – Current	**89,484**	**112,229**

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16. TRADE RECEIVABLES, NET – NON CURRENT AND CURRENT

	As of December 31,	
	2015	**2014**
Current accounts	512,627	710,173
Trade receivables with related parties (Note 25)	6,422	21,413
Allowance for doubtful accounts (Note 19)	(7,585)	(11,372)
Trade receivables, net - Current	**511,464**	**720,214**

	Trade receivables, net as of December 31, 2015		
	Total	**Fully performing**	**Past due**
Guaranteed	289,606	261,902	27,704
Not guaranteed	229,443	174,286	55,157
Trade receivables	**519,049**	**436,188**	**82,861**
Allowance for doubtful accounts (Note 19)	(7,585)	-	(7,585)
Trade receivables, net	**511,464**	**436,188**	**75,276**

	Trade receivables, net as of December 31, 2014		
	Total	**Fully performing**	**Past due**
Guaranteed	442,100	413,518	28,582
Not guaranteed	289,577	242,859	46,718
Trade receivables	**731,677**	**656,377**	**75,300**
Allowance for doubtful accounts (Note 19)	(11,372)	-	(11,372)
Trade receivables, net	**720,305**	**656,377**	**63,928**

17. INVENTORIES, NET

	As of December 31,	
	2015	**2014**
Raw materials, materials and spare parts	364,367	539,611
Goods in process	761,086	1,119,123
Finished goods	258,528	374,981
Goods in transit	227,584	148,337
Obsolescence allowance (Note 19)	(32,445)	(48,018)
Inventories, net	**1,579,120**	**2,134,034**

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18. CASH, CASH EQUIVALENTS AND OTHER INVESTMENTS

	As of December 31,	
	2015	**2014**
(i) Other investments		
Deposits with maturity of more than three months	237,191	149,995
Other investments	**237,191**	**149,995**
(ii) Cash and cash equivalents		
Cash and banks	45,610	75,354
Restricted cash	88	93
Deposits with maturity of less than three months	105,793	137,856
Cash and cash equivalents	**151,491**	**213,303**

19. ALLOWANCES AND PROVISIONS – NON CURRENT AND CURRENT

Provisions and allowances - Non current	**Liabilities Legal claims and other matters**	**Liabilities Asset retirement obligation**
Year ended December 31, 2015		
Values at the beginning of the year	9,067	21,744
Translation differences	(3,396)	(3,207)
Additions	3,385	(264)
Reversals	(205)	-
Uses	(709)	-
At December 31, 2015	**8,142**	**18,273**
Year ended December 31, 2014		
Values at the beginning of the year	13,984	19,853
Translation differences	(3,126)	(2,643)
Additions	2,269	4,534

Reversals	(2,177)	-
Uses	(1,883)	-
At December 31, 2014	**9,067**	**21,744**

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19. ALLOWANCES AND PROVISIONS – NON CURRENT AND CURRENT (continued)

Provisions and allowances - Current	**Deducted from assets**		**Liabilities**
	Allowance for doubtful accounts	**Obsolescence allowance**	**Asset retirement obligation**
Year ended December 31, 2015			
Values at the beginning of the year	11,372	48,018	2,081
Translation differences	(1,666)	(2,366)	(363)
Additions	1,593	16,538	(586)
Reversals	(2,417)	(21,354)	-
Uses	(1,297)	(8,391)	-
At December 31, 2015	**7,585**	**32,445**	**1,132**
Year ended December 31, 2014			
Values at the beginning of the year	12,803	47,825	-
Translation differences	(1,245)	(1,792)	(73)
Additions	2,879	28,116	2,154
Reversals	(1,592)	(12,192)	-
Uses	(1,473)	(13,939)	-
At December 31, 2014	**11,372**	**48,018**	**2,081**

20. 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,	
	2015	**2014**
At the beginning of the year	(554,897)	(580,981)
Translation differences	19,040	20,309
Effect of changes in tax law (note 11)	3,080	(12,702)
Withholding tax on dividend distributions (note 11)	4,177	(10,474)
Charges directly to other comprehensive income	(2,320)	8,704
Deferred tax credit (note 11)	19,463	20,247
At the end of the year	**(511,456)**	**(554,897)**

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20. DEFERRED INCOME TAX (continued)

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	PP&E	Inventories	Intangible assets	Other	Total at December 31, 2015
At the beginning of the year	(589,862)	(80,217)	(46,855)	(53,037)	(769,971)
Translation differences	19,216	1,340	54	10,629	31,239
Charges directly to other comprehensive income	-	-	-	(8)	(8)
Withholding tax on dividend distributions	-	-	-	4,177	4,177
Effect of changes in tax law	5,426	(487)	(2,481)	6	2,464
Income statement credit (charge)	(34,302)	26,641	10,630	27,846	30,815
At the end of the year	**(599,522)**	**(52,723)**	**(38,652)**	**(10,387)**	**(701,284)**

Deferred tax assets	Provisions	Trade receivables	Tax losses (1)	Other	Total at December 31, 2015
At the beginning of the year	58,059	10,742	63,529	82,744	215,074
Translation differences	(11,638)	(674)	-	113	(12,199)
Charges directly to other comprehensive income	-	-	-	(2,312)	(2,312)
Effect of changes in tax law	228	18	-	370	616
Income statement credit (charge)	(1,281)	(3,893)	4,255	(10,433)	(11,352)
At the end of the year	**45,368**	**6,193**	**67,784**	**70,483**	**189,828**

(1) As of December 31, 2015, the recognized deferred tax assets on tax losses amount to USD 67,784 and the net unrecognized deferred tax assets amount to USD 4,154.

Deferred tax liabilities	**PP&E**	**Inventories**	**Intangible assets**	**Other**	**Total at December 31, 2014**
At the beginning of the year	(516,811)	(52,680)	(44,136)	(135,129)	(748,756)
Translation differences	18,906	(800)	173	9,259	27,538
Charges directly to other comprehensive income	-	-	-	638	638
Withholding tax on dividend distributions	-	-	-	(10,474)	(10,474)
Effect of changes in tax law	(10,814)	(504)	(1,467)	(29)	(12,814)
Income statement credit (charge)	(81,143)	(26,233)	(1,425)	82,698	(26,103)
At the end of the year	**(589,862)**	**(80,217)**	**(46,855)**	**(53,037)**	**(769,971)**

Deferred tax assets	**Provisions**	**Trade receivables**	**Tax losses (2)**	**Other**	**Total at December 31, 2014**
At the beginning of the year	58,237	7,991	27,571	73,976	167,775
Translation differences	(3,829)	(432)	-	(2,968)	(7,229)
Charges directly to other comprehensive income	-	-	-	8,066	8,066
Effect of changes in tax law	37	-	-	75	112
Income statement credit (charge)	3,614	3,183	35,958	3,595	46,350
At the end of the year	**58,059**	**10,742**	**63,529**	**82,744**	**215,074**

(2) As of December 31, 2014, the recognized deferred tax assets on tax losses amount to USD 63,529 and the net unrecognized deferred tax assets amount to USD 2,064.

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.

20. DEFERRED INCOME TAX (continued)

The amounts shown in the statement of financial position (prior to offsetting the balances within the same tax jurisdiction) include the following:

	As of December 31,	
	2015	**2014**
Deferred tax assets to be recovered after more than 12 months	149,640	159,918
Deferred tax assets to be recovered within 12 months	40,188	55,155
Deferred tax liabilities to be settled after more than 12 months	(637,658)	(675,428)
Deferred tax liabilities to be settled within 12 months	(63,626)	(94,542)
	(511,456)	**(554,897)**

21. OTHER LIABILITIES – NON CURRENT AND CURRENT

	As of December 31,	
	2015	**2014**
(i) Other liabilities - Non current		
Post-employment benefits	273,792	313,146
Other employee benefits	24,896	35,351
Asset retirement obligation (note 19) (1)	18,273	21,744
Other	3,712	1,659
Other liabilities – Non-current	**320,673**	**371,900**

(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,	
	2015	**2014**
Present value of unfunded obligations	273,792	313,146
Liability in the statement of financial position	**273,792**	**313,146**

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

	Post-employment benefits Year ended December 31,	
	2015	**2014**
Current service cost	7,241	8,603
Interest cost	21,226	20,794
Amortization of prior service costs	923	418
Total included in labor costs	**29,390**	**29,815**

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21. 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,	
	2015	**2014**
At the beginning of the year	313,146	291,822
Transfers, new participants and funding of the plan	2,876	(1,595)
Total expense	29,390	29,815
Remeasurements	(4,922)	27,474
Translation differences	(42,099)	(30,929)
Contributions paid	(24,599)	(3,441)
At the end of the year	**273,792**	**313,146**

The principal actuarial assumptions used were as follows:

	Year ended December 31,	
Mexico	**2015**	**2014**
Discount rate	7.75%	7.75%
Compensation growth rate	4.00%	4.00%

	Year ended December 31,	
Argentina	**2015**	**2014**
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 assumptions is as follows:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	-9.4%	11.3%
Compensation growth rate	1.00%	2.7%	-2.3%
Pension growth rate	1.00%	2.5%	-2.2%
Life expectancy	1 year	3.2%	-3.2%

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

	As of December 31,	
	2015	**2014**
(ii) Other liabilities - Current		
Payroll and social security payable		