

GROUP SIMEC SA DE CV  
Form F-1  
October 26, 2006

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Registration No. 333-

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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C.  
20549  
**FORM F-1**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF**  
**1933**

**GRUPO SIMEC, S.A.B. de C.V.**

(Exact name of Registrant as specified in its charter)

**GROUP SIMEC**

(Translation of Registrant's name into English)

**United Mexican States**  
(State or other jurisdiction of  
incorporation or organization)

**3312**  
(Primary Standard Industrial  
Classification Code Number)

**None**  
(I.R.S. Employer  
Identification No.)

**Calzada Lazaro Cardenas 601**  
**Colonia La Nogalera, Guadalajara,**  
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**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective.

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If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Calculation of Registration Fee		
Title of each class of securities to be registered	Proposed maximum aggregate offering price <sup>(2)</sup>	Amount of registration fee <sup>(3)</sup>
Series B shares, without par value <sup>(1)</sup>	\$250,000,000	\$26,750

(1) American depositary shares evidenced by American depositary receipts issuable upon deposit of the series B shares registered hereby will be registered under a separate registration statement on Form F-6. Each such American depositary share will represent three series B shares.

(2) Estimated solely for the purposes of calculating the registration fee in accordance with Rule 457(a).

(3) Calculated in accordance with Rule 457(c).

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

SUBJECT TO COMPLETION, DATED , 2006

**PROSPECTUS**

Grupo Simec, S.A.B. de C.V.

SERIES B COMMON SHARES

We are selling series B shares in the form of American depositary shares, or ADSs, in an international offering. Concurrently, we are selling series B shares in an offering in Mexico. Each ADS represents the right to receive three series B shares. The ADSs will be evidenced by American depositary receipts, or ADRs. The ADSs offered in the international offering may be delivered in the form of series B shares. The offering price and underwriting discounts and commissions in the international offering and the offering in Mexico will be substantially equivalent. We have granted the underwriters an option to purchase up to additional ADSs and the Mexican underwriters an option to purchase up to additional series B shares, in each case, to cover over-allotments.

The ADSs are listed on the American Stock Exchange under the symbol “SIM”, and the series B shares are listed on the Mexican Stock Exchange under the symbol “SIMEC.B”. On October 23, 2006, the last reported sales price of the ADSs on the American Stock Exchange was \$15.95 per ADS, and the last reported sales price of the series B shares on the Mexican Stock Exchange was Ps. 57.96 per series B share.

**Investing in the ADSs and series B shares involves risks. See “Risk Factors” beginning on page 14.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per series B share	Per ADS	Total
Public Offering Price	Ps.	\$	\$
Underwriting Discount	Ps.	\$	\$
Proceeds to Grupo Simec, S.A.B. de C.V. (before expenses)	Ps.	\$	\$

The underwriters expect to deliver the ADSs and series B shares to purchasers on or about , 2006.

**Citigroup**

, 2006



You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different information, you should not rely on it. We are not making an offer of these securities in any state where the offer is not permitted. The information in this prospectus is accurate only as of the date of this prospectus.

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Grupo Simec, S.A.B. de C.V. is a corporation (*sociedad anónima bursatil de capital variable*) organized under the laws of the United Mexican States. Prior to October 24, 2006, our name was Grupo Simec, S.A. de C.V. (*sociedad anónima de capital variable*). Our name change resulted from the recent amendment to our by-laws incorporating the provisions required by the Mexican Securities Market Law.

We publish our financial statements in Mexican pesos and pursuant to accounting principles generally accepted in Mexico (“Mexican GAAP”), which differ in certain respects from accounting principles generally accepted in the United States (“U.S. GAAP”). Note 19 to our audited consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 and Note 16 to our unaudited condensed consolidated financial statements for the six-month period ended June 30, 2006 provide a summary of the principal differences between Mexican GAAP and U.S. GAAP as they relate to our business, along with a reconciliation to U.S. GAAP of net income and stockholders’ equity, and statements of changes in stockholders’ equity and, for the unaudited condensed consolidated financial statements, of cash flows under U.S. GAAP.

Our audited financial statements and all other financial information contained herein with respect to the years ended December 31, 2005, 2004 and 2003 are presented in constant pesos with purchasing power as of June 30, 2006, unless otherwise noted. Our unaudited condensed consolidated interim financial statements for the six-month period ended June 30, 2006, which include comparative unaudited financial information for the six-month period ended June 30, 2005, and all other financial information presented herein with respect to the six-month periods ended June 30, 2006 and 2005 are presented in constant pesos with purchasing power as of June 30, 2006.

In August 2004, we and our subsidiary, Compañía Siderúrgica de California, S.A. de C.V. acquired certain of the Mexican assets of Industrias Ferricas del Norte, S.A. (Corporación Sidenor of Spain or “Grupo Sidenor”). These assets consisted of steel production facilities in Apizaco and Cholula (the “Atlax Acquisition”). The purchase price of these assets was approximately U.S.\$122 million. Our consolidated financial statements reflect the Atlax Acquisition as of August 1, 2004. We consummated the Atlax Acquisition on August 9, 2004. We have not included separate financial information relating to the Atlax Acquisition in this prospectus.

In July 2005, we and our controlling shareholder, Industrias CH, S.A.B. de C.V. (“Industrias CH”), acquired 100% of the stock of PAV Republic, Inc. (“Republic”), a producer of special bar quality (“SBQ”) steel in the United States. We acquired 50.2% of Republic’s stock through our majority owned subsidiary, SimRep Corporation (“SimRep”), and Industrias CH purchased the remaining 49.8% through its minority ownership interest in SimRep.

We have included in this prospectus the audited consolidated financial statements of Republic for the year ended December 31, 2004 and for the period from January 1, 2005 through July 22, 2005 prepared in accordance with U.S. GAAP. We also have included in this prospectus unaudited pro forma condensed combined statements of income reflecting our and Republic’s combined accounts on a pro forma basis for the year ended December 31, 2005 and for the six-month period ended June 30, 2005. These pro forma financial statements are unaudited and may not be indicative of the results of operations that we actually would have achieved had we acquired Republic at the beginning of the periods presented and do not purport to be indicative of future results.

Certain market data and other statistical information used throughout this prospectus are based on third party sources, and other data is based on estimates, which are derived from our review of internal surveys, as well as independent sources. Although we believe that these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness.

We have prepared these unaudited pro forma condensed combined statements of income in accordance with Mexican GAAP, which differs in certain respects from U.S. GAAP and included a reconciliation to U.S. GAAP net income.

References in this prospectus to “dollars”, “U.S. dollars”, “\$” or “U.S.\$” are to the lawful currency of the United States. References in this prospectus to “pesos”, “Pesos” or “Ps.” are to the lawful currency of Mexico. References to “tons” in this prospectus refer to metric tons; a metric ton equals 1,000 kilograms or 2,204 pounds. We publish our financial statements in Pesos.

This prospectus contains translations of certain peso amounts to U.S. dollars at specified rates solely for your convenience. These translations do not mean that the peso amounts actually represent such dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated these U.S. dollar amounts from pesos at the exchange rate of Ps. 11.3973 per U.S.\$1.00, the interbank transactions rate in effect on June 30, 2006. On October 23, 2006, the interbank transactions rate for the Peso was Ps. 10.806 per U.S.\$1.00.

**EXCHANGE RATES**

The following table sets forth, for the periods indicated, the high, low, average and period-end, free-market exchange rate expressed in pesos per U.S. dollar. The average annual rates presented in the following table were calculated by using the average of the exchange rates on the last day of each month during the relevant period. The data provided in this table is based on noon buying rates published by the Federal Reserve Bank of New York for cable transfers in Mexican pesos. We have not restated the rates in constant currency units. All amounts are stated in pesos. We make no representation that the Mexican peso amounts referred to in this prospectus could have been or could be converted into U.S. dollars at any particular rate or at all.

**Exchange Rates**

<b>Year Ended December 31</b>	<b>High</b>	<b>Low</b>	<b>Average <sup>(1)</sup></b>	<b>Period End</b>
2001	9.97	8.95	9.33	9.16
2002	10.43	9.00	9.66	10.43
2003	11.41	10.11	10.79	11.24
2004	11.64	10.81	11.29	11.15
2005	11.41	10.41	10.89	10.63
2006:				
April 2006	11.16	10.86	11.05	11.09
May 2006	11.30	10.84	11.09	11.29
June 2006	11.46	11.28	11.94	11.29
July 2006	11.18	10.87	10.98	10.92
August 2006	11.02	10.74	10.87	10.91
September 2006	11.10	10.84	10.99	10.98
October 2006 <sup>(2)</sup>	11.06	10.80	10.93	10.85

<sup>(1)</sup> Average of month-end or period-end rates or daily rates, as applicable.

<sup>(2)</sup> Through October 23, 2006.

Except for the period from September through December 1982, during a liquidity crisis, the Mexican Central Bank has consistently made foreign currency available to Mexican private-sector entities (such as us) to meet their foreign currency obligations. Nevertheless, in the event of renewed shortages of foreign currency, there can be no assurance that foreign currency would continue to be available to private-sector companies or that foreign currency needed by us to service foreign currency obligations or to import goods could be purchased in the open market without substantial additional cost.

Fluctuations in the exchange rate between the peso and the U.S. dollar will affect the U.S. dollar value of securities traded on the Mexican Stock Exchange, including the series B shares and, as a result, will likely affect the market price of the ADSs. Such fluctuations will also affect the U.S. dollar conversion by the depository of any cash dividends paid in pesos on series B shares represented by ADSs.



## SUMMARY

*This section summarizes selected information contained elsewhere in this prospectus and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this prospectus. This prospectus includes specific terms of the ADSs and the series B shares that we are offering, as well as information regarding our business and detailed financial information. You should carefully review the entire prospectus, including the risk factors, the financial statements and the notes related thereto and the other documents to which this prospectus refers, before making an investment decision.*

*Unless the context requires otherwise, when used in this prospectus, the terms “we”, “our” and “us” refer to Grupo Simec, S.A.B. de C.V., together with its consolidated subsidiaries.*

### **Our Company**

We are a diversified manufacturer, processor and distributor of special bar quality (“SBQ”) steel and structural steel products with production and commercial operations in the United States, Mexico and Canada.

We believe that we are the leading producer of SBQ products in North America, with leading market positions in both the United States and Mexico and that we offer the broadest SBQ product range in those markets today. We also believe that we are the leading producer of structural and light structural steel products in Mexico and have an increasing presence in the U.S. market. In the first half of 2006, approximately 99.8% of our consolidated sales were in the North American market (27.9% in Mexico and 71.9% in the United States and Canada).

Our SBQ products are used across a broad range of highly engineered end-user applications, including axles, hubs and crankshafts for automobiles and light trucks, machine tools and off-highway equipment. Our structural steel products are mainly used in the non-residential construction market and other construction applications.

We focus on the Mexican and U.S. specialty steel markets by providing high value added products and services from our strategically located plants. The quality of our products and services, together with the cost advantage generated by our facility locations has allowed us to develop long standing relationships with most of our SBQ clients, which include U.S. and Mexico based automotive and industrial equipment manufacturers and their suppliers. In addition, our facilities located in the North West and Central parts of Mexico allow us to serve the structural steel and construction markets in those regions and southwest California with a significant advantage in the cost of freight.

In Mexico, the United States and Canada, we own and operate ten state of the art steel making, processing and/or finishing facilities with a combined annual crude steel installed production capacity of 3.4 million tons and a combined annual installed rolling capacity of 2.9 million tons. We operate both mini-mill and integrated steel making facilities, which gives us the flexibility to optimize our production and reduce production costs based on the relative prices of raw materials (e.g., scrap for our mini-mills and iron ore for our blast furnace).

In the first half of 2006, we had net sales of Ps. 11.9 billion, marginal profit of Ps. 2.2 billion and net income attributable to majority interest of Ps. 1.3 billion. In 2005, we had net sales of Ps. 13.0 billion, marginal profit of Ps. 2.6 billion and net income attributable to majority interest of Ps. 1.3 billion.

The chart outlines our corporate structure:

- 
- (1) Includes the following non-operating subsidiaries: Compañía Siderúrgica del Pacífico, S.A. de C.V. (99.99%), Coordinadora de Servicios Siderúrgicos de Calidad, S.A. de C.V. (100%), Administradora de Servicios de la Industria Siderúrgica ICH, S.A. de C.V. (99.99%), Industrias del Acero y del Alambre, S.A. de C.V. (99.99%), Procesadora Mexicali, S.A. de C.V. (99.99%), Servicios Simec, S.A. de C.V. (100%), Sistemas de Transporte de Baja California, S.A. de C.V. (100%), Operadora de Metales, S.A. de C.V. (100%), Operadora de Servicios Siderúrgicos de Tlaxcala, S.A. de C.V. (100%), Administradora de Servicios Siderúrgicos de Tlaxcala, S.A. de C.V. (100%), and Operadora de Servicios de la Industria Siderúrgica ICH, S.A. de C.V. (100%), Arrendadora Simec S.A. de C.V. (100%), Controladora Simec S.A. de C.V. (100%) Compañía Siderúrgica de Guadalajara S.A. de C.V. (100%).
  - (2) Our principal Mexican facilities consist of steel-making facilities in Guadalajara, Jalisco, Mexicali, Baja California, and Apizaco, Tlaxcala, and a cold finishing facility in Cholula, Puebla.
  - (3) The remaining 49.8% of SimRep Corporation is owned by our controlling shareholder, Industrias CH, S.A.B. de C.V.
  - (4) SimRep owns 100% of Republic Engineered Products through its 100% interest in PAV Republic Inc. Our principal U.S. and Canadian facilities consist of a steel-making facility in Canton, Ohio, a steel-making and hot-rolling facility in Lorain, Ohio, a hot-rolling facility in Lackawanna, New York, and cold finishing facilities in Massillon, Ohio, Gary, Indiana, and Hamilton, Ontario, Canada.

## **Our Competitive Strengths**

We believe the following are our principal competitive strengths:

### ***Leading SBQ producer in North America.***

We believe we have been the leading market producer and supplier of SBQ steel in Mexico since August 2004 and in the United States since July 2005. In 2005, we supplied approximately 28% of the Mexican market and 20% of the U.S. market.

### ***Higher value-added product mix.***

To maximize operating margins, we focus our production on higher value-added SBQ products, which represented 79% of our total sales in the first six months of 2006.

### ***Long-standing customer relationships.***

Our SBQ products are highly engineered and tailored to specific client needs. We continuously work with our clients on design engineering and new product development to meet the requirements of their evolving platforms. We believe that the quality of our products and services allows us to develop long lasting direct relationships with the largest end-users of SBQ products in North America, which, we believe, increases switching costs and improves our competitive position.

### ***Reduced price volatility.***

The quality requirements of the majority of our SBQ clients and the nature of our relationships have allowed us to implement favorable pricing policies that include annual price revisions and price adjustments based on the price of key inputs such as scrap, iron ore, energy, alloys and other key raw materials. These contribute to maintaining operating margins against raw material price fluctuations relatively stable.

### ***Competitive cost structure.***

We believe our cost structure is highly favorable due to our:

- *Competitive cost of raw materials.* We believe our centralized purchasing strategy and strong financial position allow us to obtain favorable terms from our raw materials suppliers.
- *Low freight expenses.* We believe the strategic location of our facilities allows us to serve our SBQ steel and other clients with lower distribution and freight costs than most of our competitors.
- *Relatively low cost of labor in Mexico.* Our Mexican operations benefit from the relatively lower cost of labor in the Mexican market compared to the United States. In addition, our Mexican, U.S. and Canadian operations do not currently have any significant legacy liabilities or their associated costs.
- *Favorable labor agreement in the United States.* The labor agreement in place in our U.S. operations has eliminated legacy costs and enhances our ability to maximize workforce flexibility, allowing us to reduce production costs.

· *Lean operational structure and overhead cost.* We maintain non-operating costs at low levels by relying on a lean and cost efficient overhead structure.

***State-of-the-art production facilities.***

We have recently completed the revamping of our mini-mill steel-making facility in Canton, Ohio including the installation of a new continuous caster. We believe that our remaining steel making and processing facilities in Mexico and the United States are among the most modern and well maintained in North America.

***Extensive track record of profitable growth.***

Over the last two years we have significantly increased our installed capacity through the acquisition of Republic and of plants in Tlaxcala and Cholula, Mexico. As a result of these acquisitions, organic growth and operational improvements, we have increased our installed capacity from 0.7 million tons as of December 31, 2003 to 3.4 million tons of crude steel as of June 30, 2006.

***Significant organic growth opportunities.***

Our liquid steel making capacity exceeds our rolling and finished steel capacity, which allows us to continue increasing our finished product capacity through comparatively low levels of capital investments. We intend to pursue this option and plan to invest approximately U.S.\$250 million in a rolling mill with an annual capacity of 600,000 tons in our facilities. We also intend to explore expanding our liquid steel-making facilities in Lorain, Ohio by bringing an existing second blast furnace online at a cost significantly lower than that of purchasing a new blast furnace with the same capacity.

***Solid financial position.***

We seek to maintain a conservative capital structure and prudent leverage levels. We currently have no significant financial debt or significant legacy liabilities. We believe that these factors, combined with our strong cash flow generation, provide us with the financial flexibility and resources to continue to pursue growth enhancing initiatives.

***Experienced and committed management team.***

Our management team has extensive experience in, and knowledge of, the North American steel industry and in evaluating, pursuing and completing both strategic and organic growth opportunities as well as a track-record of increasing productivity and reducing costs.

## **Our Business Strategy**

We intend to consolidate further our position as a leading producer, processor and distributor of SBQ steel in North America and structural steel in Mexico. We also intend to expand our overall presence in the steel industry by identifying and pursuing growth opportunities and value enhancing initiatives. Our strategy includes:

### ***Further integrating our operations.***

We intend to continue the integration of our Mexican, U.S. and Canadian operations to capitalize on the commercial and cost related synergies contemplated at the time of the Atlax Acquisition in 2004 and the acquisition of Republic in 2005.

### ***Improving our cost structure.***

We have substantially reduced our operating cost and non-operating expenses and plan to continue to do so by reducing overhead expenses and operating costs through sharing best practices among our operating facilities and maintaining a conservative capital structure.

### ***Focusing on high margin and value-added products.***

We prioritize the production of high margin steel products over volume and utilization levels. We plan to continue to base our production decisions on achieving relatively high margins.

### ***Building on our strong customer relationships.***

We intend to strengthen our long-standing customer relationships by maintaining strong customer service and proactively responding to changing customer needs.

### ***Pursuing strategic growth opportunities.***

We have successfully grown our business by acquiring, integrating and improving under- performing operations. In addition, we intend to continue in pursuit of acquisition opportunities that will allow for disciplined growth of our business and value creation for our shareholders. We also intend to pursue organic growth by reinvesting the cash that our operating activities generate to expand the capacity and increase the efficiency of our existing facilities.

## The Offering

Issuer	Grupo Simec, S.A.B. de C.V.
Securities offered	series B shares in the form of ADSs in an international offering and series B shares in an offering in Mexico.
Public offering price per series B share	Ps.
Public offering price per ADS	\$
International offering	The underwriters are offering an aggregate amount of series B shares in the form of ADSs in the United States and other countries outside of Mexico.
Mexican offering	Simultaneously with the international offering, the Mexican underwriters are offering an aggregate amount of series B shares in a public offering in Mexico.
ADSs	Each ADS represents three series B shares. The ADSs will be evidenced by American depositary receipts, or ADRs, issued under the deposit agreement. ADRs are certificates that evidence ADSs, just as share certificates evidence a holding of shares in a company. See “Description of American Depositary Receipts”.
Trading market for series B shares	The series B shares are listed on the Mexican Stock Exchange under the symbol “SIMEC.B”.
Trading market for ADSs	The ADSs are listed on the American Stock Exchange under the symbol “SIM”.
Use of proceeds	We expect to use the net proceeds from the sale of the ADSs and series B shares for general corporate purposes, including investments in fixed assets aimed at increasing our installed capacity in our core business as well as potential acquisitions intended to increase our market share and complement our business strategy.
Depository	The Bank of New York
Expected offering timetable	Expected pricing date: , 2006 Expected closing date: , 2006

Settlement	Settlement of the series B shares will be made through the book-entry system of S.D. Indeval, S.A. de C.V., <i>Institución para el Depósito de Valores</i> (“INDEVAL”). Settlement of the ADSs will be made through the book-entry system of The Depository Trust Company, or DTC.
Lock-up provision	We, our officers and directors and our principal shareholders have agreed that, for a period of 180 days from the date of this prospectus, we and they will not, without the prior written consent of the representative of the underwriters, dispose of or hedge any series B shares or any securities convertible into or exchangeable for our series B shares. The representative of the underwriters, in its sole discretion, may release any of the securities subject to these lock-up agreements at any time without notice. See “Underwriting”.
Voting rights	Each series B share will entitle the holder to one vote at any shareholders’ meeting. ADS holders may instruct the depository how to exercise the voting rights of the shares represented by the ADSs. For the benefit of ADS holders, we have agreed to notify the depository of any shareholders’ meetings, and the depository has agreed to mail notices of these meetings to ADS holders and explain the procedures necessary to exercise voting rights. See “Description of American Depositary Receipts” and “Description of Capital Stock” for a discussion of the depository’s role, our agreement with the depository and your voting rights.
Dividend policy	We have not paid dividends in the past and currently do not intend to pay dividends in the near future. See “Dividends and Dividend Policy”.
Taxation	Under current Mexican law, dividends paid to holders who are not residents of Mexico for tax purposes, and sales of ADSs by ADS holders who are not residents of Mexico for tax purposes, are not subject to any Mexican withholding or other similar tax. See “Taxation” for a discussion of Mexican tax issues related to payment of dividends and disposition of the series B shares or the ADSs.
Risk Factors	Investing in the ADSs and series B shares involves a high degree of risk. You should carefully read and consider the information set forth under the heading “Risk Factors” and all other information set forth in this prospectus before investing in the series B shares or the ADSs.

### **Summary Consolidated Financial Information**

The following tables present our summary consolidated financial information for each of the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements, including the notes thereto, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. Our financial statements are prepared in accordance with Mexican GAAP, which differs in certain respects from U.S. GAAP. Note 19 to our audited consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 and Note 16 to our unaudited condensed consolidated financial statements for the six-month period ended June 30, 2006 provide a summary of the principal differences between Mexican GAAP and U.S. GAAP as they relate to our business, along with a reconciliation to U.S. GAAP of net income and stockholders’ equity, a statement of changes in stockholders’ equity and, for the unaudited condensed consolidated financial statements, a statement of cash flows under U.S. GAAP.

Mexican GAAP provides for the recognition of certain effects of inflation by restating non-monetary assets and non-monetary liabilities using the Mexican National Consumer Price Index, restating the components of stockholders’ equity using the Mexican National Consumer Price Index and recording gains or losses in purchasing power from holding monetary liabilities or assets. Mexican GAAP also requires the restatement of all financial statements to constant Mexican pesos as of the date of the most recent balance sheet presented. Our audited financial statements and all other financial information contained herein with respect to the years ended December 31, 2001, 2002, 2003, 2004 and 2005 are accordingly presented in constant pesos with purchasing power as of June 30, 2006, unless otherwise noted. Our unaudited condensed interim financial statements for the six-month period ended June 30, 2006, which include comparative unaudited financial information for the six-month period ended June 30, 2005, and all other financial information presented herein with respect to the six-month periods ended June 30, 2006 and 2005 are presented in constant pesos with purchasing power as of June 30, 2006. Our results of operations for the six-month period ended June 30, 2006 are not necessarily indicative of our expected results of operations for the year ended December 31, 2006 and should not be construed as such.

The financial information includes the consolidation of Republic from July 22, 2005 and the consolidation of the Atlax Acquisition from August 1, 2004. Period to period comparison of our results of operations and financial condition is made more difficult as a result of the inclusion of financial information relating to the acquisition of Republic only from July 22, 2005 and of financial information relating to the Atlax Acquisition only from August 1, 2004.

We have derived the selected financial and operating information set forth below in part from our consolidated financial statements, which have been reported on by KPMG Cárdenas, Dosal, S.C. for the fiscal years ended December 31, 2001, 2002, 2003 and 2004 and by Mancera S.C., a Member Practice of Ernst & Young Global, an independent registered public accounting firm for the fiscal year ended December 31, 2005. In so doing, Mancera, S.C. has relied on the audited consolidated financial statements of our subsidiary SimRep and its subsidiaries, reported on by BDO Hernández Marrón y Cía., S.C., a member firm of BDO International.



	Year Ended December 31,					Six Months Ended June			
	2001	2002	2003	2004	2005	2005 <sup>(1)</sup>	2005	2006	2006 <sup>(1)</sup>
	(Millions of constant June 30, 2006 pesos)					(Millions of dollars)	(Millions of constant June 30, 2006 pesos)		(Millions of dollars)
	(except per share and per ADS data)								
<b>Income Statement Data:</b>									
<i>Mexican GAAP:</i>									
Net sales	2,288	2,403	3,047	5,910	12,967	1,203	3,574	11,912	1,045
Direct cost of sales	1,536	1,608	2,002	3,435	10,371	962	2,327	9,682	849
Marginal profit	752	795	1,045	2,475	2,596	241	1,247	2,230	196
Indirect manufacturing, selling, general and administrative expenses	376	327	308	371	692	64	244	462	41
Depreciation and amortization	160	177	199	222	326	30	131	202	18
Operating income	216	291	538	1,882	1,578	147	872	1,566	137
Financial income (expense)	6	(141)	(27)	(38)	(145)	(14)	(35)	45	4
Other income (expense), net	73	(41)	(32)	(38)	55	5	8	33	3
Income before taxes, employee profit sharing and minority interest	295	109	479	1,806	1,488	138	845	1,644	144
Income tax expense and employee profit sharing	19	(25)	159	344	191	18	98	105	9
Net income (loss)	276	134	320	1,462	1,297	120	747	1,539	135
Minority interest	0	0	0	0	17	1	0	193	17
Majority interest	276	134	320	1,462	1,280	119	747	1,346	118
Net income per share	2	0.4	1	4	3	0.29	2	3	0.28
Net income per ADS <sup>(2)</sup>	5	1	3	11	9	0.86	6	10	0.84
Weighted average shares outstanding (thousands) <sup>(5)</sup>	164,448	299,901	357,159	398,916	413,790	413,790	405,209	419,451	419,451
Weighted average ADSs outstanding (thousands)	54,816	99,967	119,053	132,972	137,930	137,930	135,070	139,817	139,817
<i>U.S. GAAP including effects of</i>									

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*inflation:*

Net sales	2,288	2,403	3,048	5,911	12,967	1,203	3,573	11,912	1,045
Direct cost of sales	1,530	1,612	2,007	3,429	10,375	963	2,329	9,594	842
Marginal profit	758	791	1,041	2,482	2,592	240	1,244	2,318	203
Operating income <sup>(4)</sup>	200	255	544	1,865	1,544	143	875	1,660	146
Financial income (expense)	7	(141)	(27)	(38)	(145)	(13)	(35)	45	4
Other income (expense), net	657	(74)	(32)	(4)	93	8	8	33	3
Income before taxes, employee profit sharing and minority interest	864	40	485	1,823	1,492	138	848	1,737	152
Income tax expense (income)	69	(182)	207	389	197	18	102	118	10
Income before minority interest	795	222	278	1,434	1,295	120	746	1,619	142
Minority interest	0	0	0	0	17	1	0	193	17
U.S. GAAP									
Adjustment on Minority Interest	0	0	0	0	0	0	0	40	0
Net Income	795	222	278	1,434	1,278	119	746	1,386	125
Income per share <sup>(5)</sup>	5	1	1	4	3	0.29	2	3.3	0.29
Income per ADS	14	2	2	11	9	0.86	6	10	0.87

**Balance Sheet**

**Data:**

*Mexican GAAP:*