

# Investor Presentation

## August 2021





## Forward-Looking Statements

This presentation contains certain forward-looking statements and information relating to Ternium S.A. and its subsidiaries (collectively, “Ternium”) that are based on the current beliefs of its management as well as assumptions made by and information currently available to Ternium. Such statements reflect the current views of Ternium with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Ternium to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic, political conditions in the countries in which Ternium does business or other countries which have an impact on Ternium’s business activities and investments, changes in interest rates, changes in inflation rates, changes in exchange rates, the degree of growth and the number of consumers in the markets in which Ternium operates and sells its products, changes in steel demand and prices, changes in raw material and energy prices or difficulties in acquiring raw materials or energy supply cut-offs, changes in business strategy and various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or targeted. Ternium does not intend, and does not assume any obligation, to update these forward-looking statements.



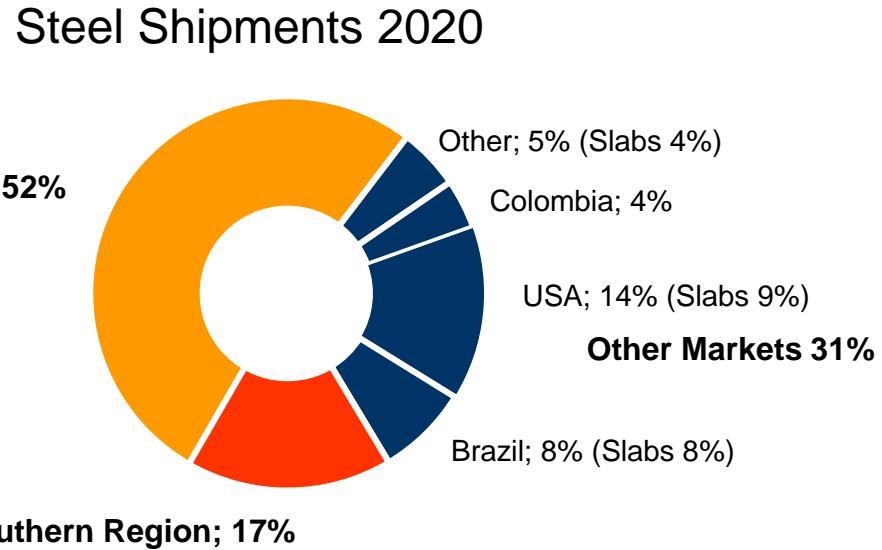
# Profile



# Ternium's Profile

## A leading steel company in Latin America

- Net sales of **\$8.7 billion** in 2020
- Steel shipments in 2020 of **11.4 million tons**
- Industrial facilities in Mexico, Argentina, Brazil, Colombia, USA and Central America



- Vertically integrated, from iron ore mines to service centers
- Focus on high value-added products
- Participation in Usiminas<sup>1</sup> control group

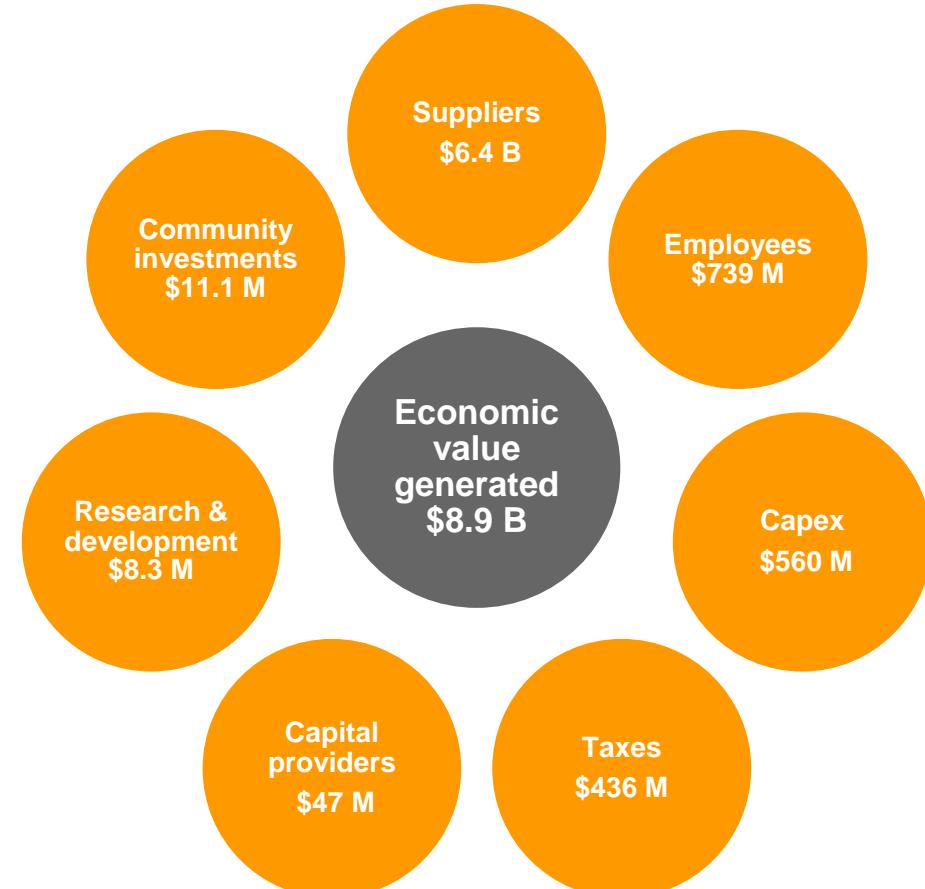
<sup>1</sup>Usiminas: a leading company in the Brazilian flat steel market

# Sustainable Profitability

A comprehensive approach to value creation

- Quest for excellence in industrial management and technology
- Focus on differentiation through sophisticated products and services
- Proactive approach to environment, health and safety
- Recruitment, training, and retention of talent
- Strengthening of steel value chain
- Deep ties with our communities
- Commitment to integrity

Economic Value Generated and Distributed<sup>1</sup> (2020)



<sup>1</sup> According to GRI Standards

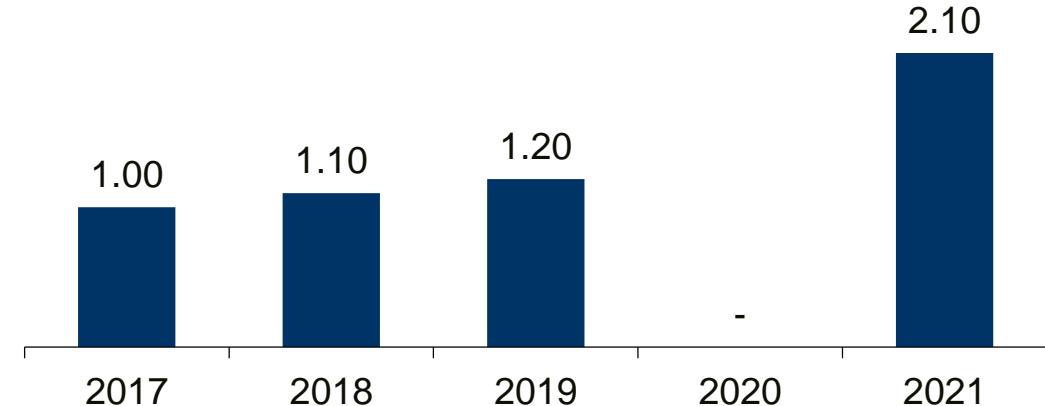
# Sustainable Profitability

## Delivering Ternium's business strategy

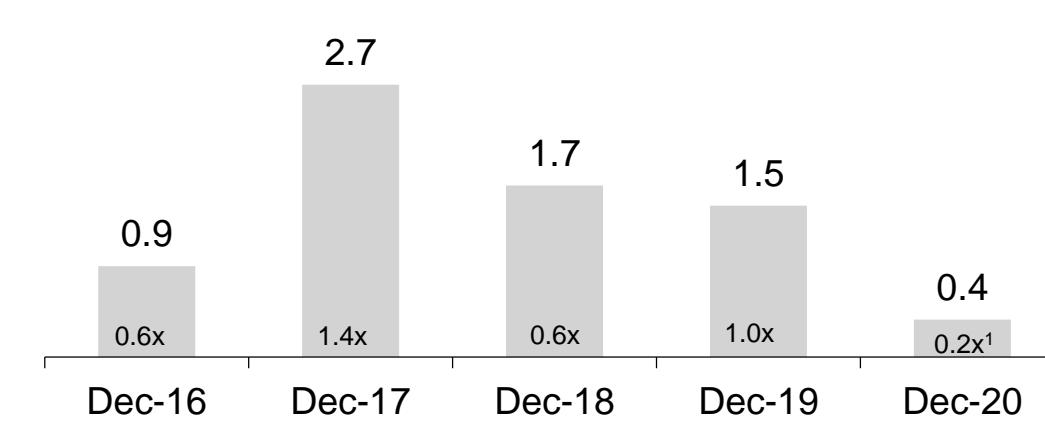


- Focus on high-margin value-added products
- Pursue strategic growth opportunities
- Implement Ternium's best practices
- Maximize the benefits arising from Ternium's distribution network
- Enhance Ternium's position as a competitive steel producer
- Quest for excellence in industrial management and technology

Dividend Payments (\$ per ADS)



Net Debt (\$ billion)



<sup>1</sup> Net Debt/EBITDA Ratio (last 12 months EBITDA)

# Sustainable Profitability

## Improving our health and safety performance

- Occupational health and safety (OH&S) policy
- Standardized and certified OH&S management system
- Safety-focused capital expenditure plan
- Integral program for critical steel production processes and iron ore tailings dams
- Management tours at the facilities, training, workshops and conferences to raise awareness
- Extensive communication to engage and commit Ternium's and contractor's employees
- Initiatives to promote healthy and safe operations in the steel industry value chain

Lost time injury frequency rate  
(# of events / million hours worked)



# Sustainable Profitability

## Health and safety measures against Covid-19

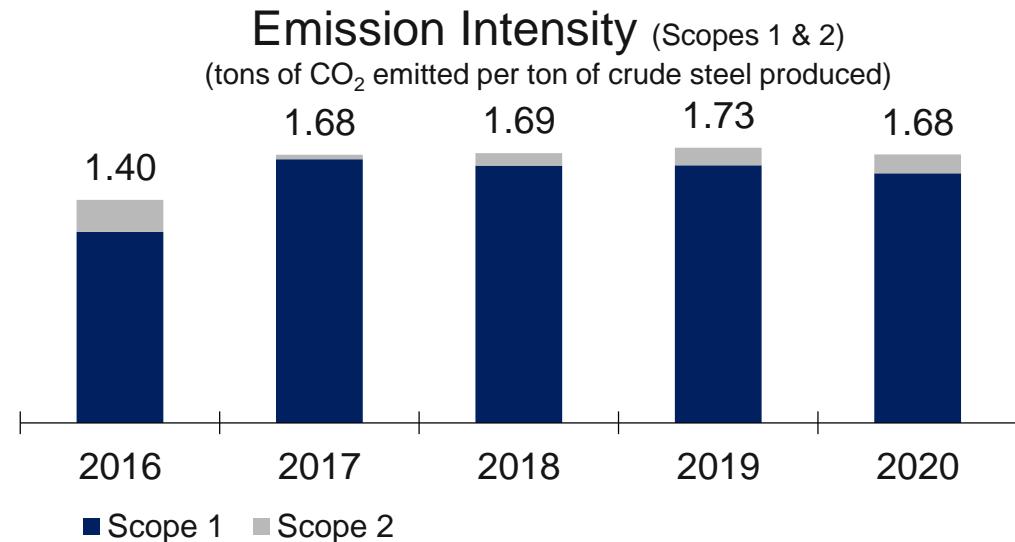
- Working protocols that comply with, or exceed, local authorities' directives
  - strict social distancing and mandatory face masks
  - temperature checks at admission posts
  - strengthened disinfection routines including buses, working posts and cafeterias
- Remote working where possible
- Employees with higher risk of developing complications stay at home
- Prompt testing of all individuals showing symptoms along with their close contacts and contagion tracking
- Extensive communication program to promote health and wellness protocols at both work and home



# Sustainable Profitability

## Roadmap to decarbonization

- Target of 20% reduction of CO<sub>2</sub> emissions intensity (scope 1 and 2) by 2030 (base 2018) by:
  - intensifying the use of renewable energy
  - increasing scrap in the metallic mix
  - augmenting carbon capture capacity
  - partially replacing met coal with charcoal
  - prioritizing lower specific-emission technologies
- Analysis of additional strategies to decarbonize its operations over the longer term, based upon:
  - current and developing technologies
  - availability of renewable energy and steel scrap
- Board of Directors quarterly oversight of Ternium's Climate Change strategy



# Sustainable Profitability

## Minimizing Ternium's environmental footprint



- New environmental investment plan:
  - encompassing Ternium's steelmaking facilities in Mexico, Brazil and Argentina
  - seven-year duration and \$460 million capex
- Responsible use of natural resources
- Focus on excellence in environmental performance
  - Certified environmental management system
  - Management performance accountability
  - Sustainable building solutions at new facilities
- Biodiversity protection



Reintroduction of endangered species, such as the *yaguareté*, in Esteros del Iberá



New environmental monitoring center at Ternium's Rio de Janeiro unit in Brazil



# Sustainable Profitability

## Strengthening Ternium's value chain

- Promoting a collaborative network to foster excellence in performance:
  - Universities
  - Business schools
  - Government agencies
  - Industrial associations
- Helping 1,800 SMEs, customers and suppliers, grow:
  - Training programs
  - Industrial projects and business consultancy
  - Institutional initiatives
  - Commercial support and financial assistance



“ProPymes has helped create an industrial network that encourages the professionalization and quest for excellence of SMEs.”



Ternium | August 2021



EGADE Business School  
Tecnológico de Monterrey



# Sustainable Profitability

## Helping our communities thrive



- Fostering education:
  - Ternium's technical school in Pesquería
  - Refurbishing of community schools
  - Special education program for children
  - Financial support to high-school, undergraduate and graduate students
- Supporting initiatives that strengthen our communities:
  - Funding of health care infrastructure and equipment
  - Sponsorship of diverse cultural exhibitions and events
  - Sponsorship of city races and other sport activities
  - Special funding program of \$6.4 million to help our communities face the COVID-19 pandemic



Roberto Rocca Technical School in Pesquería, Mexico



New robotic and automation laboratories at a technical school in San Nicolás, Argentina

# Sustainable Profitability

## Special funding program to help our communities

- Construction and operation of a field hospital in Monterrey, Mexico
  - 100 beds
  - 10 fully-equipped units for intensive care (IC)
- Equipment donation to 14 hospitals and health-care units in 4 countries (ventilators, units for IC, beds, IC equipment and protection gear)
- Creation of a professional network to share COVID-19 treatments
  - Linking doctors from our communities with Humanitas<sup>1</sup> colleagues
  - Humanitas expertise available at a public virtual campus
- Adaptation to online learning at some of Ternium's education programs
  - Roberto Rocca Technical School
  - AfterSchool program
- Food support for vulnerable families

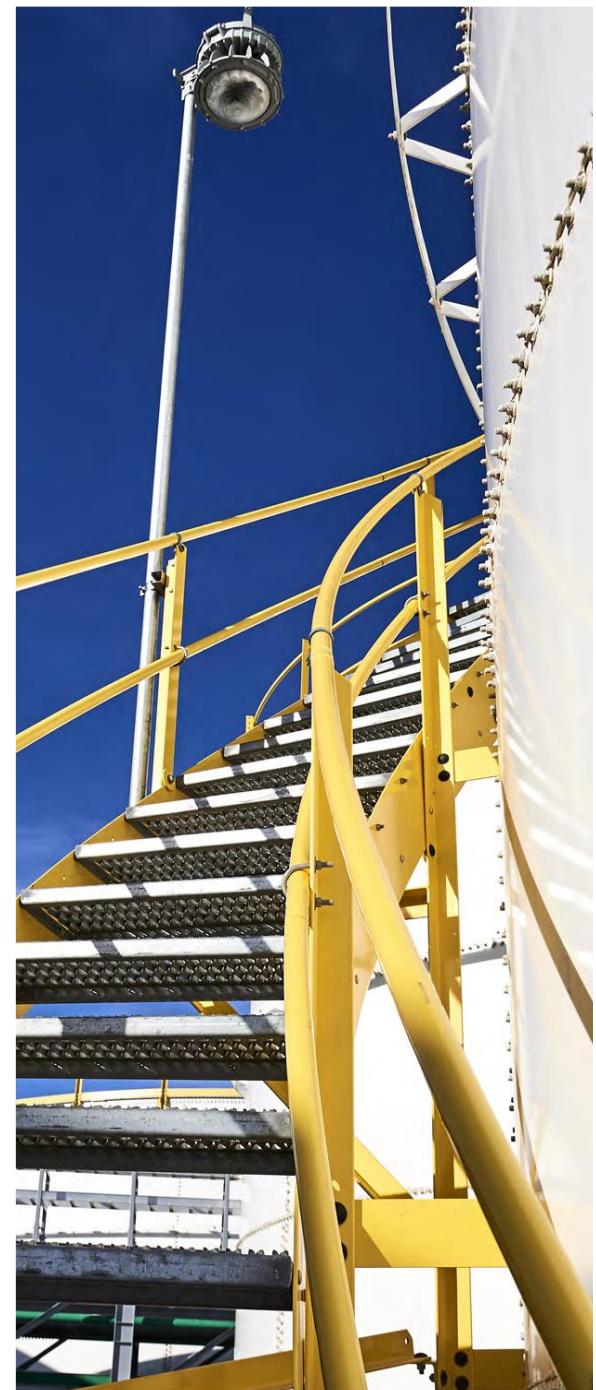


<sup>1</sup> Humanitas: an Italian network of hospitals controlled by the Techint Group

# Sustainable Profitability

Commitment to integrity through strong corporate governance

- Audit committee (all independent directors)
- Internal Audit Department reporting to the Chairman and the Audit Committee
- Business Conduct Compliance Officer reporting to the CEO
- Compliance department that oversees SOX certifications, related party transactions and conflict minerals
- Employee accountability and training to ensure a transparent behavior
- Confidential channels to report non-compliant behavior





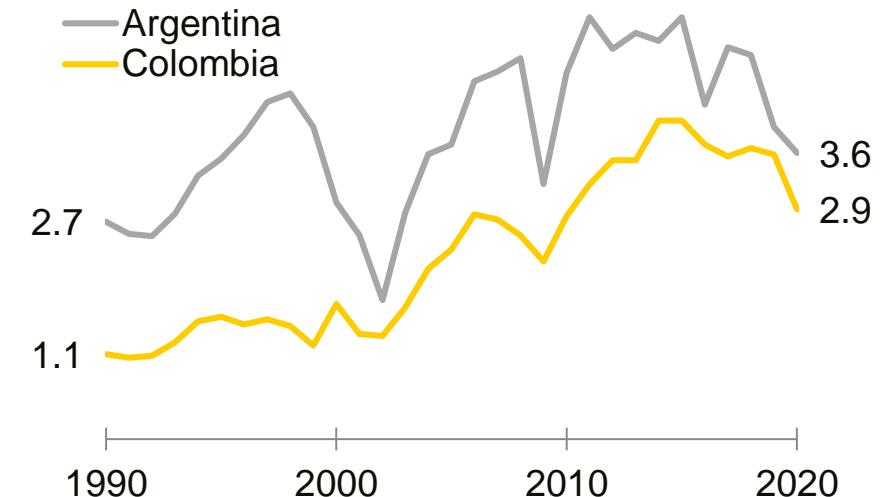
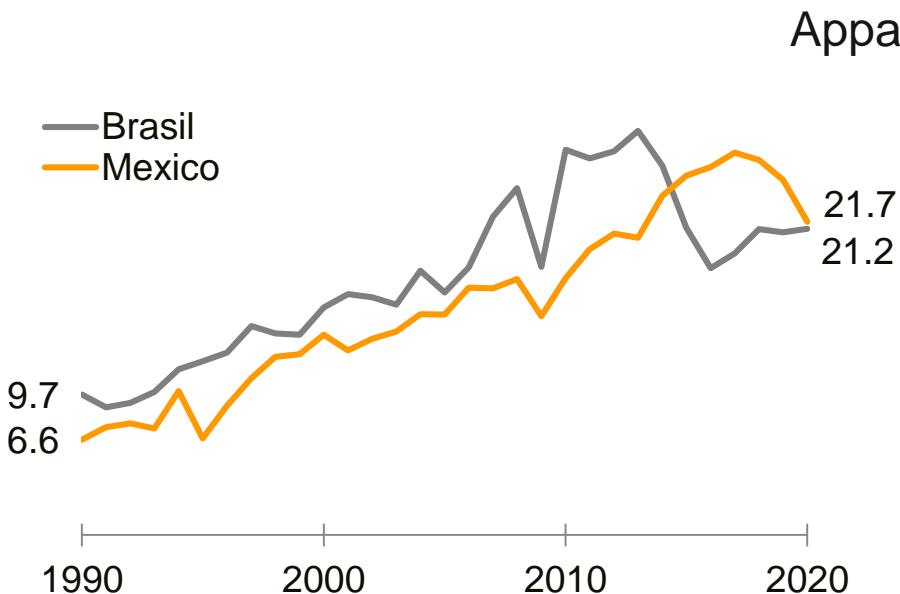
## Latin American Steel Markets



# Latin America Steel Markets

Ternium has a leading position in the Mexican steel market

- The Mexican market is the largest in Latin America
- Growth in Mexico's steel consumption over the last decades was driven mainly by a dynamic manufacturing industry
- Mexico, Brazil, Argentina and Colombia accounted for approximately 80% of Latin America's steel consumption in 2020



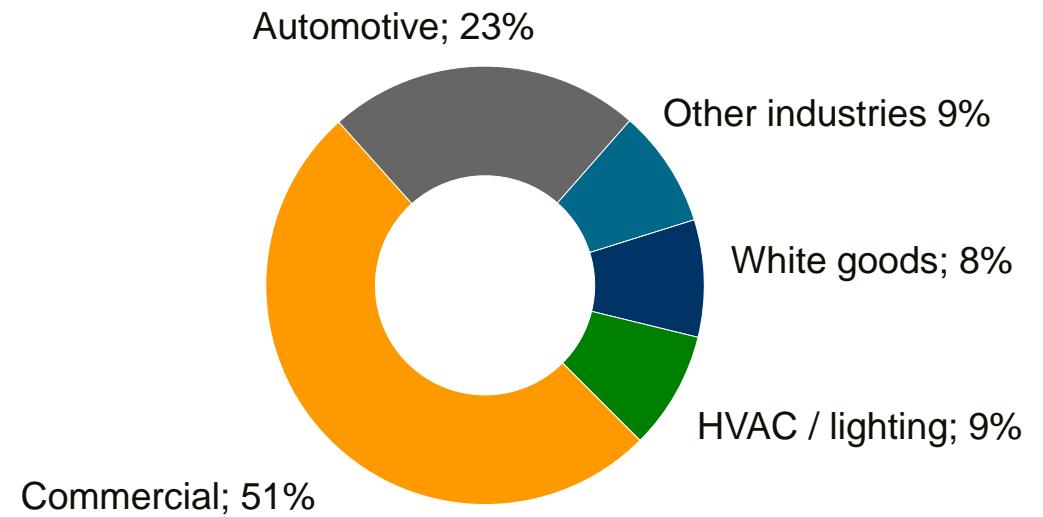
# Mexico



## Attractive steel market with a significant demand for high-end steel products

- Developed industrial sector (approximately 49% of shipments in Mexico)
- Access to the North American steel market through USMCA
- Ternium's focus on value added products and services:
  - Service center network
  - Nationwide coverage through distribution centers and regional distributors
  - Customer digital connectivity
  - New capabilities to provide sophisticated steel products for industrial customers

Steel shipments by industry (2020)

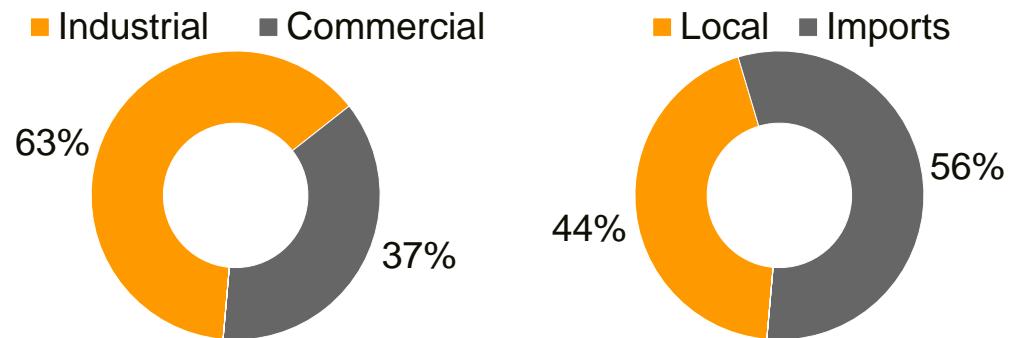


# Mexico

## Start-up of the new hot-rolling mill in Pesquería in May 2021

- Significant technological upgrade to expand TX's product range and improved customer service
- The new mill will further increase Ternium's capabilities to substitute imports, which in 2020 accounted for 56% of Mexico's flat steel use
- Targeting the automotive industry, as well as the white goods, machinery, energy and construction sectors
- Annual production capacity of 4.4 million tons (option to increase capacity to 4.8 million tons)

Apparent flat steel use – Mexico 2020



Source: Canacero / Ternium estimates

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## Developing our industrial center in Pesquería

- Greenfield facility inaugurated in 2013 with cold-rolling and galvanizing lines
- Additional hot-dipped galvanizing and painting lines commissioned in 2019 with the most advanced painting technology in Mexico
- Start-up of the new hot-rolling mill in May 2021
- High-end value-added products for the automotive, white goods and heating-ventilation-air conditioning (HVAC) industries
- Annual production capacity:
  - Hot-Rolling: 4.4 million tons
  - Cold-rolling: 1.6 million tons
  - Hot-dipped galvanizing: 830,000 tons
  - Painting: 120,000 tons



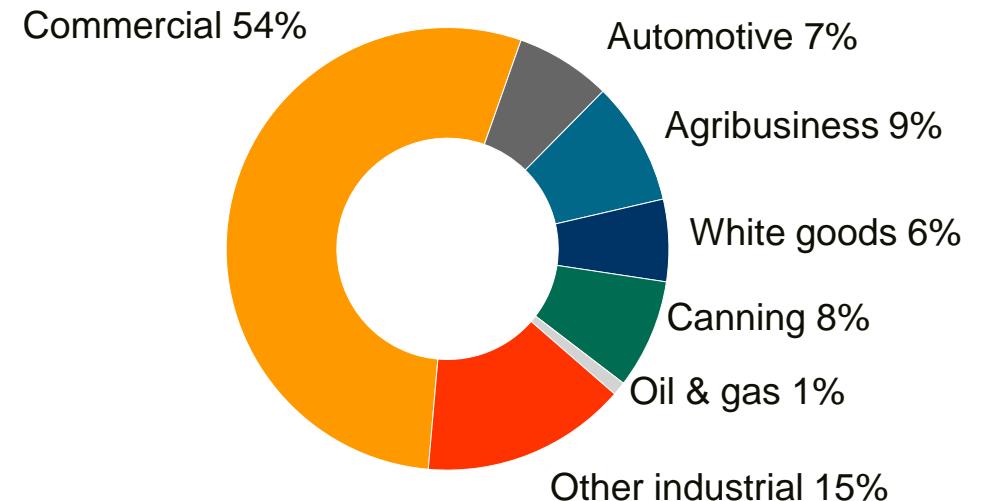
# Argentina



Third largest steel market in Latin America with a developed industrial sector

- Significant industrial sector representing 46% of steel shipments in Argentina
- Focus on value added products and services:
  - Service center network
  - Short notice delivery and just-in-time agreements
  - Customer digital connectivity
  - Joint product research and development projects with our value chain (mainly white goods, transportation and renewable energy)

Steel shipments by industry (2020)



# Colombia



## New rebar mill in Colombia inaugurated in November 2020

- Colombian steel market is the fourth largest in Latin America
- Imports account for a significant share of long steel consumption
- Ternium expanded its participation in the construction sector in the north/northwest of Colombia
  - Approximately 50% of steel rebar consumption
  - No local production
  - Expensive logistics from the mills in central Colombia
- New greenfield rebar facility
  - Annual capacity of 520,000 tons
  - Total investment of \$90 million
  - Started up in November 2020



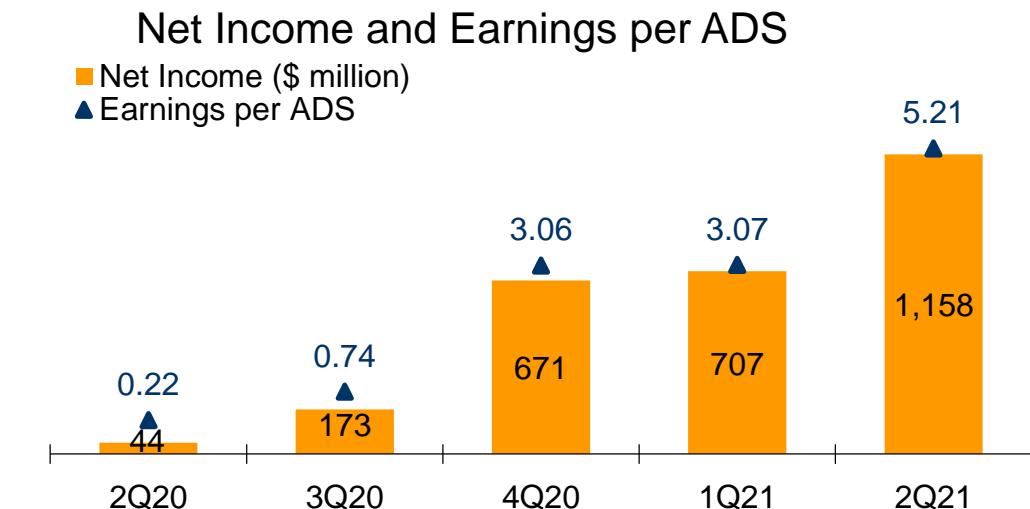
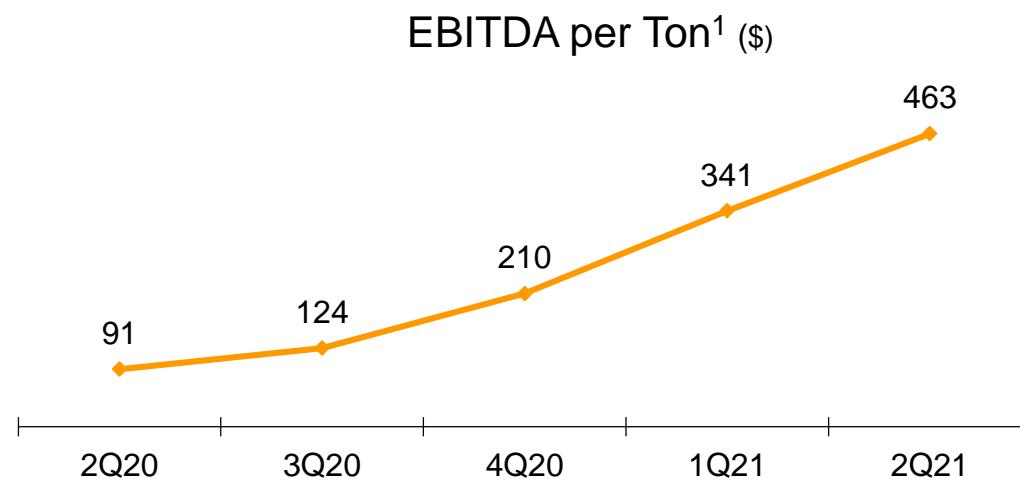
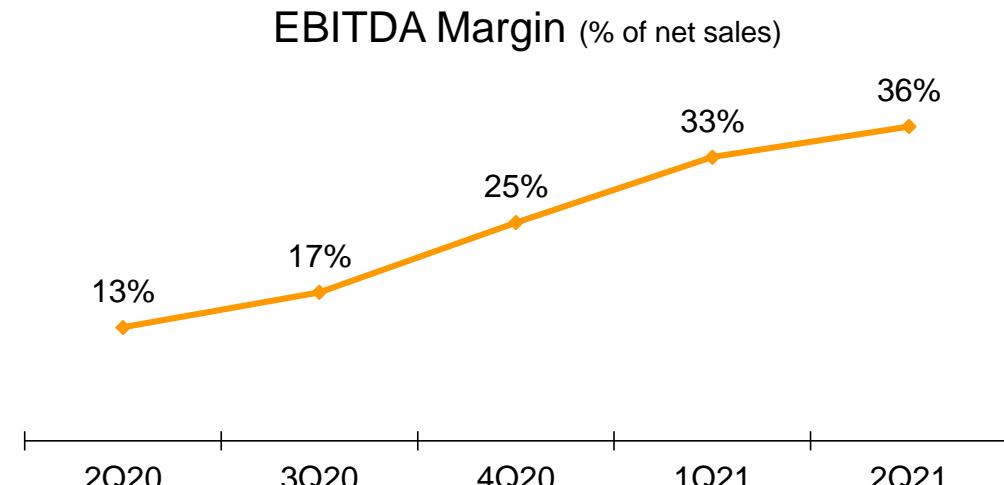
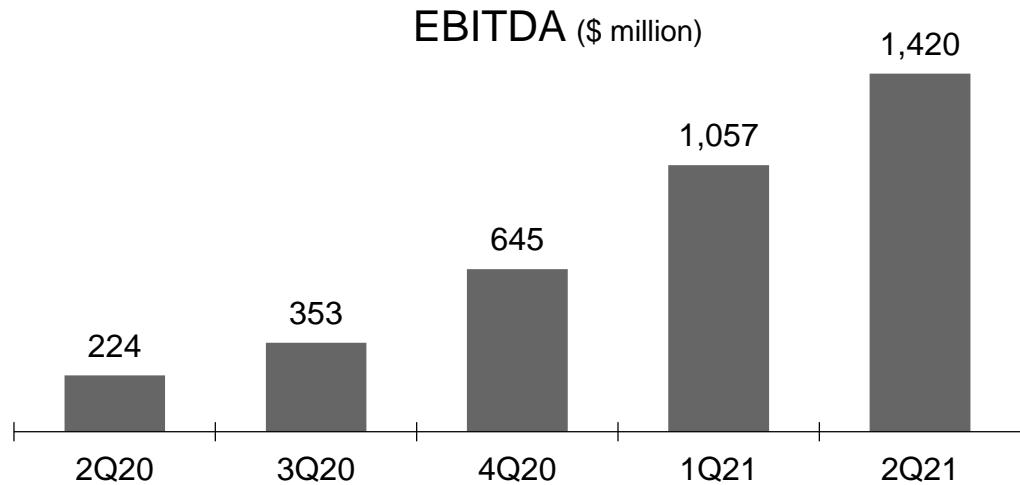


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## Ternium's Performance

# Ternium's Performance

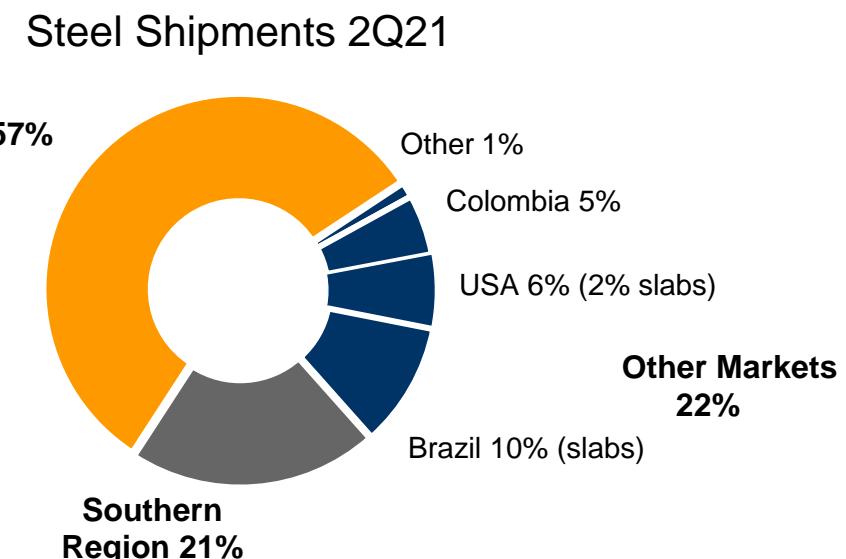
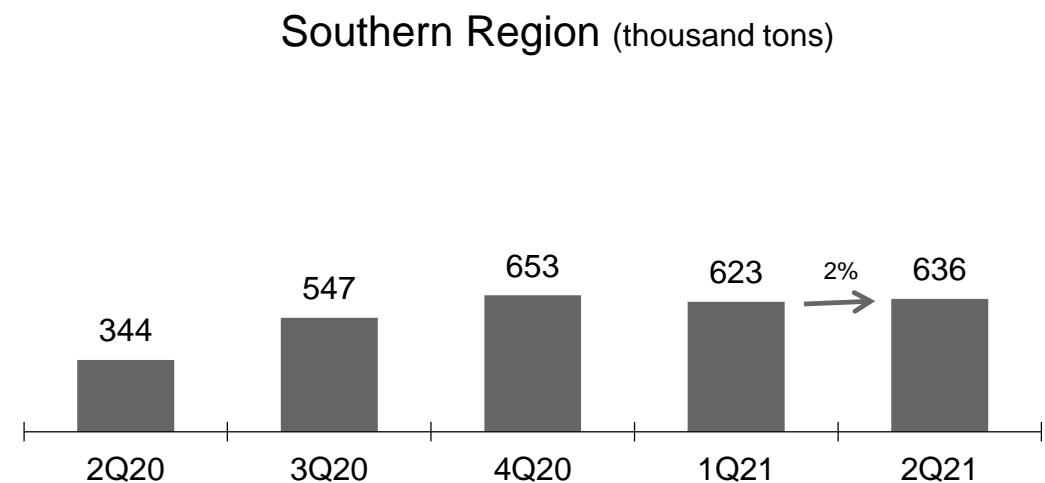
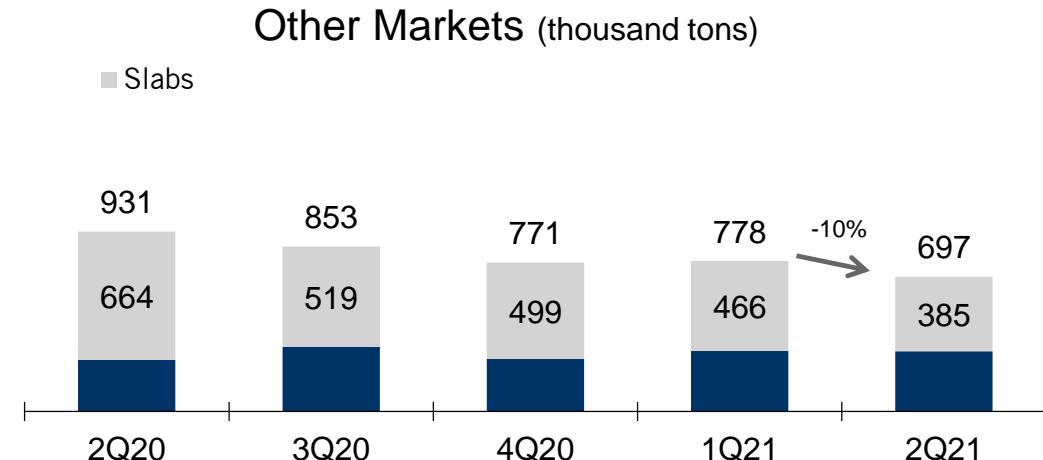
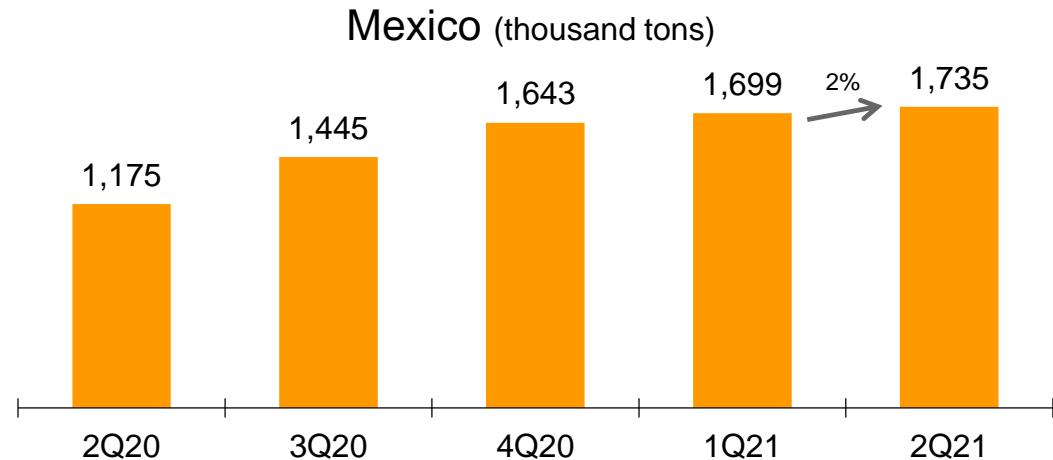
## EBITDA and Net Income



<sup>1</sup> Consolidated EBITDA divided by steel shipments.

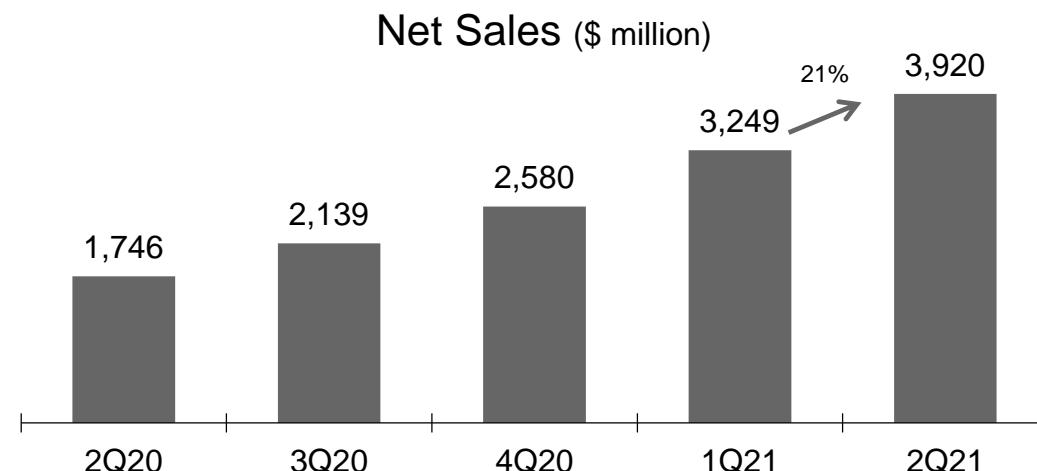
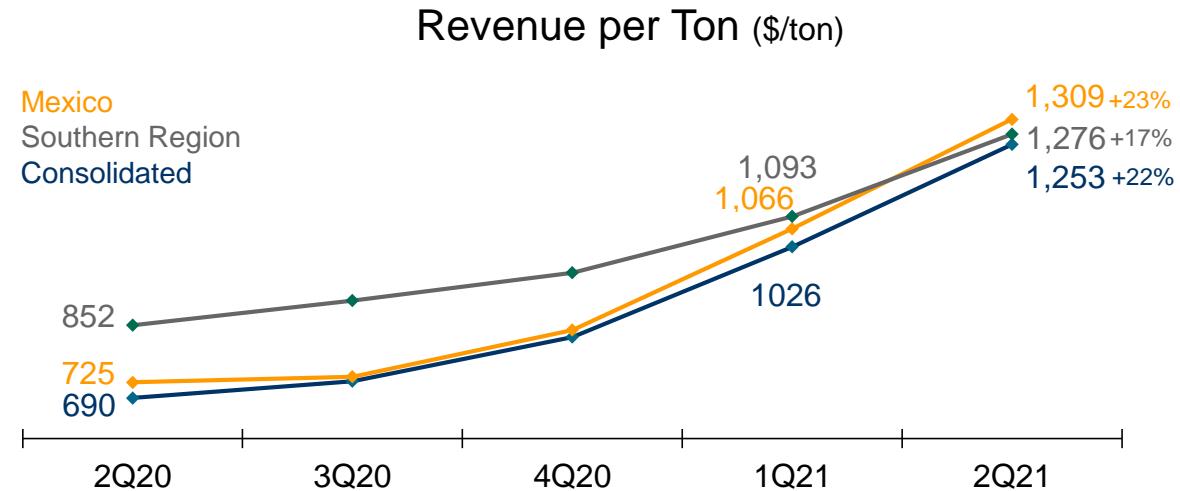
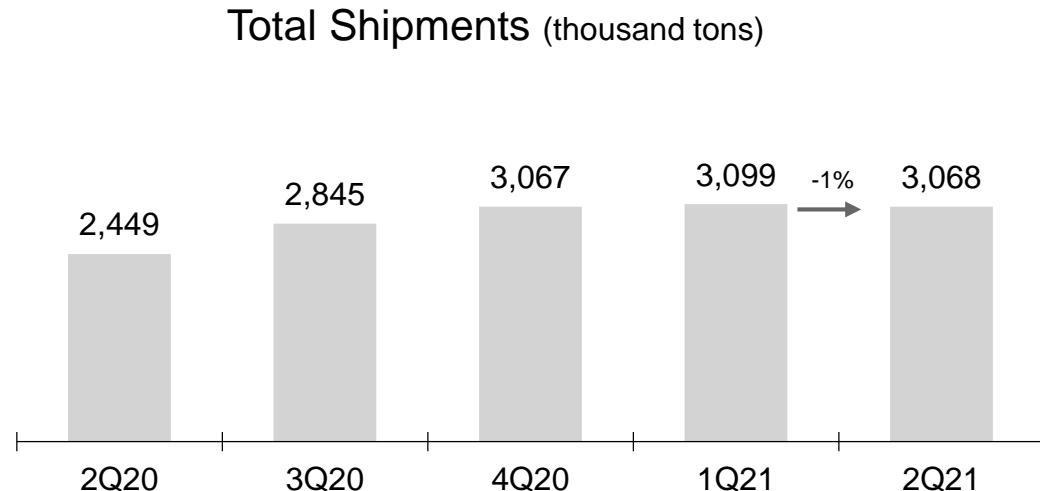
# Ternium's Performance

## Steel Shipments



# Ternium's Performance

## Total Shipments and Revenue per Ton



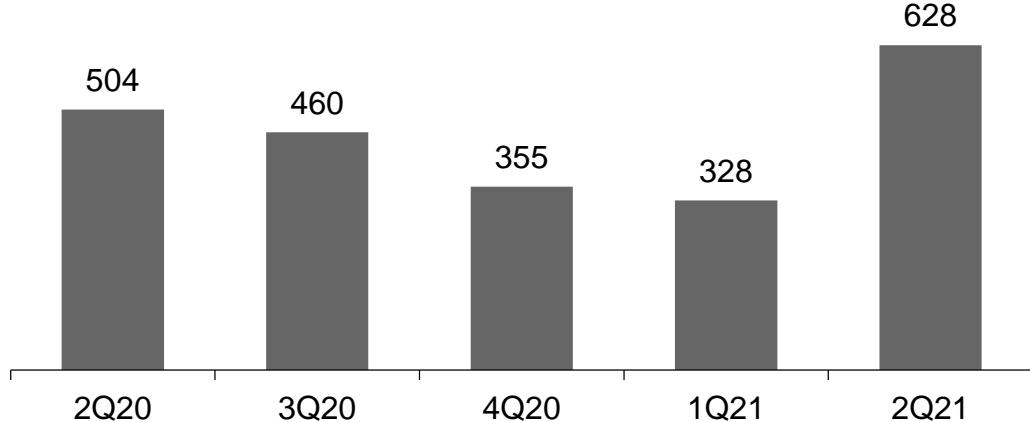
- Net sales in the 2Q21 up 21% sequentially on higher steel prices and relatively stable shipments.
- Realized steel prices expected to continue increasing in all regions in the 3Q21.
- Strong demand for steel products in Ternium's main steel markets.
- Ternium's new hot-rolling mill to enable to increase market offering by approximately 600,000 tons in 2H 2021.

# Ternium's Performance

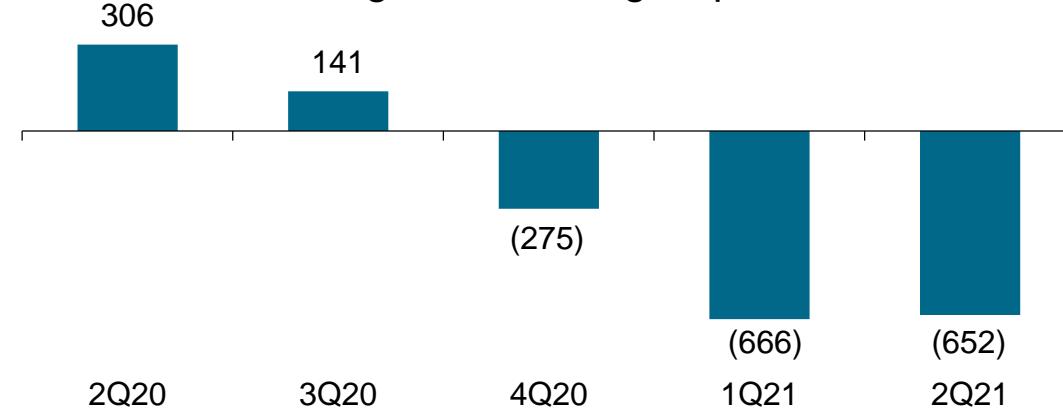
## Cash Flow and Balance Sheet



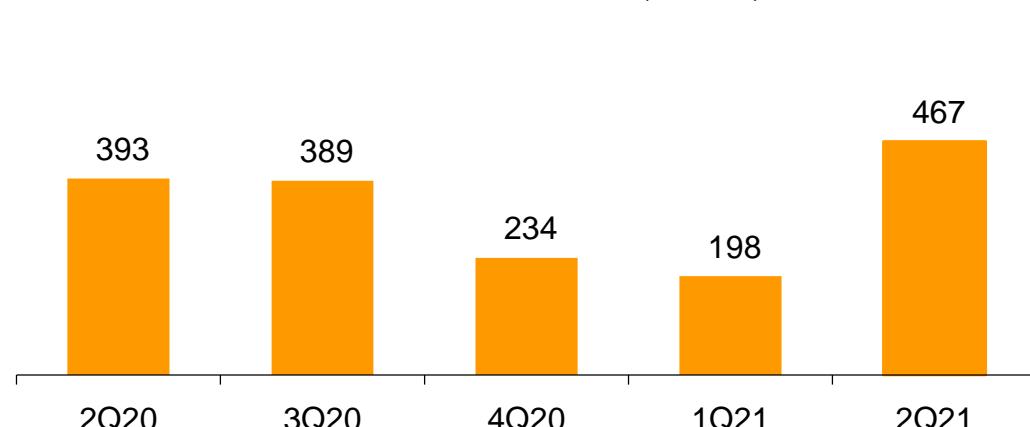
Cash from Operations (\$ million)



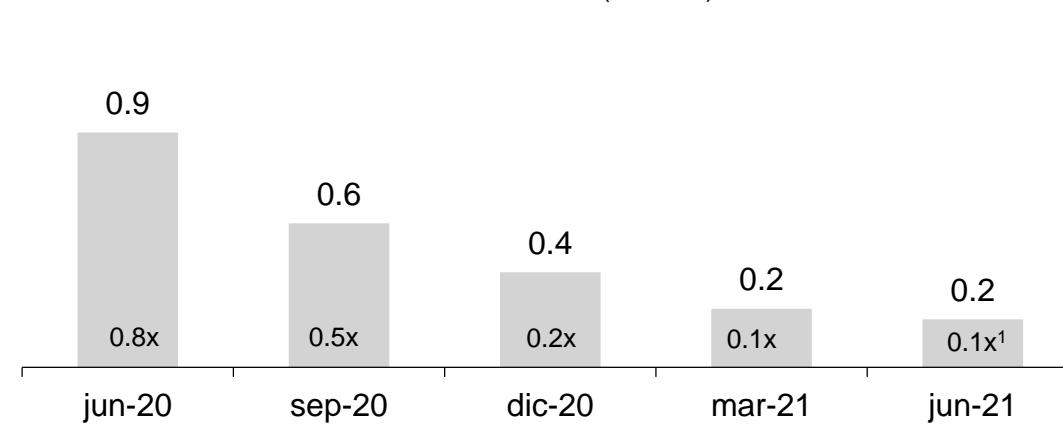
Changes in Working Capital (\$ million)



Free Cash Flow (\$ million)



Net Debt (\$ billion)



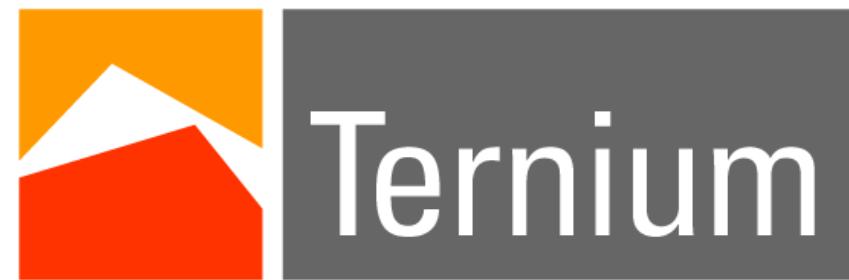
# Conclusion



# Conclusion

- A leading steel company in Latin America with a comprehensive management approach
- Successful implementation of business strategy geared toward sustainable profitable growth
- Solid financial position
- Resilience in times of crisis
- New hot-rolling mill in Mexico provides opportunity to strengthen business in the region
- Continued focus on generating long-term stakeholder value



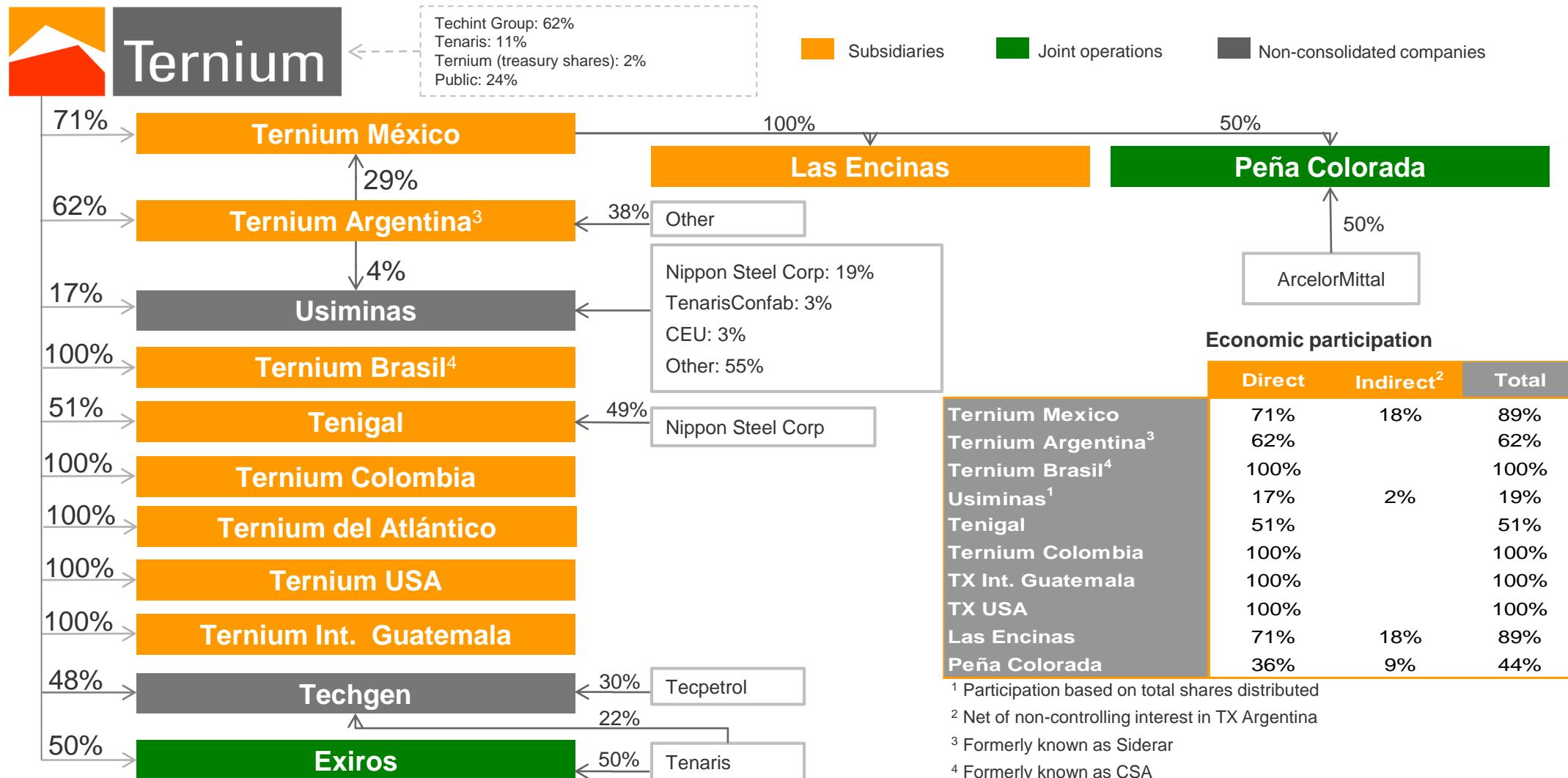


# Appendix



- Corporate Structure
- Production Capacity
- Shipments and Net Sales
- Income Statement
- Cash Flow Statement
- Balance Sheet
- Selected Webcast Presentation Slides Second Quarter and First Half of 2021
- Ternium's Debt Profile
- More about Ternium's developing industrial system in Brasil

# Corporate Structure



# Production Capacity



Production Capacity as of year-end 2020 (million metric tons per year)

	Mexico	Argentina	Other <sup>(1)</sup>	Total
Slabs	2.5	3.2	5.0 <sup>(2)</sup>	10.7
Billets	1.6		0.2	1.8
Crude steel	4.1	3.2	5.2	12.4
Hot rolled coils	6.5	2.9		9.4
Rebars & wire rods	1.2		0.7	1.9
Cold rolled coils	3.7	1.8		5.5
Tinplated products		0.2		0.2
Galvanized products	2.4	0.6	0.4	3.4
Pre-painted products	0.8	0.1	0.2	1.1
Service center	3.9	2.3	1.3	7.5

<sup>(1)</sup> Brazil, Southern US, Colombia and Central America

<sup>(2)</sup> Corresponds to Ternium Brasil

# Shipments and Net Sales



	Net Sales (USD million)			Shipments (thousand tons)			Revenue / ton (USD / ton)		
	2Q2021	2Q2020	Dif.	2Q2021	2Q2020	Dif.	2Q2021	2Q2020	Dif.
Mexico	2,271.9	851.5	167%	1,735	1,175	48%	1,309	725	81%
Southern Region	811.5	292.8	177%	636	344	85%	1,276	852	50%
Other Markets	761.3	546.4	39%	697	931	-25%	1,093	587	86%
<b>Total steel products</b>	<b>3,844.7</b>	<b>1,690.7</b>	<b>127%</b>	<b>3,068</b>	<b>2,449</b>	<b>25%</b>	<b>1,253</b>	<b>690</b>	<b>82%</b>
Other products <sup>1</sup>	65.0	42.5	53%						
<b>Total steel segment</b>	<b>3,909.7</b>	<b>1,733.2</b>	<b>126%</b>						
<b>Total mining segment</b>	<b>112.5</b>	<b>98.7</b>	<b>14%</b>	<b>906</b>	<b>991</b>	<b>-9%</b>	<b>124</b>	<b>100</b>	<b>25%</b>
<b>Total steel and mining segments</b>	<b>4,022.2</b>	<b>1,831.9</b>	<b>120%</b>						
Intersegment eliminations	(102.4)	(86.1)							
<b>Total net sales</b>	<b>3,919.8</b>	<b>1,745.8</b>	<b>125%</b>						

	Net Sales (USD million)			Shipments (thousand tons)			Revenue / ton (USD / ton)		
	1H2021	1H2020	Dif.	1H2021	1H2020	Dif.	1H2021	1H2020	Dif.
Mexico	4,082.7	2,120.4	93%	3,434	2,824	22%	1,189	751	58%
Southern Region	1,492.3	633.6	136%	1,259	723	74%	1,186	876	35%
Other Markets	1,449.0	1,146.6	26%	1,475	1,900	-22%	983	604	63%
<b>Total steel products</b>	<b>7,024.0</b>	<b>3,900.6</b>	<b>80%</b>	<b>6,167</b>	<b>5,447</b>	<b>13%</b>	<b>1,139</b>	<b>716</b>	<b>59%</b>
Other products <sup>1</sup>	124.7	86.7	44%						
<b>Total steel segment</b>	<b>7,148.7</b>	<b>3,987.3</b>	<b>79%</b>						
<b>Total mining segment</b>	<b>235.8</b>	<b>193.5</b>	<b>22%</b>	<b>1,940</b>	<b>1,985</b>	<b>-2%</b>	<b>122</b>	<b>98</b>	<b>25%</b>
<b>Total steel and mining segments</b>	<b>7,384.6</b>	<b>4,180.8</b>	<b>77%</b>						
Intersegment eliminations	(215.5)	(163.7)							
<b>Total net sales</b>	<b>7,169.1</b>	<b>4,017.1</b>	<b>78%</b>						

<sup>1</sup> The item “Other products” primarily includes Ternium Brasil’s and Ternium México’s electricity sales.

# Income Statement



\$ million	2Q2021	2Q2020	1H2021	1H2020
	(Unaudited)		(Unaudited)	
Net sales	3,919.8	1,745.8	7,169.1	4,017.1
Cost of sales	(2,415.7)	(1,508.8)	(4,553.9)	(3,429.3)
Gross profit	1,504.1	237.0	2,615.1	587.8
Selling, general and administrative expenses	(244.5)	(171.5)	(454.9)	(383.0)
Other operating income (expenses), net	11.9	0.1	17.0	(3.5)
Operating income	1,271.4	65.6	2,177.2	201.3
Finance expense	(6.8)	(13.6)	(14.0)	(29.9)
Finance income	18.5	7.0	34.8	15.0
Other financial income (expenses) income, net	11.2	(8.1)	18.1	106.4
Equity in earnings (losses) of non-consolidated companies	171.1	(19.7)	217.6	(13.6)
Profit before income tax expense	1,465.4	31.3	2,433.6	279.2
Income tax (expense) income	(307.1)	12.3	(568.7)	(255.0)
<b>Profit for the period</b>	<b>1,158.3</b>	<b>43.6</b>	<b>1,864.9</b>	<b>24.2</b>

Attributable to:

<b>Owners of the parent</b>	<b>1,022.1</b>	<b>44.0</b>	<b>1,625.0</b>	<b>32.5</b>
Non-controlling interest	136.2	(0.5)	239.9	(8.2)
<b>Profit for the period</b>	<b>1,158.3</b>	<b>43.6</b>	<b>1,864.9</b>	<b>24.2</b>

# Cash Flow Statement



\$ million	2Q 2021	2Q 2020	1H 2021	1H 2020
	(Unaudited)		(Unaudited)	
Profit for the period	1,158.3	43.6	1,864.9	24.2
Adjustments for:				
Depreciation and amortization	148.8	158.3	300.4	324.7
Equity in (earnings) losses of non-consolidated companies	(171.1)	19.7	(217.6)	13.6
Changes in provisions	1.6	0.3	6.0	(0.3)
Net foreign exchange results and others	59.0	17.7	120.9	(86.8)
Interest accruals less payments	0.4	2.4	2.1	3.7
Income tax accruals less payments	83.2	(44.2)	197.5	179.8
Changes in working capital	(651.8)	305.8	(1,318.0)	487.6
<b>Net cash provided by operating activities</b>	<b>628.4</b>	<b>503.7</b>	<b>956.2</b>	<b>946.4</b>
Capital expenditures	(161.4)	(110.8)	(291.1)	(368.4)
Proceeds from the sale of property, plant and equipment	0.5	0.1	1.0	0.2
Acquisition of non-controlling interest	-	(6.8)	(0.8)	(11.3)
Dividends received from non-consolidated companies	0.5	-	0.5	-
Decrease (increase) in Other Investments	24.0	(591.9)	173.3	(494.8)
<b>Net cash used in investing activities</b>	<b>(136.5)</b>	<b>(709.5)</b>	<b>(117.0)</b>	<b>(874.4)</b>
Dividends paid in cash to company's shareholders	(412.2)	-	(412.2)	-
Finance Lease Payments	(11.5)	(9.8)	(22.4)	(20.4)
Proceeds from borrowings	113.9	28.9	132.0	219.5
Repayments of borrowings	(242.5)	(258.1)	(279.1)	(318.8)
<b>Net cash used in financing activities</b>	<b>(552.3)</b>	<b>(239.1)</b>	<b>(581.8)</b>	<b>(119.7)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(60.3)</b>	<b>(444.9)</b>	<b>257.4</b>	<b>(47.6)</b>

# Balance Sheet



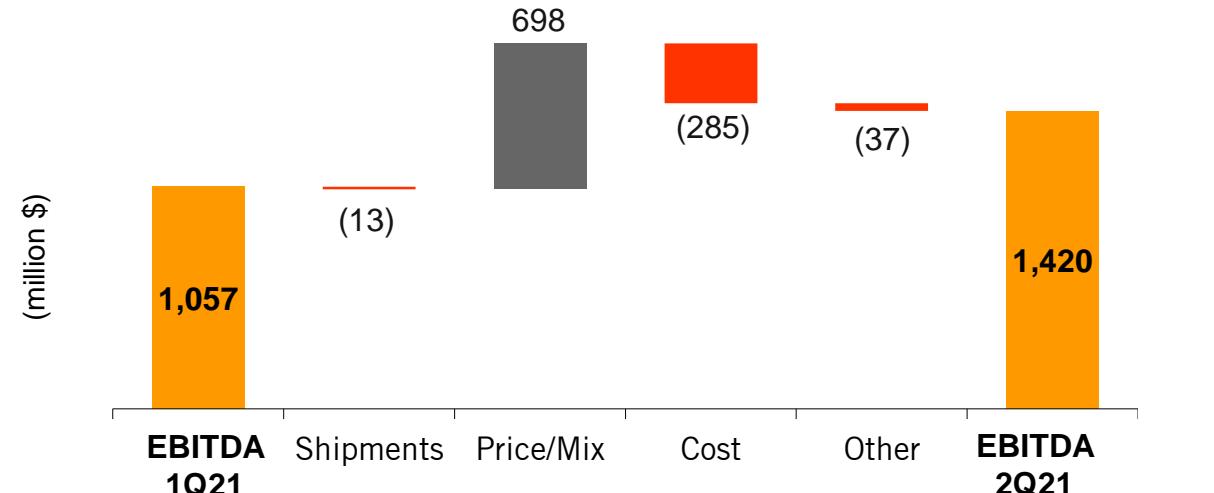
\$ million	June 30, 2021	December 31, 2020	\$ million	June 30, 2021	December 31, 2020
		(Unaudited)			
Property, plant and equipment, net	6,494.3	6,504.7	Capital and reserves attributable to the owners of the parent	8,549.5	7,286.1
Intangible assets, net	895.9	908.6	Non-controlling interest	1,398.2	1,157.0
Investments in non-consolidated companies	715.9	471.3	<b>Total Equity</b>	<b>9,947.8</b>	<b>8,443.2</b>
Deferred tax assets	140.5	158.7	Provisions	90.7	80.6
Receivables, net	192.3	243.3	Deferred tax liabilities	237.9	346.5
Other investments	3.0	2.9	Other liabilities	518.6	551.9
<b>Total non-current assets</b>	<b>8,441.9</b>	<b>8,289.5</b>	Trade payables	1.2	1.1
Receivables, net	316.2	288.6	Derivative financial instruments	0.3	0.5
Derivative financial instruments	3.3	1.6	Lease liabilities	235.9	251.6
Inventories, net	2,945.2	2,001.8	Borrowings	972.6	1,327.3
Trade receivables, net	1,754.2	918.4	<b>Total non-current liabilities</b>	<b>2,057.3</b>	<b>2,559.5</b>
Other investments	616.0	813.5	Current income tax liabilities	415.5	110.5
Cash and cash equivalents	768.7	537.9	Other liabilities	381.1	249.8
<b>Total current assets</b>	<b>6,403.6</b>	<b>4,561.8</b>	Trade payables	1,404.1	1,049.3
Non-current assets classified as held for sale	5.0	5.0	Derivative financial instruments	1.3	5.8
<b>Total assets</b>	<b>14,850.6</b>	<b>12,856.2</b>	Lease liabilities	43.6	42.5
			Borrowings	599.9	395.6
			<b>Total current liabilities</b>	<b>2,845.5</b>	<b>1,853.6</b>
			<b>Total liabilities</b>	<b>4,902.8</b>	<b>4,413.1</b>
			<b>Total equity and liabilities</b>	<b>14,850.6</b>	<b>12,856.2</b>

# Second Quarter of 2021 Results- Webcast Presentation

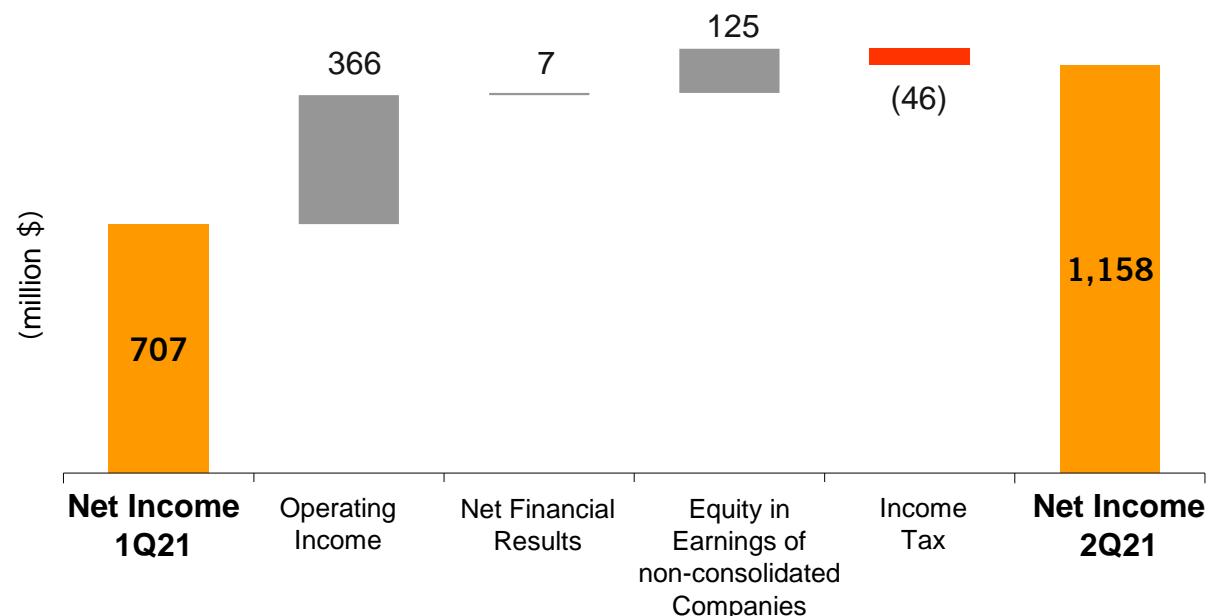


## EBITDA and Net Results

- Higher revenue per ton in the 2Q21, reflecting a strong steel pricing environment.
- Increase in cost per ton, mainly reflecting higher raw material, purchased slab and maintenance expenses.



- Higher operating income.
- Higher equity in earnings of Usiminas.
- Higher current tax on better results.

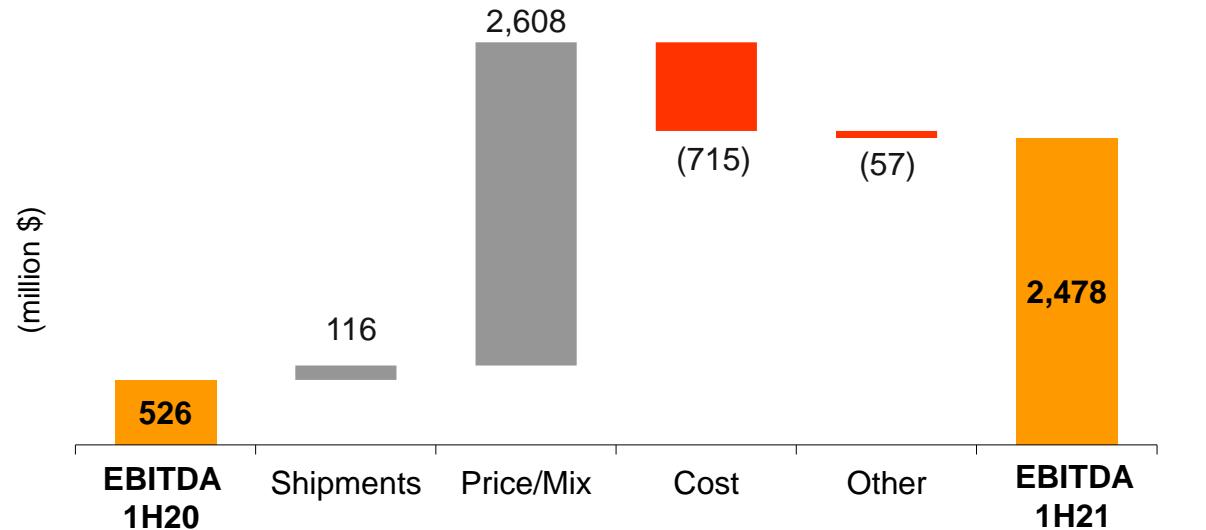


# First Half of 2021 Results- Webcast Presentation

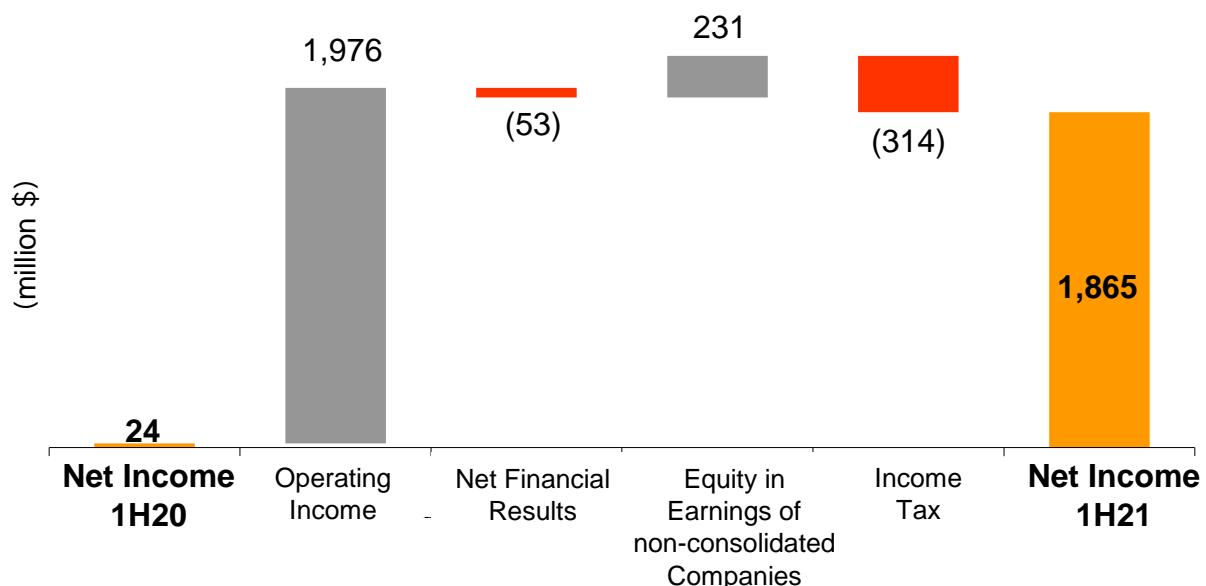


## EBITDA and Net Results

- Higher revenue per ton in the 1H21, reflecting a strong steel pricing environment.
- Increase in cost per ton, with higher raw material, purchased slab and energy prices, and higher maintenance expenses.



- Higher operating income.
- Higher equity in earnings of Usiminas.
- Higher current tax on better results.

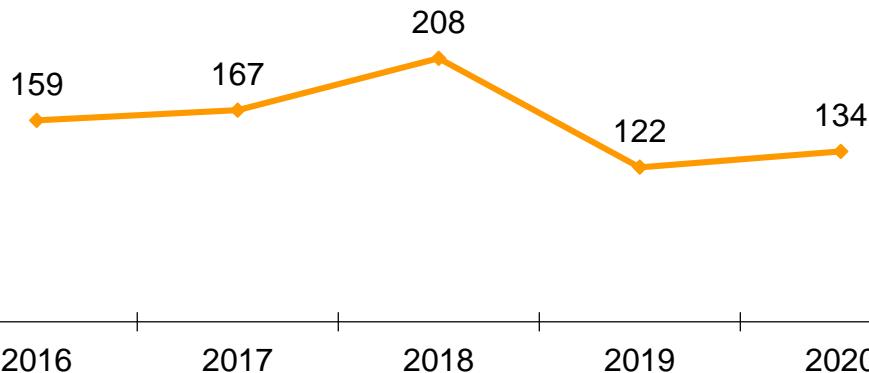
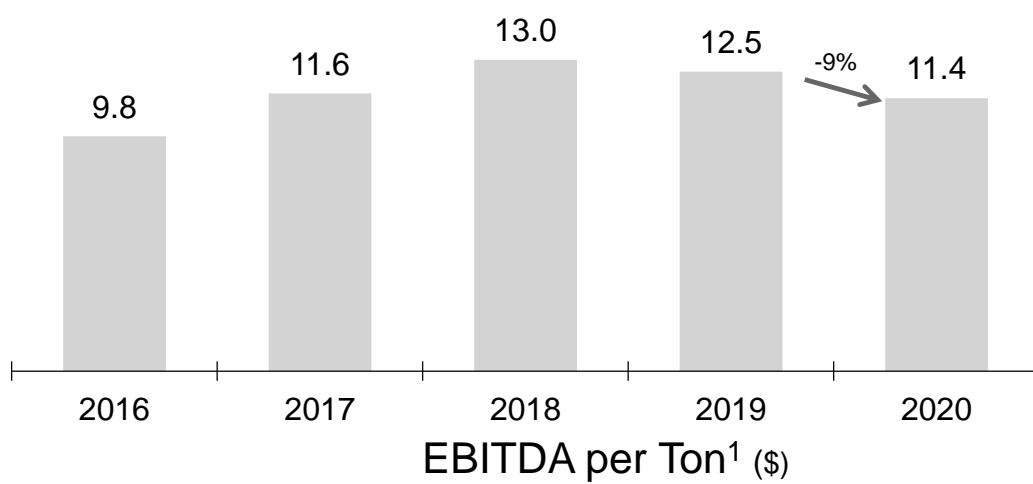


# Historical Performance

## EBITDA and Net Income

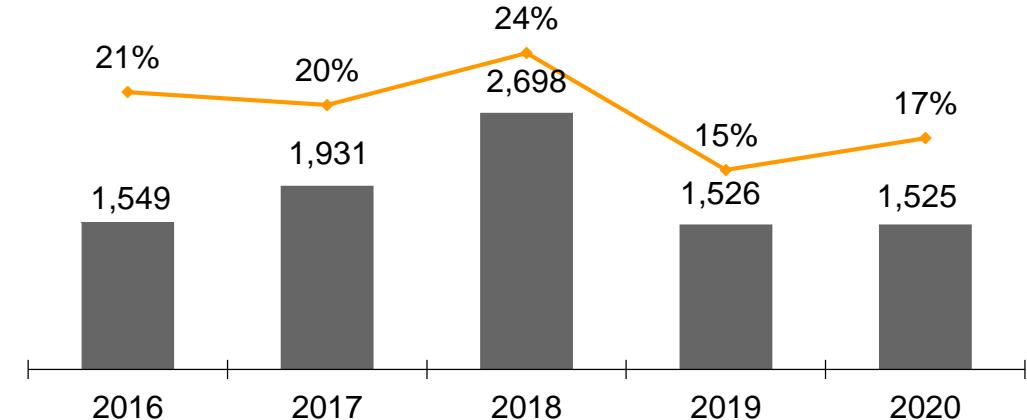


Consolidated Shipments (million tons)



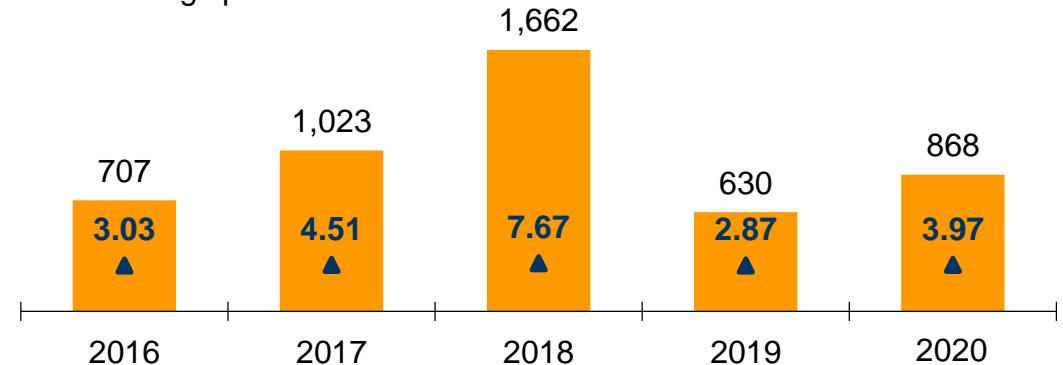
<sup>1</sup> Consolidated EBITDA divided by steel shipments.

Ebitda (\$ million) and Ebitda Margin (% of net sales)



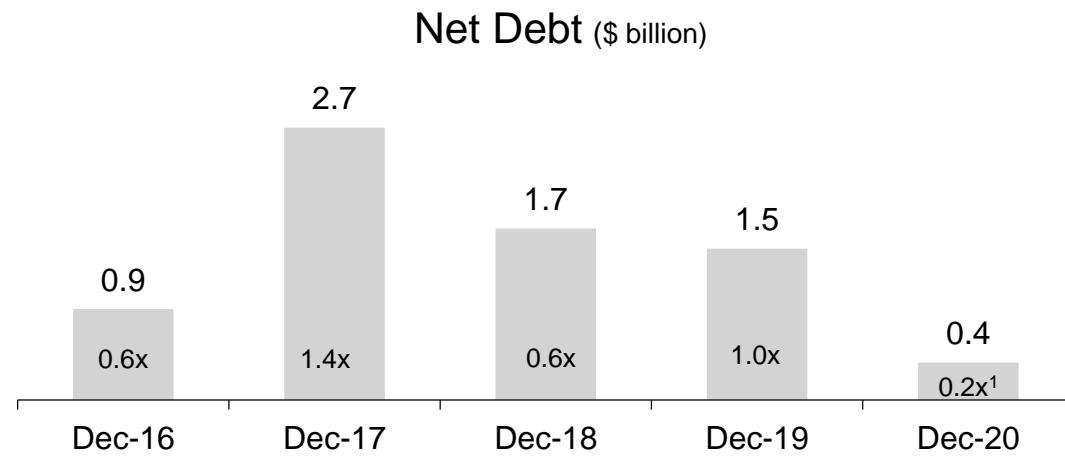
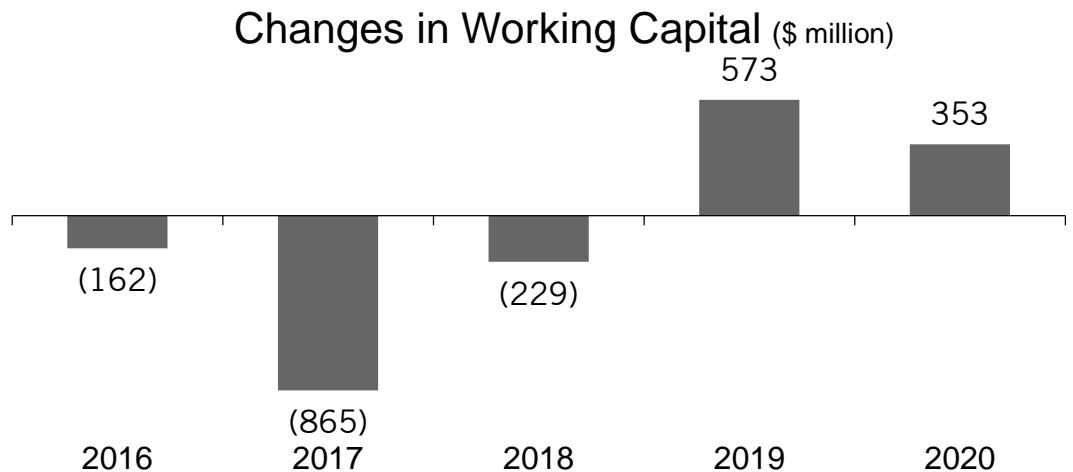
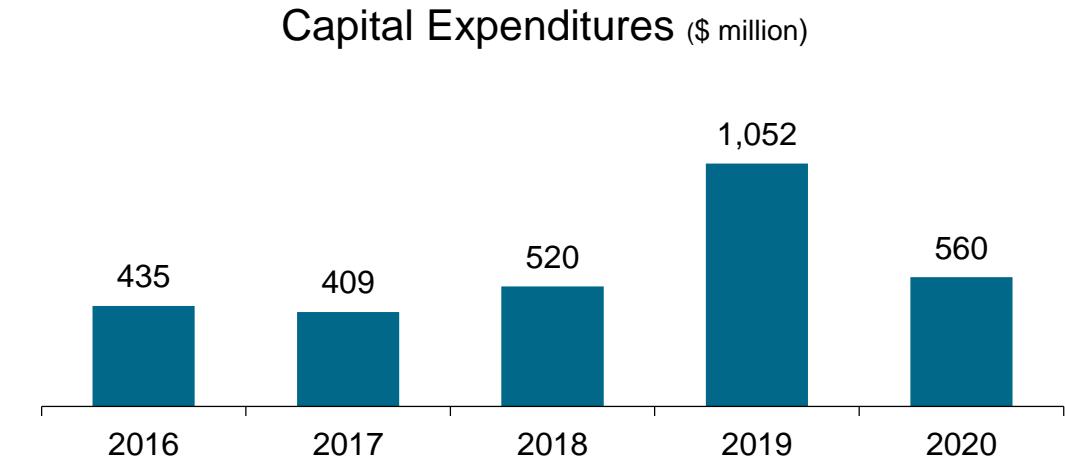
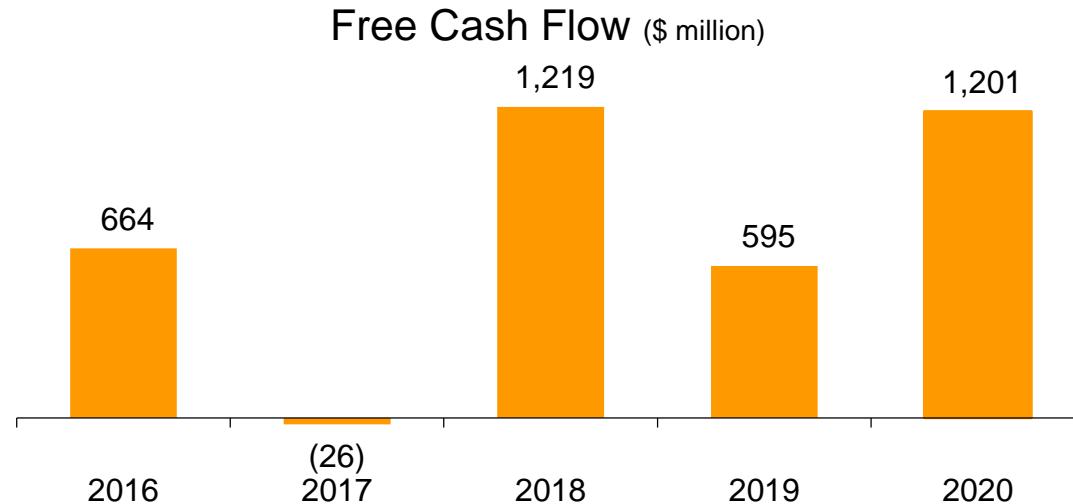
Net Income and Earnings per ADS

- Net Income (\$ million)
- Earnings per ADS



# Historical Performance

## Cash Flow and Balance Sheet



<sup>1</sup> Net Debt/EBITDA Ratio (last 12 months EBITDA)

# Ternium Brasil Acquisition

A strong foundation for Ternium's industrial plan in the Americas



- Acquired in September 2017
- 5 mtpy high-end slab facility in Brazil
- Further integrate Ternium Brasil to take it to its full potential
- Increase competitiveness in the high-end Mexican steel market vis-à-vis imports
- Improve customer service supported by higher operational flexibility
  - Customized steel products
  - Coordinated product development
  - Enhanced logistics

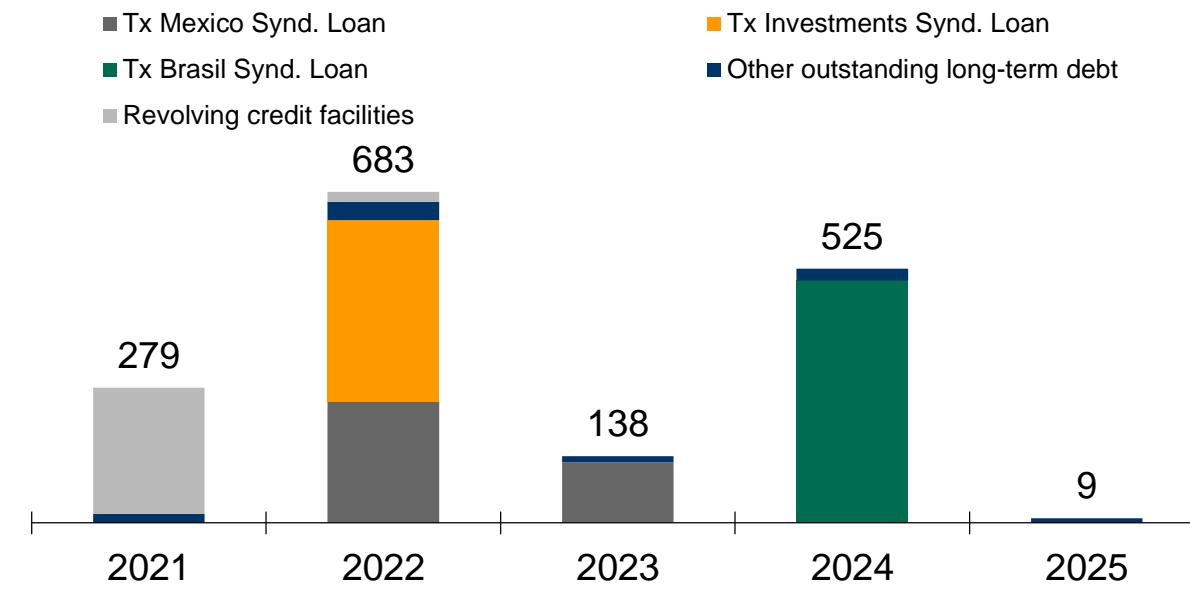


# Debt Profile

## Comfortable maturity schedule

- \$1.6 billion gross debt as of Jun 2021
- Main outstanding syndicated loans:
  - Ternium Brasil: \$500 million
  - Ternium Mexico: \$375 million
  - Ternium Investments S.à.r.l.: \$375 million
- Other outstanding long-term debt:
  - Peña Colorada: \$53 million
  - Tenigal: \$50 million
- Revolving credit facilities (uncommitted) of \$281 million outstanding, mainly in Mexico and Colombia

Debt maturity profile Jun'21 (\$/million)





[www.ternium.com](http://www.ternium.com)