



TERNIUM ARGENTINA S.A.

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Ternium Argentina Files Third Quarter and First Nine Months of 2023 Financial Reports with BYMA and CNV

Buenos Aires, October 31, 2023 – Ternium Argentina S.A. (BYMA: TXAR) filed today its financial reports for the third quarter and first nine months ended September 30, 2023, with *Bolsas y Mercados Argentinos* (BYMA) and *Comisión Nacional de Valores* (CNV).

The financial and operational information contained in this press release is based on Ternium Argentina's operational data and consolidated condensed interim financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and presented in Argentine Pesos (ARP) and metric tons.

Summary

Ternium Argentina's steel shipments in the third quarter of 2023 were 579,000 tons, 3% higher than in the second quarter of the year mainly as a result of higher exports. Compared to the prior-year same period, the company's steel shipments in the third quarter of 2023 decreased 1%, reflecting a moderate decrease in shipments to the local market mostly offset by higher exports. Sales to the Argentine market represented 93% of total sales in the third quarter of 2023, compared to 97% of total sales in the previous quarter and in the same quarter in 2022.

Ternium Argentina's consolidated net income in the third quarter of 2023 was ARP24.2 billion, including operating income of ARP60.4 billion on operating margin of 22% of net sales, down approximately 200 basis points compared to operating margin in the prior quarter and down 100 basis points compared to operating margin in the prior-year same period.

In the first nine months of the year, steel shipments were 1.7 million tons, 4% lower compared to shipment levels in the prior-year first nine months. The company recorded lower shipments in the local and foreign markets alike, in a context of restrictions to the import of production inputs. The company's consolidated net result in the first nine months of 2023 was a gain of ARP135.1 billion, including operating income of ARP150.6 billion.

Ternium Argentina's capital outlays in property, plant and equipment, and intangible assets were ARP20.6 billion in the first nine months of 2023. Among other initiatives, of note in the first nine months of the year was the inauguration of new equalization and sedimentation pools in the San Nicolás unit, as well as progress made in the integral modification of the steel shop's particulate matter capturing system, in the construction of a new distribution center in Rosario, in the new wind farm in Olavarría and in the modernization of the company's information systems. Furthermore, the company slightly increased its

stake in Usinas Siderúrgicas de Minas Gerais S.A. (Usiminas) in July 2023, through a ARP7.0 billion additional investment.

Outlook

Ternium Argentina forecasts a sequential decrease in steel shipments in the fourth quarter of 2023. In the normal course of business, the company imports raw materials for the production of steel and, to a lesser extent, processes imported semifinished products in its facilities in order to complete its product offering. The expectation for a sequential decrease in shipments is related mainly to the effect of current foreign exchange restrictions, which limit imports of products required by the company and its value chain, as well as to seasonal factors. Beyond December 2023, the development of the energy, mining and agribusiness sectors looks promising, although the challenging macroeconomic situation and a significant uncertainty looking forward make it difficult to forecast steel demand in the local market.

Regarding capital expenditures, the company continues advancing the construction of a new distribution center in Rosario and diverse projects focused on maintenance, technology applied to operations, customer service and the environment, the majority of which it expects to inaugurate during 2024. In addition, the company keeps making progress with the construction of a new wind farm in Olavarría, a project with which it expects to increase the participation of renewable energy in its energy mix.

Analysis of Third Quarter of 2023 Results

	3Q 2023	2Q 2023	3Q 2022
Shipments (tons)	579,000	560,900	582,800
Net sales (ARP million)	278,659	200,460	134,595.0
Operating result (ARP million)	60,413	46,772	30,742.0
Financial result (ARP million)	19,491	(4,445)	6,079.0
Equity result (ARP million)	(10,886)	28,758	(5,631.0)
Net result (ARP million)	24,225	60,509	20,379.0
Per share net result ¹ (ARP)	5.36	13.40	4.51

Net result in the third quarter of 2023 was a gain of ARP24.2 billion, equivalent to a per share net gain¹ of ARP5.36.

Net sales in the third quarter of 2023 were ARP278.7 billion, compared to net sales of ARP134.6 billion in the third quarter of 2022. Shipments were 579,000 tons in the third quarter of 2023, a 3,800-ton decrease compared to shipment levels in the prior-year third quarter.

¹ Per share net result was calculated based on 4,517,094,023 shares issued and outstanding during the period.

Thousand metric tons	Total shipments		Domestic shipments		Export shipments	
	3Q 2023	3Q 2022	3Q 2023	3Q 2022	3Q 2023	3Q 2022
Hot rolled	214.8	240.6	201.9	228.2	12.9	12.4
Cold rolled	134.8	102.9	107.1	99.6	27.7	3.3
Coated & other	213.7	234.8	211.1	233.0	2.6	1.8
Semi-finished	15.7	4.5	15.7	4.5	-	-
Total	579.0	582.8	535.9	565.3	43.1	17.6

Ternium Argentina's shipments in the domestic Argentine market were 535,900 tons in the third quarter of 2023, a 29,400-ton decrease compared to shipment levels during the prior-year third quarter. Exports totaled 43,100 tons in the third quarter of 2023, a 25,500-ton increase compared to shipment levels during the third quarter of 2022. Of the exports in the third quarter of 2023, 43% were shipped to South and Central America, with 56% shipped to North America and 1% shipped to Europe and other destinations.

Cost of sales in the third quarter of 2023 totaled ARP192.2 billion, a ARP99.4 billion increase compared to the ARP92.8 billion recorded in the third quarter of 2022, due mainly to higher cost per ton. Of note in such increase were higher costs of raw materials and other inputs, an increase in labor, maintenance and services costs, and higher depreciation and amortization.

Selling, General and Administrative (SG&A) expenses in the third quarter of 2023 totaled ARP26.2 billion, with a 9.4% SG&A expense to net sales ratio, compared to ARP11.1 billion expense recorded in the third quarter of 2022, with a ratio of 8.2%.

Financial net results in the third quarter of 2023 were a gain of ARP19.5 billion, compared to a gain of ARP6.1 billion in the third quarter of 2022.

Net interest results during the third quarter of 2023 were a gain of ARP2.0 billion compared to a loss of ARP949 million in the prior-year third quarter.

Changes in the fair value of financial instruments resulted in a net gain of ARP17.0 billion in the third quarter of 2023, due mainly to an increase in the value of investments, compared to a net gain of ARP11.2 billion in the third quarter of 2022.

Net foreign exchange results were a gain of ARP764 million in the third quarter of 2023, compared to a loss of ARP4.1 billion in the prior-year same period.

The equity in the result of associated companies in the third quarter of 2023 was a loss of ARP10.9 billion. The result of Ternium México included the impact of an inventory write-down in the period, reflecting less favorable conditions in the steel market. Furthermore, the company wrote-down its investment in Usiminas, as a result of the realization of a fair value estimation that was triggered by the additional investment in Usiminas's shares. In the third quarter of 2022, the equity in the result of associated companies had been a loss of ARP5.6 billion.

Income tax expense in the third quarter of 2023 was ARP44.8 billion, compared to income tax expense of ARP10.8 billion in the third quarter of 2022.

Analysis of First Nine Months of 2023 Results

	9M 2023	9M 2022
Shipments (tons)	1,700,600	1,776,800
Net sales (ARP million)	644,651	346,917
Operating result (ARP million)	150,632	82,122
Financial result (ARP million)	20,884	6,267
Equity result (ARP million)	33,737	25,345
Net result (ARP million)	135,083	93,853
Per share net result ² (ARP)	29.90	20.78

Net result in the first nine months of 2023 was a gain of ARP135.1 billion, equivalent to a per share net gain² of ARP29.90.

Net sales in the first nine months of 2023 were ARP644.7 billion, compared to net sales of ARP346.9 billion in the first nine months of 2022. Shipments were 1.7 million tons in the first nine months of 2023, a 76,200-ton decrease compared to shipment levels in the first nine months of 2022.

Thousand metric tons	Total shipments		Domestic shipments		Export shipments	
	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022
Hot rolled	665.4	693.6	629.5	640.7	35.8	52.9
Cold rolled	364.9	313.2	331.3	298.0	33.5	15.2
Coated & other	619.5	696.9	611.2	688.4	8.3	8.6
Semi-finished	50.8	73.0	50.8	45.3	-	27.7
Total	1,700.6	1,776.8	1,622.9	1,672.3	77.7	104.5

Ternium Argentina's shipments in the domestic Argentine market were 1.6 million tons in the first nine months of 2023, a 49,400-ton decrease compared to shipment levels during the first nine months of 2022. Exports totaled 77,700 tons in the first nine months of 2023, a 26,800-ton decrease compared to shipment levels during the first nine months of 2022. Of the exports in the first nine months of 2023, 67% were shipped to South and Central America with 31% shipped to North America and 2% shipped to Europe and other destinations.

Cost of sales in the first nine months of 2023 totaled ARP434.4 billion, a ARP198.6 billion increase compared to the ARP235.8 billion recorded in the first nine months of 2022, due to higher cost per ton, partially offset by lower shipments. Of note in the cost per ton change were higher costs of raw materials and other inputs, an increase in labor, maintenance and services costs, and higher depreciation and amortization.

Selling, General and Administrative (SG&A) expenses in the first nine months of 2023 totaled ARP59.4 billion, with a 9.2% SG&A expense to net sales ratio, compared to ARP29.1 billion expense recorded in the first nine months of 2022, with a ratio of 8.4%.

² Per share net result was calculated based on 4,517,094,023 shares issued and outstanding during the period.

Financial net results in the first nine months of 2023 were a gain of ARP20.9 billion, compared to a gain of ARP6.3 billion in the first nine months of 2022.

Net interest results during the first nine months of 2023 were a gain of ARP5.6 billion compared to a gain of ARP1.8 billion in the prior-year first nine months.

Changes in fair value of financial instruments resulted in a net gain of ARP15.4 billion in the first nine months of 2023, due mainly to an increase in the value of investments partially offset by the difference between the amortized cost and the market value of the global bonds of the Republic of Argentina that were distributed in May as a dividend in kind. In the first nine months of 2022, changes in fair value of financial instruments had resulted in a net gain of ARP20.0 billion.

Net foreign exchange results were a gain of ARP480 million in the first nine months of 2023, compared to a loss of ARP15.3 billion in the prior-year same period.

The equity in the result of associated companies in the first nine months of 2023 was a gain of ARP33.7 billion, on a gain in the investment in Ternium México of ARP39.5 billion and a loss in the investment in Usiminas of ARP5.8 billion. In the first nine months of 2022, the equity in the result of associated companies had been a gain of ARP25.3 billion.

Income tax expense in the first nine months of 2023 was ARP70.2 billion, compared to income tax expense of ARP19.9 billion in the first nine months of 2022.

Cash Flow and Liquidity

Net cash provided by operating activities in the first nine months of 2023 was ARP150.0 billion. Working capital decreased by ARP4.4 billion in the first nine months of 2023 as a result of an aggregate ARP28.2 billion net increase in accounts payable and other liabilities, and a ARP4.0 billion decrease in inventories, partially offset by an aggregate ARP27.9 billion net increase in trade and other receivables. Of note in the inventory value decrease was a lower value partially offset by a higher volume of raw materials and steel products.

Cash flow related to capital expenditures in the first nine months of 2023 totaled ARP20.6 billion. During the period, Ternium Argentina invested ARP7.0 billion in the acquisition of an additional equity stake in Usinas Siderúrgicas de Minas Gerais S.A. Payments in connection with leasing liabilities amounted to ARP1.3 billion and net repayment of borrowings amounted to ARP157 million. Ternium Argentina invested ARP120.3 billion in securities in the first nine months of 2023.

Net cash provided by operating activities in the third quarter of 2023 was ARP78.8 billion. Working capital decreased by ARP7.1 billion in the third quarter of 2023 as a result of a ARP15.9 billion decrease in inventories and an aggregate ARP15.0 billion net increase in accounts payable and other liabilities, partially offset by an aggregate ARP23.8 billion net increase in trade and other receivables. The sequential reduction in the inventory value was the result of a decrease in the volume and value of raw materials and steel products. In the third quarter of 2023, Ternium Argentina invested ARP58.9 billion in securities.

Consolidated condensed interim income statement

ARP million	3Q 2023	3Q 2022	9M 2023	9M 2022
Net sales	278,659	134,595	644,651	346,917
Cost of sales	<u>(192,212)</u>	<u>(92,822)</u>	<u>(434,415)</u>	<u>(235,809)</u>
Gross profit	86,447	41,773	210,236	111,108
Selling, general and administrative expenses	(26,217)	(11,070)	(59,409)	(29,128)
Other operating income (expense), net	<u>183</u>	<u>39</u>	<u>(195)</u>	<u>142</u>
Operating income	60,413	30,742	150,632	82,122
Financial expense	(711)	(628)	(1,583)	(939)
Financial income	2,722	(321)	7,224	2,757
Other financial income, net	17,480	7,028	15,243	4,449
Result of the equity in associated companies	<u>(10,886)</u>	<u>(5,631)</u>	<u>33,737</u>	<u>25,345</u>
Income before income tax expense	69,018	31,190	205,253	113,734
Income tax expense	(44,793)	(10,811)	(70,170)	(19,881)
Profit for the period	24,225	20,379	135,083	93,853
Attributable to:				
Equity holders of the Company	24,225	20,379	135,083	93,853
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	24,225	20,379	135,083	93,853

Consolidated condensed interim statement of financial position

ARP million	September 30, 2023	December 31, 2022
Property, plant and equipment, net	283,446	144,016
Intangible assets, net	12,432	6,046
Investments in associated companies	817,271	378,680
Deferred tax assets	374	5,164
Other receivables	7,694	1,849
Other investments	10,815	10,695
Total non-current assets	1,132,032	546,450
Other receivables	21,123	11,970
Inventories, net	238,401	122,688
Trade receivables	58,939	19,514
Other investments	390,675	206,387
Cash and cash equivalents	36,486	24,411
Total current assets	745,624	384,970
Total assets	1,877,656	931,420
Capital and reserves attributable to the company's equity holders	1,671,532	840,955
Non-controlling interest	4	2
Total equity	1,671,536	840,957
Provisions	1,395	726
Other liabilities	5,653	2,910
Leasing liabilities	19,330	10,642
Total non-current liabilities	26,378	14,278
Current income tax liabilities	33,087	10,538
Other liabilities	24,389	19,808
Trade payables	119,973	44,462
Leasing liabilities	2,271	1,376
Borrowings	22	1
Total current liabilities	179,742	76,185
Total liabilities	206,120	90,463
Total equity and liabilities	1,877,656	931,420

Consolidated condensed interim statement of cash flows

ARP million	3Q 2023	3Q 2022	9M 2023	9M 2022
Profit for the period	24,225	20,379	135,083	93,853
Adjustments for:				
Depreciation and amortization	8,995	3,878	20,894	10,427
Income tax accruals less payments	27,892	2,448	22,809	(13,159)
Interest accruals less payments	9	104	69	101
Changes in value of derivative financial instruments	-	-	5	385
Changes in provisions for contingencies	258	273	671	388
Result of the equity in associated companies	10,886	5,631	(33,737)	(25,345)
Changes in working capital	7,053	(1,947)	4,353	1,702
Net foreign exchange results and others	(559)	4,711	(166)	16,080
Net cash provided by operating activities	78,759	35,477	149,981	84,432
Capital expenditures	(9,038)	(3,845)	(20,593)	(9,166)
Investments in associated companies	(6,981)	-	(6,981)	-
Dividends received and proceeds from the sale of associated companies	-	-	724	-
Disposals of property, plant and equipment	(256)	(98)	255	32
Increase in other investments	(58,872)	(36,544)	(120,349)	(81,410)
Net cash used in investing activities	(75,147)	(40,487)	(146,944)	(90,544)
Proceeds from borrowings	27	-	464	-
Repayments of borrowings	(621)	-	(621)	-
Payments for leasing	(443)	(207)	(1,256)	(509)
Proceeds (payments) from derivative financial products, net	-	1	(5)	(562)
Net cash used in financing activities	(1,037)	(206)	(1,418)	(1,071)
Increase (Decrease) in cash and cash equivalents	2,575	(5,216)	1,619	(7,183)