

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**

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**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**

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

This report contains Ternium S.A.'s press release announcing fourth quarter 2015 results.

## 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  
Name: Pablo Brizzio  
Title: Chief Financial Officer

By: /s/ Daniel Novegil  
Name: Daniel Novegil  
Title: Chief Executive Officer

Dated: February 23, 2016

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**Ternium Announces Fourth Quarter and Full Year 2015 Results**

Luxembourg, February 23, 2016 – Ternium S.A. (NYSE: TX) today announced its results for the fourth quarter and full year period ended December 31, 2015.

*The financial and operational information contained in this press release is based on Ternium S.A.'s operational data and consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and presented in U.S. dollars (USD) and metric tons.*

**Summary of Fourth Quarter 2015 Results**

Steel Shipments (tons)	2,310,000	2,463,000	-6%	2,354,000	-2%
Iron Ore Shipments (tons)	906,000	892,000	2%	1,022,000	-11%
Net Sales (USD million)	1,809.9	1,945.4	-7%	2,154.6	-16%
Operating Income (USD million)	191.6	140.5	36%	191.3	0%
EBITDA <sup>1</sup> (USD million)	297.1	250.4	19%	300.9	-1%
EBITDA per Ton <sup>2</sup> (USD)	128.6	101.7		127.8	
EBITDA Margin (% of net sales)	16.4%	12.9%		14.0%	
Equity in Results of Non-Consolidated Companies	(213.4)	(48.8)		(5.3)	
Net (Loss) Income (USD million)	(126.5)	40.0		71.4	
Equity Holders' Net (Loss) Income (USD million)	(126.2)	24.8		53.0	

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(Losses) Earnings per ADS (USD)	(0.64)	0.13	0.27
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- EBITDA of USD297.1 million in the fourth quarter 2015, USD46.7 million higher than EBITDA in the third quarter 2015 as a result of higher EBITDA per ton, partially offset by lower shipments.
- Impairment of investment in Usiminas of USD191.9 million. The book value of Ternium's investment in Usiminas as of December 31, 2015 was USD240.0 million.

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<sup>1</sup> EBITDA in the fourth quarter 2015 equals operating income of USD191.6 million adjusted to exclude depreciation and amortization of USD105.5 million.

<sup>2</sup> Consolidated EBITDA divided by steel shipments.

- Net foreign exchange losses of USD30.1 million, mainly due to the depreciation of the Argentine Peso, offset by changes in Ternium's net equity position in the currency translation adjustments line.
- Losses per American Depositary Share (ADS)<sup>3</sup> of USD0.64 in the fourth quarter 2015, including a loss per ADS of USD0.91 in connection with the above mentioned impairment of the investment in Usiminas.
- Capital expenditures of USD123.8 million in the fourth quarter 2015, compared to USD115.3 million in the third quarter 2015.
- Net debt position of USD1.1 billion at the end of December 2015, down from USD1.3 billion at the end of September 2015 and equivalent to 1.1 times net debt to last twelve months EBITDA.

Ternium's operating income in the fourth quarter 2015 was USD191.6 million, up by USD51.1 million compared to the third quarter 2015 due to higher operating margin<sup>4</sup>, partially offset by lower shipments, mainly in Mexico. Operating margin increased sequentially principally as a result of USD34 lower operating cost per ton<sup>5</sup>, partially offset by USD6 lower steel revenue per ton. The decrease in operating cost per ton was mainly due to lower costs of purchased slabs, raw materials and energy. Steel revenue per ton decreased principally as a result of lower realized steel prices in Mexico.

Compared to the fourth quarter 2014, the company's operating income in the fourth quarter 2015 was stable as a result of slightly higher operating margin, offset by slightly lower shipments. A USD135 decrease in operating cost per ton was partially offset by a USD128 decrease in steel revenue per ton. The decrease in operating cost per ton was mainly due to lower cost of purchased slabs, raw materials and energy. Steel revenue per ton decreased principally as a result of lower steel prices in Ternium's main steel markets, partially offset by a higher value added product mix.

The company's net result in the fourth quarter 2015 was a net loss of USD126.5 million, including a USD191.9 million impairment charge on Ternium's investment in Usiminas, compared to a net gain of USD40.0 million in the third quarter 2015. Net financial expenses were USD33.6 million higher sequentially, mainly as a result of higher net foreign exchange losses in Ternium's Argentine subsidiary Siderar, principally due to the non-cash negative impact of the Argentine Peso's 28% depreciation against the U.S. dollar on Siderar's U.S. dollar financial position, which is offset by changes in Ternium's net equity position in the currency translation adjustments line.

Net results in the fourth quarter 2015 were USD197.9 million lower than in the fourth quarter 2014. This year-over-year decrease was mainly due to the above mentioned impairment of Ternium's investment in Usiminas and USD62.2 million higher net financial expenses, partially offset by USD72.1 million lower income tax expense.

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<sup>3</sup> Each American Depositary Share (ADS) represents 10 shares of Ternium's common stock. Results are based on a weighted average number of shares of common stock outstanding (net of treasury shares) of 1,963,076,776.

<sup>4</sup> Operating margin is equal to revenue per ton less operating cost per ton.

<sup>5</sup> Operating cost per ton is equal to cost of sales plus SG&A, divided by shipments.



**Summary of Full Year 2015 Results**

Steel Shipments (tons)	9,600,000	9,381,000	2%
Iron Ore Shipments (tons)	2,729,000	2,835,000	-4%
Net Sales (USD million)	7,877.4	8,726.1	-10%
Operating Income (USD million)	639.3	1,056.2	-40%
EBITDA (USD million)	1,073.1	1,471.0	-27%
EBITDA per Ton (USD)	111.8	156.8	
EBITDA Margin (% of net sales)	13.6%	16.9%	
Net Income (Loss) (USD million)	59.8	(104.2)	
Equity Holders' Net Income (Loss) (USD million)	8.1	(198.8)	
Earnings (Losses) per ADS (USD)	0.04	(1.01)	

- EBITDA<sup>6</sup> of USD1.1 billion in 2015, down from EBITDA of USD1.5 billion in 2014.
- Earnings per ADS<sup>7</sup> of USD0.04 in 2015, including a loss per ADS of USD0.91 in connection with the above mentioned impairment of the investment in Usiminas.
- Capital expenditures of USD466.6 million in 2015, compared to USD443.5 million in 2014.
- Net debt decrease of USD669.2 million in 2015. Of note in the period was a decrease of USD509.1 million in working capital and USD209.4 million dividend payments.

Operating income in 2015 was USD639.3 million, USD416.8 million lower than operating income in 2014. Steel shipments increased by 219,000 tons year-over-year, mainly as a result of a 301,000 ton increase in Mexico and a 41,000 ton increase in the Southern Region, partially offset by a 124,000 ton decrease in Other Markets. Operating margin decreased, mainly reflecting USD108 lower steel revenue per ton, partially offset by USD70 lower operating cost per ton. Steel revenue per ton decreased as a result of lower steel prices in Ternium's main steel markets, partially offset by a higher value added product mix. The decrease in operating cost per ton was mainly due to lower purchased slabs, raw material and energy costs.

Net income in 2015 was USD59.8 million, compared to a USD104.2 million net loss in 2014. Both years were affected by impairments to the recoverable value of Ternium's investment in Usiminas, of USD191.9 million and USD739.8 million in 2015 and 2014, respectively. The USD164.0 million higher result in the year-over-year comparison was mainly due to the above mentioned lower impairment of Ternium's investment in Usiminas and to lower income tax expenses, partially offset by lower operating income and higher net financial expenses.

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<sup>6</sup> EBITDA in 2015 equals operating income of USD639.3 million adjusted to exclude depreciation and amortization of USD433.8 million.

<sup>7</sup> Each American Depositary Share (ADS) represents 10 shares of Ternium's common stock. Results are based on a weighted average number of shares of common stock outstanding (net of treasury shares) of 1,963,076,776.

## **Impairment of Investment in Usiminas**

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 USD240.0 million.

## **Annual Dividend Proposal**

Ternium's board of directors proposed that an annual dividend of USD0.09 per share (USD0.90 per ADS), or approximately USD180.4 million in the aggregate, be approved at the company's annual general shareholders' meeting, which is scheduled to be held on May 4, 2016. If the annual dividend is approved at the shareholders' meeting, it will be paid on May 13, 2016, with record-date of May 10, 2016.

## **Market Background and Outlook**

The steel industry continued to be characterized in 2015 by significant overcapacity, mainly in China. This, together with a deceleration of China's economic growth rate, led to an unprecedented level of low-priced Chinese steel exports, in many cases under unfair trade conditions, that exerted significant pressure on global steel prices. Ternium was not exempt from these developments, as the company's average realized prices fell 12% year-over-year in 2015, including a 15% decrease in Mexico, the market that represents two thirds of Ternium's shipments.

In this complex environment, the company was able to achieve record steel shipments of 9.6 million tons in 2015, primarily by focusing on high value-added products and innovative services within its differentiation strategy. This strategic focus was supported by Mexico's strong manufacturing industry and active government policy against unfair trade practices. In fact, Ternium's shipments in Mexico grew 5% in 2015 versus the prior year.

The company's EBITDA per ton of USD112 in 2015 decreased by USD45 year-over-year as falling costs for purchased slabs, raw materials, labor and energy, did not match the above mentioned decrease in revenue per ton, in part as a result of a gradual pass-through of these input prices to Ternium's cost of sales. In addition, EBITDA per ton in 2015 was negatively affected by an increase in local costs at Ternium's Argentine subsidiary as a result of another year of elevated inflation levels in the country.

Following seasonally weaker shipments in Mexico in the fourth quarter 2015, Ternium expects shipments in this market in the first quarter 2016 to return to previous quarters' levels, supported by healthy sales to the industrial and non-residential construction sectors. Steel prices in the North American market halted their downward trend by the end of the fourth quarter 2015, supported by decreasing service center inventories due to a significant reduction in capacity utilization rates in the U.S. steel industry and lower import levels resulting from actions taken against unfair trade practices.

The company anticipates shipments in the Southern Region to decrease in the first quarter 2016 mainly as a result of a destocking of the value chain, together with the usual seasonality at the beginning of the year. Following a significant devaluation of the local currency in Argentina by the end of December 2015, steel prices decreased in this market by approximately 24% in U.S. dollar terms between December 2015 and February 2016. Cost per ton in Argentina should also sequentially decrease in the first quarter 2016, as a result of the effect of the currency depreciation on local costs and the company's inventories.

Ternium expects operating income in the first quarter 2016 to approach the level reached in the fourth quarter 2015, with lower EBITDA per ton and higher shipments. The company anticipates average realized prices to sequentially decrease in its main markets in the first quarter of the year. This decrease is expected to be partially offset by a reduction in cost per ton, mainly due to the effect of the devaluation of the Argentine Peso and to the gradual pass-through of lower raw material and purchased slab prices in Mexico to Ternium's cost of sales.

### Analysis of Fourth Quarter 2015 Results

**Net loss attributable to Ternium's equity owners** in the fourth quarter 2015 was USD126.2 million, compared to net gain attributable to Ternium's equity owners of USD53.0 million in the fourth quarter 2014. Including non-controlling interest, net loss for the fourth quarter 2015 was USD126.5 million, compared to net gain of USD71.4 million in the fourth quarter 2014. The net loss in the fourth quarter 2015 included the above mentioned USD191.9 million loss related to an impairment of Ternium's investment in Usiminas. Losses per ADS in the fourth quarter 2015 were USD0.64, compared to earnings per ADS of USD0.27 in the fourth quarter 2014.

**Net sales** in the fourth quarter 2015 were USD1.8 billion, or 16% lower than net sales in the fourth quarter 2014. The following table outlines Ternium's consolidated net sales for the fourth quarter 2015 and the fourth quarter 2014:

	<b>Net Sales (million USD)</b>		
Mexico	954.2	1,215.8	-22%
Southern Region	650.3	667.0	-3%
Other Markets	199.6	257.3	-22%
Total steel products net sales	1,804.1	2,140.1	-16%
Other products <sup>1</sup>	5.3	9.6	-45%
Intersegment eliminations	(44.8)	(66.5)	

<sup>1</sup> The item "Other products" primarily includes pig iron.

**Cost of sales** was USD1.4 billion in the fourth quarter 2015, a decrease of USD326.7 million compared to the fourth quarter 2014. This was principally due to a USD320.3 million, or 23%, decrease in raw material and consumables used, mainly reflecting lower iron ore, coking coal, scrap, energy and purchased slabs costs, and a 2% decrease in steel shipments; and to a USD6.4 million decrease in other costs, mainly including a USD10.3 million decrease in labor cost, a USD6.2 million decrease in services and fees and a USD5.6 million decrease in depreciation of property, plant and equipment and amortization of intangible assets, partially offset by a USD14.4 million increase in maintenance expenses.



**Selling, General & Administrative (SG&A) expenses** in the fourth quarter 2015 were USD180.1 million, or 9.9% of net sales, a decrease of USD21.6 million compared to SG&A expenses in the fourth quarter 2014 mainly due to lower labor costs, freight and transportation expenses, services and fees expenses and lower taxes and contributions (other than income tax).

**Operating income** in the fourth quarter 2015 was USD191.6 million, or 10.6% of net sales, compared to operating income of USD191.3 million, or 8.9% of net sales, in the fourth quarter 2014. The following table outlines Ternium's operating income by segment for the fourth quarter 2015 and fourth quarter 2014:

	<b>Steel segment</b>		<b>Mining segment</b>		<b>Intersegment eliminations</b>		<b>Total</b>	
Net Sales	1,809.4	2,149.7	45.4	71.4	(44.8)	(66.5)	1,809.9	2,154.6
Cost of sales	(1,434.0)	(1,766.6)	(46.0)	(67.8)	41.6	69.4	(1,438.4)	(1,765.1)
SG&A expenses	(177.1)	(196.8)	(3.0)	(4.9)	-	-	(180.1)	(201.7)
Other operating income , net	(0.3)	3.3	0.4	0.2	-	-	0.1	3.5