

Ternium S.A.
Form 6-K
May 02, 2019

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 5/2/2019

Ternium S.A.
(Translation of Registrant's name into English)

Ternium S.A.
29 Avenue de la Porte-Neuve – 3rd floor
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 a 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 consolidated financial statements as of March 31, 2019.

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/ Máximo Vedoya |
| Name: Pablo Brizzio | Name: Máximo Vedoya |
| Title: Chief Financial Officer | Title: Chief Executive Officer |

Dated: May 2, 2019

TERNIUM S.A.
Consolidated Condensed Interim Financial Statements
as of March 31, 2019
and for the three-month periods
ended on March 31, 2019 and 2018

29 Avenue de la Porte-Neuve, 3rd floor

L – 2227

R.C.S. Luxembourg: B 98 668

TERNIUM S.A.
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TERNIUM S.A.
Consolidated Condensed Interim
Financial Statements as of March
31, 2019
and for the three-month periods
ended March 31, 2019 and 2018
(All amounts in USD thousands)

Consolidated Condensed Interim Income Statements

| | Notes | Three-month period ended March 31, | |
|--|-------|---------------------------------------|----------------|
| | | 2019 (Unaudited) | 2018 |
| Net sales | 3 | 2,737,556 | 2,797,012 |
| Cost of sales | 3 & 4 | (2,216,554 |) (2,132,725) |
| Gross profit | 3 | 521,002 | 664,287 |
| Selling, general and administrative expenses | 3 & 5 | (219,276 |) (223,829) |
| Other operating income (expenses), net | 3 | 5,558 | 5,777 |
| Operating income | 3 | 307,284 | 446,235 |
| Finance expense | 6 | (19,769 |) (30,115) |
| Finance income | 6 | 5,889 | 4,941 |
| Other financial income (expenses), net | 6 | (12,992 |) (23,788) |
| Equity in earnings (losses) of non-consolidated companies | 9 | 14,878 | 19,983 |
| Profit before income tax expense | | 295,290 | 417,256 |
| Income tax expense | | (70,362 |) (40,588) |
| Profit for the period | | 224,928 | 376,668 |
| Attributable to: | | | |
| Owners of the parent | | 218,222 | 338,880 |
| Non-controlling interest | | 6,706 | 37,788 |
| Profit for the period | | 224,928 | 376,668 |
| Weighted average number of shares outstanding | | 1,963,076,776 | 1,963,076,776 |
| Basic and diluted earnings (losses) per share for profit (loss) attributable to the equity holders of the company (expressed in USD per share) | | 0.11 | 0.17 |

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the year ended December 31, 2018.

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Consolidated Condensed Interim Statements of Comprehensive Income

| | Three-month period ended March 31, 2019 2018 (Unaudited) | |
|---|---|-----------|
| Profit for the period | 224,928 | 376,668 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Currency translation adjustment | (36,301) | (53,925) |
| Currency translation adjustment from participation in non-consolidated companies | (3,284) | (2,746) |
| Changes in the fair value of financial instruments at fair value through other comprehensive income | 32 | (230) |
| Income tax related to financial instruments at fair value | — | 54 |
| Changes in the fair value of derivatives classified as cash flow hedges | (268) | 103 |
| Income tax related to cash flow hedges | 80 | (143) |
| Other comprehensive income items | — | (305) |
| Other comprehensive income items from participation in non-consolidated companies | 67 | 404 |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement of post employment benefit obligations from participation in non-consolidated companies | (157) | (701) |
| Other comprehensive income (loss) for the period, net of tax | (39,831) | (57,489) |
| Total comprehensive income for the period | 185,097 | 319,179 |
| Attributable to: | | |
| Owners of the parent | 192,832 | 302,569 |
| Non-controlling interest | (7,735) | 16,610 |
| Total comprehensive income for the period | 185,097 | 319,179 |

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the year ended December 31, 2018.

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 ended March 31, 2019 and 2018
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Consolidated Condensed Interim Statements of Financial Position

| | Notes | Balances as of | | |
|---|-------|----------------|-------------------|------------|
| | | March 31, 2019 | December 31, 2018 | |
| | | (Unaudited) | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment, net | 7 | 6,166,063 | 5,817,609 | |
| Intangible assets, net | 8 | 990,850 | 1,012,524 | |
| Investments in non-consolidated companies | 9 | 506,099 | 495,241 | |
| Other investments | | 7,213 | 7,195 | |
| Derivative financial instruments | | 497 | 818 | |
| Deferred tax assets | | 147,377 | 134,224 | |
| Receivables, net | | 622,528 | 649,447 | |
| Trade receivables, net | | 3,881 | 8,444,508 | 4,766 |
| | | | | 8,121,824 |
| Current assets | | | | |
| Receivables, net | | 318,788 | 309,750 | |
| Derivative financial instruments | | 1,118 | 770 | |
| Inventories, net | | 2,566,435 | 2,689,829 | |
| Trade receivables, net | | 1,241,841 | 1,128,470 | |
| Other investments | | 61,787 | 44,529 | |
| Cash and cash equivalents | | 464,337 | 4,654,306 | 250,541 |
| Non-current assets classified as held for sale | | | 2,127 | 2,149 |
| | | | 4,656,433 | 4,426,038 |
| Total Assets | | | 13,100,941 | 12,547,862 |
| EQUITY | | | | |
| Capital and reserves attributable to the owners of the parent | | | 6,586,087 | 6,393,255 |
| Non-controlling interest | | | 1,083,586 | 1,091,321 |
| Total Equity | | | 7,669,673 | 7,484,576 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Provisions | | 635,106 | 643,950 | |
| Deferred tax liabilities | | 478,844 | 474,431 | |
| Other liabilities | | 423,430 | 414,541 | |
| Trade payables | | 936 | 935 | |

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| | | | | | |
|----------------------------------|----|-----------|------------|-----------|------------|
| Lease liabilities | 13 | 323,511 | | 65,798 | |
| Borrowings | | 1,435,554 | 3,297,381 | 1,637,101 | 3,236,756 |
| Current liabilities | | | | | |
| Current income tax liabilities | | 92,543 | | 150,276 | |
| Other liabilities | | 380,388 | | 351,216 | |
| Trade payables | | 1,045,698 | | 904,171 | |
| Derivative financial instruments | | 8,089 | | 12,981 | |
| Lease liabilities | 13 | 50,208 | | 8,030 | |
| Borrowings | | 556,961 | 2,133,887 | 399,856 | 1,826,530 |
| Total Liabilities | | | 5,431,268 | | 5,063,286 |
| Total Equity and Liabilities | | | 13,100,941 | | 12,547,862 |

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the year ended December 31, 2018.

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Consolidated Condensed Interim Statements of Changes in Equity
Attributable to the owners of the parent (1)

| | Capital stock (2) | Treasury shares (2) | Initial public offering (3) expenses | Reserves | Capital stock issue discount (4) | Currency translation adjustment | Retained earnings | Total | Non-control interest | Total Equity |
|--|----------------------|---------------------------|---|-----------|--|---------------------------------------|----------------------|-----------|-------------------------|-----------------|
| Balance as of January 1, 2019 | 2,004,743 | (150,000) | (23,295) | 1,385,701 | (2,324,866) | (2,702,477) | 8,203,449 | 6,393,255 | 1,091,321 | 7,484,576 |
| Profit for the period | | | | | | | 218,222 | 218,222 | 6,706 | 224,928 |
| Other comprehensive income (loss) for the period | | | | | | | | | | |
| Currency translation adjustment | | | | | | (25,138) | | (25,138) | (14,447) | (39,585) |
| Remeasurement of post employment benefit obligations | | | | (231) | | | | (231) | 74 | (157) |
| Cash flow hedges and others, net of tax | | | | (96) | | | | (96) | (92) | (188) |
| Others | | | | 75 | | | | 75 | 24 | 99 |
| Total comprehensive | — | — | — | (252) | — | (25,138) | 218,222 | 192,832 | (7,735) | 185,097 |

income (loss)
for the period

Balance as of

March 31, 2019 2,004,743(150,000)(23,295) 1,385,449 (2,324,866)(2,727,615)8,421,671 6,586,087 1,083,586 7,669,673
(unaudited)

(1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 25 (iii) of the audited Consolidated Financial Statements and notes for the year ended December 31, 2018.

(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 March 31, 2019, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of March 31, 2019, the Company held 41,666,666 shares as treasury shares.

(3) Include 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 0.3 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.

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 condensed interim financial statements may not be wholly distributable.

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the year ended December 31, 2018.

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(All amounts
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Consolidated Condensed Interim Statements of Changes in Equity
Attributable to the owners of the parent (1)

| | Capital stock (2) | Treasury shares (2) | Initial public offering (3) expenses | Reserves | Capital stock issue discount (4) | Currency translation adjustment | Retained earnings | Total | Non-controlling interest | Total Equity |
|---|----------------------|---------------------------|---|-----------|--|---------------------------------------|----------------------|-----------|-----------------------------|-----------------|
| Balance as of January 1, 2018 | 2,004,743 | (150,000) | (23,295) | 1,416,121 | (2,324,866) | (2,403,664) | 6,491,385 | 5,010,424 | 842,347 | 5,852,771 |
| Impact of adopting IFRS 9 at January 1, 2018 | — | — | — | 450 | — | — | (147) |)303 | 204 | 507 |
| Impact of adopting IAS 29 at January 1, 2018 | — | — | — | — | — | — | 421,502 | 421,502 | 268,824 | 690,326 |
| Adjusted Balance at January 1, 2018 | 2,004,743 | (150,000) | (23,295) | 1,416,571 | (2,324,866) | (2,403,664) | 6,912,740 | 5,432,229 | 1,111,375 | 6,543,604 |
| Profit for the period | | | | | | | 338,880 | 338,880 | 37,788 | 376,668 |
| Other comprehensive income (loss) for the period | | | | | | | | | | |
| Currency translation adjustment | | | | | | (35,546) | | (35,546) | (21,125) | (56,671) |
| | | | | (555) | | | | (555) | (146) | (701) |

| | | | | | | | | | | | | |
|--|---|---|------|------|---|------|---------|-----|---------|---------|--------|---------|
| Remeasurement of post employment benefit obligations | | | | | | | | | | | | |
| Cash flow hedges, net of tax | | | (204 |) | | (204 |) | 164 | | (40 | | |
| Others | | | (6 |) | | (6 |) | (71 |) | (77 | | |
| Total comprehensive income (loss) for the period | — | — | — | (765 |) | — | (35,546 |) | 338,880 | 302,569 | 16,610 | 319,179 |

Balance as of

March 31, 2018 2,004,743(150,000)(23,295)1,415,806 (2,324,866)(2,439,210)7,251,620 5,734,798 1,127,985 6,862,783
(unaudited)

(1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 25 (iii) of the audited Consolidated Financial Statements and notes for the year ended December 31, 2018.

(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 March 31, 2018 ,there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of March 31, 2018, the Company held 41,666,666 shares as treasury shares.

(3) Include 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 0.6 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.

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 condensed interim financial statements may not be wholly distributable.

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the year ended December 31, 2018.

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 March 31, 2019
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 (All amounts in
 USD thousands)

Consolidated Condensed Interim Statements of Cash Flows

| | Notes | Three-month period ended March 31, 2019 2018 (Unaudited) | |
|--|-------|--|-----------|
| Cash flows from operating activities | | | |
| Profit for the period | | 224,928 | 376,668 |
| Adjustments for: | | | |
| Depreciation and amortization | 7 & 8 | 162,874 | 157,260 |
| Income tax accruals less payments | | (57,132) | (100,147) |
| Equity in earnings of non-consolidated companies | 9 | (14,878) | (19,983) |
| Interest accruals less payments | | (174) | (12,553) |
| Changes in provisions | | (4,368) | 1,193 |
| Changes in working capital (1) | | 166,552 | (212,649) |
| Net foreign exchange results and others | | 687 | (2,382) |
| Net cash provided by operating activities | | 478,489 | 187,407 |
| Cash flows from investing activities | | | |
| Capital expenditures | 7 & 8 | (209,826) | (97,713) |
| Recovery/(Loans) to non-consolidated companies | | 24,480 | (4,800) |
| Increase in other investments | | (17,276) | (7,438) |
| Proceeds from the sale of property, plant and equipment | | 199 | 247 |
| Net cash used in investing activities | | (202,423) | (109,704) |
| Cash flows from financing activities | | | |
| Finance lease payments | | (12,771) | (1,316) |
| Proceeds from borrowings | | 166,145 | 227,118 |
| Repayments of borrowings | | (210,064) | (407,684) |
| Net cash used in financing activities | | (56,690) | (181,882) |
| Increase (Decrease) in cash and cash equivalents | | 219,376 | (104,179) |
| Movement in cash and cash equivalents | | | |
| At January 1, | | 250,541 | 337,779 |
| Effect of exchange rate changes and inflation adjustment | | (5,580) | (955) |
| Increase (Decrease) in cash and cash equivalents | | 219,376 | (104,179) |
| Cash and cash equivalents as of March 31, (2) | | 464,337 | 232,645 |
| Non-cash transactions: | | | |
| Acquisition of PP&E under lease contract agreements | | 11,518 | — |

(1) The working capital is impacted by non-cash movements of USD (10.9) million as of March 31, 2019 (USD 3.8 million as of March 31, 2018) 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 and nil as of March 31, 2019 and 2018, respectively. In addition, the Company had other investments with a maturity of more than three months for USD 68,747 and USD 143,201 as of March 31, 2019 and 2018, respectively.

The accompanying notes are an integral part of these consolidated condensed interim financial statements. These consolidated condensed interim financial statements should be read in conjunction with our audited Consolidated Financial Statements and notes for the year ended December 31, 2018.

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Notes to the Consolidated Condensed Interim Financial Statements

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

a) General information and basis of presentation

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 March 31, 2019, there were 2,004,743,442 shares issued. All issued shares are fully paid.

Ternium’s American Depositary Shares (“ADS”) trade on the New York Stock Exchange under the symbol “TX”.

The name and percentage of ownership of subsidiaries that have been included in consolidation in these Consolidated Condensed Interim Financial Statements is disclosed in Note 2 to the audited Consolidated Financial Statements for the year ended December 31, 2018.

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 condensed interim consolidated financial statements.

The preparation of Consolidated Condensed Interim Financial Statements requires management to make estimates and assumptions that might affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the statement of financial position, and also the reported amounts of revenues and expenses for the reported periods. Actual results may differ from these estimates. The main assumptions and estimates were disclosed in the Consolidated Financial Statements for the year ended December 31, 2018, without significant changes since its publication.

Material intercompany transactions and balances have been eliminated in consolidation. However, the fact that the functional currency of the Company’s subsidiaries differs, results in the generation of foreign exchange gains and losses that are included in the Consolidated Condensed Interim Income Statement under “Other financial income (expenses), net”.

2. ACCOUNTING POLICIES

These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” and are unaudited. These Consolidated Condensed Interim Financial Statements should be read in

conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in conformity with International Financial Reporting Standards as adopted by the European Union (“EU”). Recently issued accounting pronouncements were applied by the Company as from their respective dates.

These Consolidated Condensed Interim 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, 2018, except for the changes in connection with the implementation of IFRS 16 -Leases, explained in Note 13 of these Consolidated Condensed Interim Financial Statements.

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2. ACCOUNTING POLICIES (continued)

IAS 29 “Financial Reporting in Hyperinflationary Economies”, which requires that the financial statements of entities whose functional currency is that of a hyperinflationary economy to be adjusted for the effects of changes in a suitable general price index and to be expressed in terms of the current unit of measurement at the closing date of the reporting period, is still applicable for the Company’s Argentine subsidiaries and associates. The inflation adjustment was calculated by means of conversion factor derived from the Argentine price indexes published by the National Institute of Statistics (“INDEC”). The price index for the three-month period ended March 31, 2019, was 1.12. The comparative figures as of March 31, 2018, have been restated for the changes in the general price index applicable to the financial reporting of the Company’s subsidiaries and associates with the Argentine peso as functional currency and, as result, have been stated in terms of such currency as of the end of the comparative reporting period.

None of the accounting pronouncements issued after December 31, 2018, and as of the date of these Consolidated Condensed Interim Financial Statements have a material effect on the Company’s financial condition or result or operations.

3. 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. It also includes the sales of energy.

The Steel segment comprises four operating segments: Mexico, Southern Region, Brazil and Other markets. These four 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, Chile, Bolivia and Uruguay. The Brazil operating segment includes the business generated in Brazil. The Other markets operating segment includes businesses mainly in United States, Colombia, Guatemala, Costa Rica, Honduras, El Salvador and Nicaragua.

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. For Peña Colorada, the Company recognizes 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 (CEO).

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3.SEGMENT INFORMATION (continued)

| | Three- month period ended March 31, 2019 (Unaudited) | | | |
|---|---|-----------|-------------------------------|-------------|
| | Steel | Mining | Inter-segment eliminations | Total |
| IFRS | | | | |
| Net sales | 2,737,544 | 75,783 | (75,771) | 2,737,556 |
| Cost of sales | (2,234,348) | (61,633) | 79,427 | (2,216,554) |
| Gross profit | 503,196 | 14,150 | 3,656 | 521,002 |
| Selling, general and administrative expenses | (215,615) | (3,661) | — | (219,276) |
| Other operating income, net | 6,287 | (729) | — | 5,558 |
| Operating income - IFRS | 293,868 | 9,760 | 3,656 | 307,284 |
| Management view | | | | |
| Net sales | 2,763,701 | 115,711 | (115,699) | 2,763,713 |
| Operating income | 273,185 | 49,393 | 496 | 323,074 |
| Reconciliation items: | | | | |
| Differences in Cost of sales | | | | 59,400 |
| Effect of inflation adjustment | | | | (75,190) |
| Operating income - IFRS | | | | 307,284 |
| Financial income (expense), net | | | | (26,872) |
| Equity in earnings of non-consolidated companies | | | | 14,878 |
| Income before income tax expense - IFRS | | | | 295,290 |
| Depreciation and amortization - IFRS (1) | (146,589) | (16,285) | — | (162,874) |
| The effect of the application of IAS 29 - Hyperinflationary economies in Argentina for the three-month period ended March 31, 2019, is only allocated in the Steel segment, having an impact of USD (26) million on Net sales, USD (50) million in Cost of sales, USD 2 million in Selling, general and administrative expenses and USD (1) million in Other operating expenses, net. | | | | |

(1) It includes the depreciation and amortization of right-of-use assets of USD 12.5 million in the Steel segment and USD 0.1 million in the Mining segment.

| | Three- month period ended March 31, 2018 (Unaudited) | | | |
|---------------|---|----------|-------------------------------|-------------|
| | Steel | Mining | Inter-segment eliminations | Total |
| IFRS | | | | |
| Net sales | 2,796,858 | 69,738 | (69,584) | 2,797,012 |
| Cost of sales | (2,152,446) | (52,438) | 72,159 | (2,132,725) |

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| | | | | |
|--|------------|----------|-----------|------------|
| Gross profit | 644,412 | 17,300 | 2,575 | 664,287 |
| Selling, general and administrative expenses | (218,693) | (5,136) | — | (223,829) |
| Other operating income, net | 5,594 | 183 | — | 5,777 |
| Operating income - IFRS | 431,313 | 12,347 | 2,575 | 446,235 |
| Management view | | | | |
| Net sales | 2,961,159 | 91,685 | (91,531) | 2,961,313 |
| Operating income | 326,607 | 38,131 | (358) | 364,380 |
| Reconciliation items: | | | | |
| Differences in Cost of sales | | | | 158,691 |
| Effect of inflation adjustment | | | | (76,836) |
| Operating income - IFRS | | | | 446,235 |
| Financial income (expense), net | | | | (48,962) |
| Equity in earnings of non-consolidated companies | | | | 19,983 |
| Income before income tax expense - IFRS | | | | 417,256 |
| Depreciation and amortization - IFRS | (143,734) | (13,526) | — | (157,260) |

The effect of the application of IAS 29 - Hyperinflationary economies in Argentina for the three-month period ended March 31, 2018, is only allocated in the Steel segment, having an impact of USD (164) million on Net sales, USD 71 million in Cost of sales, USD 17 million in Selling, general and administrative expenses and USD nil in Other operating expenses, net.

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3. SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

For purposes of reporting geographical information, net sales are allocated based on the customer's location. Allocation of non-current assets is based on the geographical location of the underlying assets.

| | Three- month period ended March 31, 2019 (Unaudited) | | | |
|------------------------|---|--------------------|------------------|-----------|
| | Mexico | Southern region | Other markets | Total |
| Net sales | 1,463,126 | 390,278 | 884,152 | 2,737,556 |
| Non-current assets (1) | 4,207,711 | 1,042,701 | 1,906,501 | 7,156,913 |

| | Three- month period ended March 31, 2018 (Unaudited) | | | |
|------------------------|---|--------------------|------------------|-----------|
| | Mexico | Southern region | Other markets | Total |
| Net sales | 1,557,679 | 473,920 | 765,413 | 2,797,012 |
| Non-current assets (1) | 4,031,843 | 604,454 | 1,720,080 | 6,356,377 |

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

4. COST OF SALES

| | Three-month period ended March 31, 2019 2018 (Unaudited) | |
|--|--|-----------|
| Inventories at the beginning of the year | 2,689,829 | 2,550,930 |
| Effect of initial inflation adjustment | — | 191,708 |

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| | | |
|--|-------------|-------------|
| Translation differences | (19,082) | (49,518) |
| Plus: Charges for the period | | |
| Raw materials and consumables used and other movements | 1,650,526 | 1,872,488 |
| Services and fees | 36,459 | 35,358 |
| Labor cost | 158,193 | 176,104 |
| Depreciation of property, plant and equipment | 124,969 | 112,652 |
| Amortization of intangible assets | 4,560 | 6,852 |
| Maintenance expenses | 132,943 | 120,838 |
| Office expenses | 1,824 | 1,787 |
| Insurance | 2,562 | 1,914 |
| Change of obsolescence allowance | 2,401 | 2,574 |
| Recovery from sales of scrap and by-products | (6,562) | (5,174) |
| Others | 4,367 | 4,834 |
| Less: Inventories at the end of the period | (2,566,435) | (2,890,622) |
| Cost of Sales | 2,216,554 | 2,132,725 |

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5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

| | Three-month period ended March 31, 2019 2018 (Unaudited) | |
|--|--|---------|
| Services and fees | 19,366 | 17,474 |
| Labor cost | 54,696 | 57,896 |
| Depreciation of property, plant and equipment | 4,214 | 3,337 |
| Amortization of intangible assets | 29,131 | 34,420 |
| Maintenance and expenses | 1,003 | 1,223 |
| Taxes | 22,407 | 21,385 |
| Office expenses | 8,485 | 8,413 |
| Freight and transportation | 77,134 | 75,489 |
| Increase (decrease) of allowance for doubtful accounts | (16) | 275 |
| Others | 2,856 | 3,917 |
| Selling, general and administrative expenses | 219,276 | 223,829 |

6. FINANCE EXPENSE, FINANCE INCOME AND OTHER FINANCIAL INCOME (EXPENSES), NET

| | Three-month period ended March 31, 2019 2018 (Unaudited) | |
|--|--|----------|
| Interest expense | (19,769) | (30,115) |
| Finance expense | (19,769) | (30,115) |
| Interest income | 5,889 | 4,941 |
| Finance income | 5,889 | 4,941 |
| Net foreign exchange gain (loss) | (30,739) | (39,171) |
| Inflation adjustment results | 33,284 | 24,049 |
| Change in fair value of financial assets | (8,211) | (14,188) |

Others (7,326) 5,522

Other financial income (expenses), net (12,992) (23,788)

7. PROPERTY, PLANT AND EQUIPMENT, NET

| | Three-month period ended March 31, 2019 2018 (Unaudited) | |
|--|---|------------|
| At the beginning of the year | 5,817,609 | 5,349,753 |
| Effect of initial inflation adjustment | — | 788,030 |
| Effect of initial recognition of right-of-use assets | 300,288 | — |
| Currency translation differences | (28,593) | (39,450) |
| Additions | 208,520 | 90,293 |
| Disposals | (6,319) | (3,524) |
| Depreciation charge | (129,183) | (116,423) |
| Capitalized borrowing costs | 4,292 | — |
| Transfers and reclassifications | (551) | — |
| At the end of the period | 6,166,063 | 6,068,678 |

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8. INTANGIBLE ASSETS, NET

| | Three-month period ended March 31, 2019 2018 (Unaudited) | |
|--|--|-----------|
| At the beginning of the year | 1,012,524 | 1,092,579 |
| Effect of initial inflation adjustment | — | 4,966 |
| Currency translation differences | (401) | (934) |
| Additions | 12,824 | 7,421 |
| Amortization charge | (33,691) | (40,837) |
| Transfers/Disposals | (406) | — |
| At the end of the period | 990,850 | 1,063,195 |

9. INVESTMENTS IN NON-CONSOLIDATED COMPANIES

| Company | Country of incorporation | Main activity | Voting rights as of | | Value as of | |
|---|-----------------------------|---|---------------------|----------------------|-------------------|----------------------|
| | | | March 31, 2019 | December 31, 2018 | March 31, 2019 | December 31, 2018 |
| Usinas Siderurgicas de Minas Gerais S.A. - USIMINAS | Brazil | Manufacturing and selling of steel products | 34.39% | 34.39% | 487,910 | 480,084 |
| Other non-consolidated companies (1) | | | | | 18,189 | 15,157 |
| | | | | | 506,099 | 495,241 |

(1) It includes the investments held in Techgen S.A. de C.V., Finma S.A.I.F., Techinst S.A., Recrotek S.R.L. de C.V. and Gas Industrial de Monterrey S.A. de C.V.

(a) Usinas Siderurgicas de Minas Gerais S.A. - USIMINAS

Ternium, through its subsidiaries Ternium Investments S.à r.l. (“Ternium Investments”), Ternium Argentina S.A. (“Ternium Argentina”) and Prosid Investments S.A. (“Prosid”), owns a total of 242.6 million ordinary shares and 8.5 million preferred shares, representing 20.5% of the issued and outstanding share capital of Usinas Siderurgicas de

Minas Gerais S.A. - USIMINAS (“Usiminas”), the largest flat steel producer in Brazil.

Ternium Investments, Ternium Argentina and Prosid, together with Tenaris S.A.’s Brazilian subsidiary Confab Industrial S.A. (“TenarisConfab”), are part of Usiminas’ control group, comprising the so-called T/T Group. The other members of Usiminas’ control group are Previdência Usiminas (Usiminas’ employee pension fund) and the so-called NSSMC Group, comprising Nippon Steel & Sumitomo Metal Corporation Group (“NSSMC”), Nippon Usiminas Co., Ltd., Metal One Corporation and Mitsubishi Corporation do Brasil, S.A.

As of March 31, 2019, the closing price of the Usiminas ordinary and preferred shares, as quoted on the BM&F Bovespa Stock Exchange, was BRL 11.65 (approximately USD 2.99; December 31, 2018: BRL 11.44 - USD 2.95) per ordinary share and BRL 10.04 (approximately USD 2.58; December 31, 2018: BRL 9.22 - USD 2.38) per preferred share, respectively. Accordingly, as of March 31, 2019, Ternium’s ownership stake had a market value of approximately USD 747.2 million and a carrying value of USD 487.9 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.

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9. INVESTMENTS IN NON-CONSOLIDATED COMPANIES (continued)

Usiminas financial restructuring process (that started in April 2016 with the capital increase) was completed by the end of August 2017. The completion of this process together with the higher share price since June 2016, and the improvement in business conditions may lead to an increase in the value of the investment in Usiminas in future periods.

As of March 31, 2019, the value of the investment in Usiminas is comprised as follows:

| Value of investment | USIMINAS |
|----------------------------|----------|
| As of January 1, 2019 | 480,084 |
| Share of results (1) | 11,856 |
| Other comprehensive income | (3,452) |
| Dividends received | (578) |
| As of March 31, 2019 | 487,910 |

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

The investment in Usiminas is based in the following calculation:

| | |
|---|------------|
| Usiminas' shareholders' equity | 3,671,364 |
| Percentage of interest of the Company over shareholders' equity | 20.43 % |
| Interest of the Company over shareholders' equity | 749,920 |
| Purchase price allocation | 77,072 |
| Goodwill | 266,747 |
| Impairment | (605,829) |
| Total Investment in Usiminas | 487,910 |

On April 17, 2019, Usiminas issued its consolidated interim accounts as of and for the three-month period ended March 31, 2019.

| | USIMINAS |
|---|----------------------|
| Summarized balance sheet (in million USD) | As of March 31, 2019 |
| Assets | |
| Non-current | 4,627 |
| Current | 1,655 |
| Other current investments | 157 |
| Cash and cash equivalents | 298 |
| | |
| Total Assets | 6,737 |
| Liabilities | |
| Non-current | 530 |
| Non-current borrowings | 1,362 |
| Current | 751 |
| Current borrowings | 48 |
| | |
| Total Liabilities | 2,691 |
| | |
| Minority interest | 375 |
| | |
| Shareholders' equity | 3,671 |

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9. INVESTMENTS IN NON-CONSOLIDATED COMPANIES (continued)

| | USIMINAS |
|--|--|
| Summarized income statement (in million USD) | Three- month period ended March 31, 2019 |
| Net sales | 937 |
| Cost of sales | (806) |
| Gross Profit | 131 |
| Selling, general and administrative expenses | (45) |
| Other operating income, net | (35) |
| Operating income | 51 |
| Financial expenses, net | (36) |
| Equity in earnings of associated companies | 10 |
| Profit before income tax | 25 |
| Income tax expense | (6) |
| Net profit before minority interest | 19 |
| Minority interest in other subsidiaries | (8) |
| Net profit for the period | 11 |

10. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS

Contingencies, commitments and restrictions on the distributions of profits should be read in Note 25 to the Company's audited Consolidated Financial Statements for the year ended December 31, 2018.

Companhia Siderúrgica Nacional (CSN) - Tender offer litigation

In 2013, the Company was notified of a lawsuit filed in Brazil by Companhia Siderúrgica Nacional, or CSN, and various entities affiliated with CSN against Ternium Investments, its subsidiary Ternium Argentina, and TenarisConfab. The entities named in the CSN lawsuit had acquired a participation in Usiminas in January 2012. The CSN lawsuit alleges that, under applicable Brazilian laws and rules, the acquirers were required to launch a tag-along tender offer to all noncontrolling holders of Usiminas ordinary shares for a price per share equal to 80% of the price per share paid in such acquisition, or BRL 28.8, and seeks an order to compel the acquirers to launch an offer at that price plus interest. If so ordered, the offer would need to be made to 182,609,851 ordinary shares of Usiminas not belonging to Usiminas' control group; Ternium Investments and Ternium Argentina's respective shares in the offer would be 60.6% and 21.5%.

On September 23, 2013, the first instance court dismissed the CSN lawsuit, and on February 8, 2017, the court of appeals of São Paulo maintained the understanding of the first instance court. On March 6, 2017, CSN filed a motion for clarification against the decision of the court of appeals, which was rejected on July 19, 2017. On August 18, 2017, CSN filed with the court of appeals an appeal seeking the review and reversal of the decision issued by the court of appeals by the Superior Court of Justice. On March 5, 2018, the court of appeals ruled that CSN's appeal did not meet the requirements for review by the Superior Court of Justice and rejected such appeal. On May 8, 2018, CSN appealed against such ruling and on January 22, 2019, the court of appeals rejected such appeal and ordered that the case be submitted to the Superior Court of Justice. The Superior Court of Justice will review the admissibility of CSN's appeal, and, if the appeal is declared admissible, will then render a decision on the merits. The Superior Court of Justice is restricted to the analysis of alleged violations to federal laws and cannot assess matters of fact.

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10. CONTINGENCIES, COMMITMENTS AND RESTRICTIONS ON THE DISTRIBUTION OF PROFITS
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Ternium continues to believe that all of CSN's claims and allegations are groundless and without merit, as confirmed by several opinions of Brazilian legal counsel, two decisions issued by the Brazilian securities regulator (CVM) in February 2012 and December 2016, and the first and second instance court decisions referred to above. Accordingly, no provision has been recorded in these Consolidated Financial Statements.

Shareholder claims relating to the October 2014 acquisition of Usiminas shares

On April 14, 2015, the staff of CVM, determined that an acquisition of additional ordinary shares of Usiminas by Ternium Investments made in October 2014, triggered a requirement under applicable Brazilian laws and regulations for Usiminas' controlling shareholders to launch a tender offer to all non-controlling holders of Usiminas ordinary shares. The CVM staff's determination was made further to a request by NSSMC and its affiliates, who alleged that Ternium's 2014 acquisition had exceeded a threshold that triggers the tender offer requirement. In the CVM staff's view, the 2014 acquisition exceeded the applicable threshold by 5.2 million shares. On April 29, 2015, Ternium filed an appeal to be submitted to the CVM's Board of Commissioners. On May 5, 2015, the CVM staff confirmed that the appeal would be submitted to the Board of Commissioners and that the effects of the staff's decision would be stayed until such Board rules on the matter.

On June 15, 2015, upon an appeal filed by NSSMC, the CVM staff changed its earlier decision and stated that the obligation to launch a tender offer would fall exclusively on Ternium. Ternium's appeal has been submitted to the CVM's Board of Commissioners and it is currently expected that such Board will rule on the appeal in 2019. In addition, on April 18, 2018, Ternium filed a petition with the CVM's reporting Commissioner requesting that the applicable threshold for the tender offer requirement be recalculated taking into account the new ordinary shares issued by Usiminas in connection with its 2016 BRL 1 billion capital increase and that, in light of the replenishment of the threshold that would result from such recalculation, the CVM staff's 2015 determination be set aside. In the event the appeal is not successful, under applicable CVM rules Ternium may elect to sell to third parties the 5.2 million shares allegedly acquired in excess of the threshold, in which case no tender offer would be required.

ICMS deferral tax benefit - Unconstitutionality

Through State Law No. 4,529, of March 31, 2005, the State of Rio de Janeiro granted Ternium Brasil a tax incentive consisting of a deferment of ICMS payable by Ternium Brasil in connection with the construction and operation of the company's Rio de Janeiro steelmaking complex. The incentive applies in respect of the acquisition of fixed assets and certain raw materials (i.e. iron ore, pellets, alloys, coke, coal and scrap) and significantly reduces input ICMS credit accumulation by Ternium Brasil. The tax incentive was granted for a period of 20 years from the commencement of the construction works for Ternium Brasil's Rio de Janeiro steel complex.

In 2012, a Brazilian political party filed a direct action of unconstitutionality against the above-mentioned State Law before the Brazilian Federal Supreme Court, predicated on the argument that, since the tax incentive granted pursuant to such State Law had not been approved by Brazil's National Council of Fiscal Policy (Conselho Nacional de Política Fazendária, or CONFAZ), such State Law should be declared unconstitutional.

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In August 2017, the Brazilian Congress enacted Supplementary Law No. 160/2017, instituting a mechanism through which the States may confirm any ICMS incentives they had granted in prior years without CONFAZ approval and, in furtherance of such Supplementary Law, in December 2017 the States adopted ICMS Convention 190/2017, establishing the applicable rules and deadlines for so confirming such ICMS incentives. As per the terms of ICMS Convention 190/2017, all States are required to publish in their official gazettes, on or before March 29, 2018, a list of the ICMS incentives that are to be confirmed pursuant to Supplementary Law No. 160. On March 6, 2018, the State of Rio de Janeiro published its list of ICMS incentives, including, among others, the ICMS benefit granted to Ternium Brasil. ICMS Convention 190/2017 also required that all relevant documents concerning such incentives be filed with CONFAZ, and the State of Rio de Janeiro satisfied such requirements as well. On July 27, 2018, the Governor of Rio de Janeiro issued Executive Order (Decreto) No. 46,78, pursuant to which the State of Rio de Janeiro reconfirmed, in accordance with ICMS Convention 190/2017, the ICMS tax benefits listed in its official gazette publication made pursuant to the Convention, including, among others, Ternium Brasil's ICMS tax benefits.

In October 2018, the State of Rio de Janeiro and the Federation of Industries of the State of Rio de Janeiro (Federação das Indústrias do Estado do Rio de Janeiro, or FIRJAN) filed petitions arguing that the action of unconstitutionality against the March 31, 2005 Rio de Janeiro State Law No. 4,529 could not be judged by the Federal Supreme Court since, following the revalidation of such law under Supplementary Law No.160/17 and the ICMS Convention 190/2017, such action of unconstitutionality had lost its purpose. Following the filing of such petitions, the Reporting Justice Minister in charge of the case summoned the plaintiff in such action of unconstitutionality, the Federal Attorney General's Office (Advocacia-Geral da União, or AGU) and the Chief of the Public Minister (Procuradoria-Geral da República, or PGR) to submit statements expressing their respective views on the arguments presented by the State of Rio de Janeiro and the FIRJAN with respect to the effect of Supplementary Law No.160/17 and the ICMS Convention 190/2017 on the pending action of unconstitutionality. In their respective statements, the plaintiff argued that Supplementary Law No.160/17 and the ICMS Convention 190/2017 do not affect the unconstitutionality of ICMS benefits granted through State Law No. 4,529, while the AGU stated that, in light of the additional legal support provided by Supplementary Law No.160/17 and the ICMS Convention 190/2017, a finding of unconstitutionality of State Law No. 4,529 would not be warranted. In turn, the PGR stated that a decision on the case should be postponed until the Federal Supreme Court completes its analysis of Supplementary Law No.160/17 and ICMS Convention 190/2017. As of the date of these consolidated financial statements, the Federal Supreme Court has not yet ruled on the above-referred petitions filed by the State of Rio de Janeiro and FIRJAN.

The tax benefits accumulated under Ternium Brasil's ICMS incentive as of the acquisition date amounted to approximately USD 1,089 million. In accordance with the guidance in IFRS 3, the Company recorded as of the

acquisition date a provision of USD 651.8 million (including estimated penalties and interest) in connection with this matter, together with an asset of USD 325.9 million arising from its right to recover part of the contingency amount from Thyssenkrup Veerhaven B.V. (USD 526.4 million and USD 263.2 million, respectively, as of March 31, 2019). The calculation of this contingency has been determined taking into consideration the probability of negative outcome for the Company, if any, on an estimated total risk of USD 1,630 million (including estimated penalties and interests).

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Putative class action

The Company is aware that, following its November 27, 2018 announcement that its chairman Paolo Rocca was included in an Argentine court investigation known as the Notebooks Case, a putative class action complaint was filed in the U.S. District Court for the Eastern District of New York purportedly on behalf of purchasers of Ternium securities from May 1, 2014 through November 27, 2018. The individual defendants named in the complaint are our chairman, our former CEO, our current CEO and our CFO. That complaint alleges that during the class period (May 2014-November 2018), the Company and the individual defendants inflated the price of Ternium's ADSs by failing to disclose that sale proceeds received by Ternium when Sidor was expropriated by Venezuela were received or expedited as a result of alleged improper payments made to Argentine officials. The complaint does not specify the damages that plaintiff is seeking. In accordance with a schedule agreed upon between the parties and ordered by the court, the plaintiff is expected to file a consolidated amended complaint by May 15, 2019, and the Company's response to the amended complaint will be due by July 15, 2019. Management believes the Company has meritorious defenses to these claims; however, at this stage the Company cannot predict the outcome of the claim or the amount or range of loss in case of an unfavorable outcome.

11. RELATED PARTY TRANSACTIONS

As of March 31, 2019, Techint Holdings S.à r.l. ("Techint") owned 62.02% of the Company's share capital and Tenaris Investments S.à r.l. ("Tenaris") held 11.46% of the Company's share capital. Each of Techint and Tenaris were controlled by San Faustin S.A., a Luxembourg company ("San Faustin"). Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin ("RP STAK"), a Dutch private foundation (Stichting), held voting shares in San Faustin sufficient in number to control San Faustin. No person or group of persons controls RP STAK.

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11. RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties:

| | Three-month period ended March 31, 2018 2017 (Unaudited) | |
|--|---|---------|
| (i) Transactions | | |
| (a) Sales of goods and services | | |
| Sales of goods to non-consolidated parties | 130,833 | 197,354 |
| Sales of goods to other related parties | 7,432 | 46,408 |
| Sales of services and others to non-consolidated parties | 44 | 44 |
| Sales of services and others to other related parties | 349 | 300 |
| | 138,658 | 244,106 |
| (b) Purchases of goods and services | | |
| Purchases of goods from non-consolidated parties | 105,991 | 117,872 |
| Purchases of goods from other related parties | 10,728 | 10,216 |
| Purchases of services and others from non-consolidated parties | 1,861 | 807 |
| Purchases of services and others from other related parties | 38,298 | 18,704 |
| | 156,878 | 147,599 |
| (c) Financial results | | |
| Income with non-consolidated parties | 2,659 | 2,065 |
| | 2,659 | 2,065 |
| (d) Dividends received | | |
| Dividends received from non-consolidated parties | 578 | — |
| | 578 | — |
| (e) Other income and expenses | | |
| Income (expenses), net with non-consolidated parties | 225 | (75) |
| Income (expenses), net with other related parties | 127 | 286 |

352 211

March 31, December 31,
2019 2018
(Unaudited)

(ii) Period-end balances

(a) Arising from sales/purchases of goods/services

| | | |
|--|-----------|-----------|
| Receivables from non-consolidated parties | 174,865 | 201,693 |
| Receivables from other related parties | 6,530 | 5,975 |
| Advances from non-consolidated parties | 14,364 | 2,812 |
| Advances to suppliers with other related parties | 6,818 | 7,534 |
| Payables to non-consolidated parties | (24,534) | (37,384) |
| Payables to other related parties | (20,806) | (23,495) |
| | 157,237 | 157,135 |

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12. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE MEASUREMENT

1) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below. According to the scope and definitions set out in IFRS 7 and IAS 32, employers' rights and obligations under employee benefit plans, and non-financial assets and liabilities such as advanced payments and income tax payables, are not included.

| As of March 31, 2019 (in USD thousands) | Amortized cost | Assets at fair value through profit or loss | Assets at fair value through OCI | Total |
|---|-------------------|---|--|------------------|
| (i) Assets as per statement of financial position | | | | |
| Receivables | 423,670 | — | — | 423,670 |
| Derivative financial instruments | — | 1,615 | — | 1,615 |
| Trade receivables | 1,245,722 | — | — | 1,245,722 |
| Other investments | 40,537 | — | 28,211 | 68,748 |
| Cash and cash equivalents | 195,982 | 268,355 | — | 464,337 |
| Total | 1,905,911 | 269,970 | 28,211 | 2,204,092 |

| As of March 31, 2019 (in USD thousands) | Amortized cost | Liabilities at fair value through profit or loss | Total |
|---|-------------------|---|-----------|
| (ii) Liabilities as per statement of financial position | | | |
| Other liabilities | 116,708 | — | 116,708 |
| Trade payables | 1,003,258 | — | 1,003,258 |
| Derivative financial instruments | — | 8,089 | 8,089 |
| Finance lease liabilities | 373,719 | — | 373,719 |
| Borrowings | 1,992,515 | — | 1,992,515 |

| | | | |
|-------|-----------|-------|-----------|
| Total | 3,486,200 | 8,089 | 3,494,289 |
|-------|-----------|-------|-----------|

2) Fair Value by Hierarchy

IFRS 13 requires for financial instruments that are measured at fair value, a disclosure of fair value measurements by level. See note 29 of the Consolidated Financial Statements as of December 31, 2018 for definitions of levels of fair values and figures at that date.

The following table presents the assets and liabilities that are measured at fair value:

Fair value measurement
as of March 31, 2019
(in USD thousands):

| Description | Total | Level 1 | Level 2 |
|---|---------|---------|---------|
| Financial assets at fair value through profit or loss / OCI | | | |
| Cash and cash equivalents | 268,355 | 268,355 | — |
| Other investments | 28,211 | 28,211 | — |
| Derivative financial instruments | 1,615 | — | 1,615 |
| Total assets | 298,181 | 296,566 | 1,615 |
| Financial assets at fair value through profit or loss / OCI | | | |
| Derivative financial instruments | 8,089 | — | 8,089 |
| Total liabilities | 8,089 | — | 8,089 |

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12. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE MEASUREMENT (continued)

| Description | Fair value measurement as of December 31, 2018 (in USD thousands) | | |
|---|---|---------|------------|
| | Total | Level 1 | Level 2 |
| Financial assets at fair value through profit or loss / OCI | | | |
| Cash and cash equivalents | 140,455 | 140,455 | — |
| Other investments | 36,630 | 36,630 | — |
| Derivative financial instruments | 1,588 | — | 1,588 |
| Total assets | 178,673 | 177,085 | 1,588 |
| Financial assets at fair value through profit or loss / OCI | | | |
| Derivative financial instruments | 12,981 | — | 12,981 |
| Total liabilities | 12,981 | — | 12,981 |

13. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements and also discloses the new accounting policies that have been applied from January 1, 2019, where they are different to those applied in prior periods.

(a) Impact on the financial statements

IFRS 16 was adopted following the simplified approach, without restating comparative. The reclassifications and the adjustments arising from the new lease accounting rules are directly recognized in the opening balance sheet on January 1, 2019.

| | | |
|-------------------------------------|---|--|
| Property, plant and equipment | Lease liabilities Current (*) | Lease liabilities Non Current |
|-------------------------------------|---|--|

(*)

| | | | |
|---|-----------|--------|---------|
| Closing balance as of December 31, 2018 - IFRS 16 | 5,817,609 | 8,030 | 65,798 |
| Initial recognition of right-of-use assets | 300,288 | — | — |
| Initial recognition of lease liabilities | — | 41,725 | 258,563 |
| Opening balance as of January 1, 2019 - IFRS 16 | 6,117,897 | 49,755 | 324,361 |

(*) Finance lease liabilities in the Consolidated Financial Statements as of December 31, 2018.

(b)IFRS 16 Leases - Impact of adoption

The Company has adopted IFRS 16 Leases from January 1, 2019, but has not restated comparatives for previous reporting period as permitted under the specific transition provisions in the Standard.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. For the initial recognition, these liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019, was of 4.05%. The maturity of the lease liabilities will be of USD 50.2 million until March 2020, USD 50.4 million until March 2021 and USD 273.1 million in the subsequent years.

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13. CHANGES IN ACCOUNTING POLICIES (continued)

The adoption of IFRS 16 Leases from January 1, 2019, resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements.

Right-of-use assets

The total of the right-of-use assets are included under such type of assets in Property, plant and equipment. These right-of-use assets include the following classification:

| | Right-of-use assets | | | Total |
|---|----------------------------------|-------------------------|---|-----------|
| | Buildings and improvements | Production equipment | Vehicles, furniture and fixtures | |
| Values at the beginning of the year | | | | |
| Cost | | 55,288 | | 55,288 |
| Accumulated depreciation | | (5,918) | | (5,918) |
| Net book value at January 1, 2019 | — | 49,370 | — | 49,370 |
| Opening net book value | — | 49,370 | — | 49,370 |
| Effect of initial recognition under IFRS 16 | 229,973 | 60,168 | 10,147 | 300,288 |
| Translation differences | (83) | (1,626) | — | (1,709) |
| Additions | — | 11,518 | — | 11,518 |
| Depreciation charge | (7,387) | (4,397) | (779) | (12,563) |
| Closing net book value | 222,503 | 115,033 | 9,368 | 346,904 |
| Values at the end of the year | | | | |
| Cost | 229,889 | 125,183 | 10,147 | 365,219 |
| Accumulated depreciation | (7,387) | (10,150) | (779) | (18,316) |
| Net book value at March 31, 2019 | 222,503 | 115,033 | 9,368 | 346,904 |

Lease liabilities

| | Lease liabilities | | |
|---|-------------------|----------------|----------|
| | Current | Non Current | Total |
| Values at the beginning of the year | 8,030 | 65,798 | 73,828 |
| Effect of initial recognition under IFRS 16 | 41,725 | 258,563 | 300,288 |
| Translation differences | 112 | (2,557) | (2,445) |

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| | | | |
|-------------------|----------|---------|----------|
| Proceeds | — | 11,518 | 11,518 |
| Repayments | (12,771) | — | (12,771) |
| Interest accrued | 4,414 | — | 4,414 |
| Interest paid | (1,114) | — | (1,114) |
| Reclassifications | 9,811 | (9,811) | — |
| At March 31, 2019 | 50,207 | 323,511 | 373,718 |

(c) IFRS 16 Leases - Accounting policies applied from January 1, 2019

Right-of-use assets and Lease liabilities

The Company is a party to lease contracts for:

Plants and equipment for the production of industrial gases and other production materials.

Transportation and maintenance equipment.

Warehouses and office spaces.

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13. CHANGES IN ACCOUNTING POLICIES (continued)

These leases are recognized, measured and presented in accordance to IFRS 16 “Leases”, following the guidelines described below.

Accounting by the lessee

The Company recognizes a right-of-use asset and a lease liability at the commencement date of each lease contract that grants the right to control the use of an identified asset during a period of time. The commencement date is the date in which the lessor makes an underlying asset available for use by the lessee.

The Company applied exemptions for leases with a duration lower than 12 months, with a value lower than thirty thousand dollars and/or with clauses related to variable payments. These leases have been considered as short-term leases and, accordingly, no right-of-use asset or lease liability have been recognized.

At initial recognition, the right-of-use asset is measured considering:

The value of the initial measurement of the lease liability;

Any lease payments made at or before the commencement date, less any lease incentives; and

Any initial direct costs incurred by the lessee; and

After initial recognition, the right-of-use assets are measured at cost, less any accumulated depreciation and/or impairment losses, and adjusted for any re-measurement of the lease liability.

Depreciation of the right-of-use asset is calculated using the straight-line method over the estimated duration of the lease contract, as follows:

| | |
|--------------------------|------------|
| Buildings and facilities | 2-10 years |
| Machinery | 2-6 years |
| Vehicles and furniture | 2-6 years |

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term, or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at such date, including the following concepts:

~~Fixed~~ payments, less any lease incentives receivable;

~~Variable~~ lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;

~~Amounts~~ expected to be payable by the lessee under residual value guarantees;

~~The~~ exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

~~Payments~~ of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease liabilities with payments dependent on external factors, such as minimum volumes sold or used, are not included in the initial measurement of the lease liabilities and such payments are recognized directly in profit and loss.

Lease payments are discounted using incremental borrowing rates for the location and currency of each lease contract or, if available, the rate implicit in the lease contract.

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13. CHANGES IN ACCOUNTING POLICIES (continued)

The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease term determined by the Company comprises:

Non-cancelable period of lease contracts;

Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date, the Company measures the lease liability by:

Increasing the carrying amount to reflect interest on the lease liability;

Reducing the carrying amount to reflect lease payments made; and

Re-measuring the carrying amount to reflect any reassessment or lease modifications.

Accounting by the lessor

When the Company is acting as a lessor, each of its leases is classified as either operating or finance lease:

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Leases where all substantial risks and rewards of ownership are transferred by the lessor to the lessee are classified as finance leases.

Critical accounting estimates

Valuation of lease liabilities and right-of-use assets

The application of IFRS 16 requires the Company to make judgments that affect the recognition and valuation of the lease liabilities and the right-of-use assets, including the determination of the contracts within the scope of the Standard, the contract term and the interest rate used for the discount of future cash flows.

The lease term determined by the Company generally comprises non-cancellable period of leases contracts, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The same term is applied as economic useful life of right-of-use assets.

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The present value of the lease payments is determined using the discount rate representing a risk-free interest rate, adjusted by a spread related to the credit quality of the Company in each location and currency rate in connection with each lease contract.

Pablo Brizzio
Chief Financial Officer

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