GROUP SIMEC SA DE CV
Form F-1/A
December 06, 2006

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Registration No. 333-138239

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 1

to

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	**3312**	**None**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Calzada Lazaro Cardenas 601
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Jalisco, Mexico 44440
(5233) 1057-5757
(Address and telephone number of Registrant's principal executive office)

Republic Engineered Products

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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.

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. **[_]**

Title of each class of securities to be registered	**Proposed maximum aggregate offering price**(2)	**Amount of registration fee**(3)
Series B shares, without par value(1)	$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) Previously paid.

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.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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 November 30, 2006, the last reported sales price of the ADSs on the American Stock Exchange was $20.61 per ADS, and the last reported sales price of the series B shares on the Mexican Stock Exchange was Ps. 77.50 per series B share.

Investing in the ADSs and series B shares involves risks. See "Risk Factors" beginning on page 16.

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.

We have announced our unaudited results of operations for the nine months ended September 30, 2006. For a description of these unaudited results, see Exhibit I beginning on page I-1. Since we have presented the unaudited financial information set forth in Exhibit I in pesos of constant purchasing power as of September 30, 2006, it is not directly comparable to the financial information presented elsewhere in this prospectus, which unless otherwise stated, we have presented in pesos of constant purchasing power as of June 30, 2006. The financial information presented elsewhere in this prospectus stated in pesos of constant purchasing power as of June 30, 2006 would require the application of a restatement factor of 1.018 for such financial information to be comparable with the unaudited financial information presented in Exhibit I. We do not believe that the application of such factor represents a material change in the purchasing power of the Mexican peso during this period.

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.$120 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. 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.

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.

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.

The terms "special bar quality steel" or "SBQ steel" refer to steel that is hot rolled or cold finished round square and hexagonal steel bars that generally contain higher proportions of alloys than lower quality grades of steel. SBQ steel is produced with precise chemical specifications and generally is made to order following client specifications.

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 November 29, 2006, the interbank transactions rate for the Peso was Ps. 10.998 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

Year Ended December 31	**High**	**Low**	**Average (1)**	**Period End**
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:				
May 2006	11.30	10.84	11.09	11.29
June 2006	11.46	11.28	11.37	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	11.06	10.71	10.89	10.77
November 2006(2)	11.05	10.75	10.91	11.01

(1) Average of month-end or period-end rates or daily rates, as applicable.
(2) Through November 29, 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 depositary 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, almost all of our consolidated sales were in the North American market, 27.9% in Mexico, 71.9% in the United States and Canada. The remaining 0.2% of our consolidated sales were exports to other markets outside North America.

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%), 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%) and 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.

Risks Related to Our Business

Our business is subject to certain risks that could impact our competitive position and strengths, as well as our ability to execute our business strategy. Many of these risks are beyond our control, such as factors affecting the global demand for steel products, our exposure to the fluctuations in the cost of raw materials, our dependence on a limited number of key suppliers of raw materials and the cyclical nature of the industries and markets that we serve. Furthermore, these risks include those generally associated with being a producer of steel products in Mexico, the United States and Canada, including foreign exchange exposure and political risk. Intense competition from other steel producers could reduce our market share in the countries where we operate, and the capital intensive nature of the steel industry. Our dependence on the availability of capital resources to continue to modernize and upgrade our facilities and to expand our operations could affect the implementation of our strategy. For additional risks relating to our business and this offering, see “Risk Factors” beginning on page 16 of this prospectus.

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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.
Depositary	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., *Institución para el Depósito de Valores* (“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 depositary 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 depositary of any shareholders’ meetings, and the depositary 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 depositary's role, our agreement with the depositary 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.

For unaudited selected consolidated financial information as of September 30, 2006 and for the nine month periods ended September 30, 2005 and 2006, and a discussion of our unaudited financial results for the nine month periods ended September 30, 2005 and 2006, which are presented in pesos of constant purchasing power as of September 30, 2006, see Exhibit I to this prospectus. Since the unaudited financial information set forth in Exhibit I is presented in pesos of constant purchasing power as of September 30, 2006, it is not directly comparable to the financial information presented elsewhere in this prospectus, which unless otherwise stated, is presented in pesos of constant purchasing power as of

June 30, 2005. The financial information presented elsewhere in this prospectus stated in pesos of constant purchasing power as of June 30, 2006 would require the application of a restatement factor of 1.018 for such financial information to be comparable with the unaudited financial information presented in Exhibit I. We do not believe that the application of such factor represents a material change in the purchasing power of the Mexican peso during this period.

	Year Ended December 31,						Six Months Ended June 30,		
	2001	2002	2003	2004	2005	2005[1]	2005	2006	2006[1]
	(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)								
Income Statement Data:									
Mexican GAAP:									
Net sales	2,288	2,403	3,047	5,910	12,967	1,138	3,574	11,912	1,045
Direct cost of sales	1,536	1,608	2,002	3,435	10,371	910	2,327	9,682	849
Marginal profit	752	795	1,045	2,475	2,596	228	1,247	2,230	196
Indirect manufacturing, selling, general and administrative expenses	376	327	308	371	692	61	244	462	41
Depreciation and amortization	160	177	199	222	326	29	131	202	18
Operating income	216	291	538	1,882	1,578	138	872	1,566	137
Financial income (expense)	6	(141)	(27)	(38)	(145)	(13)	(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	131	845	1,644	144
Income tax expense and employee profit sharing	19	(25)	159	344	191	17	98	105	9
Net income (loss)	276	134	320	1,462	1,297	114	747	1,539	135
Minority interest	0	0	0	0	17	2	0	193	17
Majority interest	276	134	320	1,462	1,280	112	747	1,346	118
Net income per share	2	0.4	1	4	3	0.27	2	3	0.28
Net income per ADS [2]	5	1	3	11	9	0.81	6	10	0.84
Weighted average shares outstanding (thousands)[5]	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
U.S. GAAP including effects of inflation:									
Net sales	2,288	2,403	3,048	5,911	12,967	1,138	3,573	11,912	1,045
Direct cost of sales	1,530	1,612	2,007	3,429	10,375	910	2,329	9,594	842
Marginal profit	758	791	1,041	2,482	2,592	228	1,244	2,318	203
Operating income[4]	200	255	544	1,865	1,544	135	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	130	848	1,737	152
Income tax expense (income)	69	(182)	207	389	197	17	102	118	10
Income before minority interest	795	222	278	1,434	1,295	113	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	3
Net Income	795	222	278	1,434	1,278	112	746	1,386	125
Income per share [5]	5	1	1	4	3	0.27	2	3.3	0.30
Income per ADS	14	2	2	11	9	0.81	6	10	0.89
Balance Sheet Data:									
Mexican GAAP:									
Total assets	5,557	5,035	6,570	9,306	14,588	1,280	9,531	16,439	1,442
Total long-term liabilities[3]	803	881	1,153	1,513	2,244	197	1,439	2,003	176
Total stockholders' equity	3,338	4,089	5,062	6,848	9,628	845	7,368	11,902	1,044

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	Year Ended December 31,						Six Months Ended June 30,		
	2001	2002	2003	2004	2005	2005(1)	2005	2006	2006(1)
	(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)								
U.S. GAAP including effects of inflation:									
Total assets	6,507	6,228	6,497	9,173	14,796	1,298	9,548	16,421	1,441
Total long-term liabilities(3)	803	914	1,097	1,476	2,303	202	1,426	1,974	173
Total stockholders' equity	3,949	4,338	5,045	6,752	7,969	699	7,442	9,613	843
Other Data:									
Mexican GAAP:									
Capital expenditures	46	10	64	1,285	503	44	6	167	15
EBITDA(6)	376	468	737	2,104	1,904	167	1,003	1,768	155
Depreciation and amortization from continuing operations	160	177	199	222	326	29	131	202	18
Working capital	(560)	(11)	1,023	1,968	4,063	356	2,907	5,854	514
Operational information:									
Annual installed capacity (thousands of tons)	730	730	730	1,210	2,847	2,847	1,210	2,902	2,902
Tons shipped	561	609	628	773	1,708	1,708	524	1,369	1,369
Mexico	512	529	547	676	899	899	449	461	461
United States, Canada and others	49	80	81	97	809	809	75	908	908
SBQ steel	78	78	63	168	923	923	170	997	997
Structural and other steel products	483	531	565	605	785	785	354	372	372
Per ton:									
Net sales per ton	4,080	3,943	4,851	7,644	7,591	666	6,821	8,699	763
Cost of sales per ton	2,740	2,639	3,187	4,442	6,072	533	4,441	7,070	620
Operating income per ton	385	476	857	2,435	924	81	1,666	1,144	100
EBITDA per ton	670	767	1,174	2,722	1,115	98	1,916	1,291	113
Number of employees	1,386	1,333	1,288	2,018	4,360	4,360	1,975	4,340	4,340

(1) Peso amounts have been translated into U.S. dollars solely for the convenience of the reader, at the rate of Ps. 11.3973 per $1.00, the interbank transactions rate in effect on June 30, 2006.
(2) Following our stock split effective May 30, 2006, one ADS represents three series B shares; previously one ADS represented one series B share.
(3) Total long-term liabilities debt include amounts relating to deferred taxes.
(4) Reflects a reclassification in 2005 from other expenses under Mexican GAAP to operating expenses under U.S. GAAP of Ps. 38 million due to the cancellation of technical assistance.

(5) For U.S. GAAP and Mexican GAAP purposes, the weighted average shares outstanding were calculated to give effect to the stock split described in Note 13(a) to the audited financial statements.
(6) EBITDA is not a financial measure computed under Mexican or U.S. GAAP. EBITDA derived from our Mexican GAAP financial information means Mexican GAAP net income (loss) excluding (i) depreciation and amortization, (ii) financial income (expense), net (which is composed of net interest expense, foreign exchange gain or loss and monetary position gain or loss), (iii) other income (expense) and (iv) income tax expense and employee statutory profit-sharing expense.

EBITDA does not represent, and should not be considered as, an alternative to net income, as an indicator of our operating performance, or as an alternative to cash flow as an indicator of liquidity. In making such comparisons, however, you should bear in mind that EBITDA is not defined and is not a recognized financial measure under Mexican GAAP or U.S. GAAP and that it may be calculated differently by different companies. EBITDA as presented in this table does not take into account our working capital requirements, debt service requirements and other commitments.

We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies in our industry because it excludes the effect of (i) depreciation and appreciation, which represents a non-cash charge to earnings, (ii) certain financing costs, which are significantly affected by external factors, including interest rates, foreign currency exchange rates, and inflation rates, which have little or no bearing on our operating performance, (iii) other income (expense) that are not constant operations and (iv) income tax expense and employee statutory profit-sharing expense. However, any performance measure that excludes important recurring items such as these also has material limitations.

EBITDA should not be considered in isolation or as a substitute for net income, net cash flow from operating activities or net cash flow from investing and financing activities. Reconciliation of net income to EBITDA is as follows:

	Year Ended December 31,						Six Months Ended June 30,		
	2001	2002	2003	2004	2005	2005(1)	2005	2006	2006(1)
	(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)								
Mexican GAAP:									
Net income	276	134	320	1,462	1,297	114	747	1,539	135
Depreciation and amortization	160	177	199	222	326	28	131	202	18
Financial income (expense)	6	(141)	(27)	(38)	(145)	(13)	(35)	45	4
Income tax expense and employee profit sharing	19	(25)	159	344	191	17	98	105	9
Other income (expense)	73	(41)	(32)	(38)	55	5	8	33	3
EBITDA	376	468	737	2,104	1,904	167	1,003	1,768	155

SUMMARY PRO FORMA COMBINED FINANCIAL INFORMATION

The following tables present our and Republic's unaudited pro forma condensed combined pro forma financial information reflecting our and Republic's combined accounts on a pro forma basis as of and for the periods indicated.

Also included in this prospectus, beginning on Page F-136, are 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.

All pro forma financial information included in this prospectus is unaudited and may not be indicative of the results of operations that actually would have been achieved had we acquired Republic at the beginning of the periods presented and do not purport to be indicative of future results. The information in the following tables should also be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The unaudited pro forma condensed combined financial information is prepared in accordance with Mexican GAAP, which differs in certain respects from U.S. GAAP.

For additional information regarding financial information presented in this prospectus, see "Presentation of Financial and Other Information".

	Pro Forma Year Ended December 31		**Actual Six Months Ended June 30**		
	2005	**2005**[(1)]	**2005**	**2006**	**2006**[(1)]
	(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)				
Income Statement Data:					
Mexican GAAP:					
Net sales	22,380	1,964	12,388	11,912	1,045
Direct cost of sales	18,556	1,628	9,987	9,682	849
Marginal profit	3,824	336	2,401	2,230	196
Indirect manufacturing, selling, general and administrative expenses	1,246	109	707	462	41
Depreciation and amortization	339	30	144	202	18
Operating income	2,239	196	1,550	1,566	137
Financial income (expense)	(234)	(21)	(120)	45	4
Other income (expense), net	45	4	34	33	3
	2,050	180	1,464	1,644	144

Income before taxes, employee profit sharing and minority interest					
Income tax expense and employee profit sharing	390	34	323	105	9
Net income (loss)	1,660	146	1,141	1,539	135
Minority interest	198	17	196	193	17
Majority interest	1,462	128	945	1,346	118
Net income per share	4	0.31	2	3	0.28
Net income per ADS (2)	11	0.93	7	10	0.87
Weighted average shares outstanding (thousands)(5)	413,790	413,790	405,209	419,451	419,451

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	Pro Forma		Actual		
	Year Ended December 31,		Six Months Ended June 30,		
	2005	**2005**[1]	**2005**	**2006**	**2006**[1]
	(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)				
Weighted average ADSs outstanding (thousands)	137,930	137,930	135,070	139,817	139,817
U.S. GAAP including effects of inflation:					
Net sales	22,380	1,964	12,388	11,912	1,045
Operating income(4	2,239	196	1,550	1,660	146
Minority interest	198	17	196	193	17
Net Income	1,462	128	945	1,386	122
Income per share [5]	4	0.37	2	3	0.29
Income per ADS	11	0.93	7	10	0.87
Other Data:					
Mexican GAAP:					
Capital expenditures	53	5	6	167	15
EBITDA[6]	2,578	226	1,694	1,768	155
Depreciation and amortization from continuing operations	339	30	144	202	18
Operational information:					
Annual installed capacity (thousands of tons)	2,847	2,847	1,210	2,902	2,902
Tons shipped	2,683	2,683	1,400	1,369	1,369
Mexico	910	910	449	461	461
United States, Canada and others	1,773	1,773	951	908	908
SBQ steel	1,936	1,936	1,046	997	997
Structural and other steel products	747	747	354	372	372
Per ton:					
Net sales per ton	8,341	732	8,849	8,699	763
Cost of sales per ton	6,916	607	7,134	7,070	620
Operating income per ton	835	73	1,107	1,144	100
EBITDA per ton	961	84	1,210	1,291	113
Number of employees	4,360	4,360	4,433	4,340	4,340

(1) Peso amounts have been translated into U.S. dollars solely for the convenience of the reader, at the rate of Ps. 11.3973 per $1.00, the interbank transactions rate in effect on June 30, 2006.
(2) Following our a stock split effective May 30, 2006, one ADS represents three series B shares; previously, one ADS represented one series B share.
(3) Long-term debt includes amounts relating to deferred taxes.
(4) Reflects a reclassification in 2005 from other expenses under Mexican GAAP to operating expenses under U.S. GAAP of Ps. 38 million due to the cancellation of technical assistance.
(5) For U.S. GAAP and Mexican GAAP purposes, the weighted average shares outstanding were calculated to give effect to the stock split described in Note 13(a) to the Consolidated Financial Statements.
(6) EBITDA is not a financial measure computed under Mexican or U.S. GAAP. EBITDA derived from our Mexican GAAP financial information means Mexican GAAP net income (loss) excluding (i) depreciation and amortization, (ii) financial income (expense), net (which is composed of net interest expense, foreign exchange gain or loss and monetary position gain or loss), (iii) other income (expense) and (iv) income tax expense and employee statutory profit-sharing expense.

EBITDA does not represent, and should not be considered as, an alternative to net income, as an indicator of our operating performance, or as an alternative to cash flow as an indicator of liquidity. In making such comparisons, however, you should bear in mind that EBITDA is not defined and is not a recognized financial measure under Mexican GAAP or U.S. GAAP and that it may be calculated differently by different companies. EBITDA as presented in this table does not take into account our working capital requirements, debt service requirements and other commitments.

We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies in our industry because it excludes the effect of (i) depreciation and amortization, which represents a non-cash charge to earnings, (ii) certain financing costs, which are significantly affected by external factors, including interest rates, foreign currency exchange rates, and inflation rates, which have little or no bearing on our operating performance, (iii) other income (expense) that are not constant operations and (iv) income tax expense and employee statutory profit-sharing expense. However, any performance measure that excludes important recurring items such as these also has material limitations.

EBITDA should not be considered in isolation or as a substitute for net income, net cash flow from operating activities or net cash flow from investing and financing activities. Reconciliation of net income to EBITDA is as follows:

	Pro Forma Year Ended December 31,		**Actual Six Months Ended June 30,**		
	2005	2005	2005	2006	2006
	(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)				
Mexican GAAP:					
Net income	1,660	146	1,141	1,539	135
Depreciation and amortization	339	30	144	202	18
Financial income (expense)	(234)	(20)	(120)	45	4
Income tax expense and employee profit sharing	390	34	323	105	9
Other income (expense)	45	4	34	33	3
EBITDA	2,578	226	1,694	1,768	155

RISK FACTORS

Investing in the series B shares and the ADSs involves a high degree of risk. You should consider carefully the following risks, as well as all the other information presented in this prospectus, before making an investment decision. Any of the following risks, if they were to occur, could materially and adversely affect our business, results of operations, prospects and financial condition. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially and adversely affect our business, results of operations, prospects and financial condition. In either event, the market price of our series B shares and ADSs could decline, and you could lose all or part of your investment.

Risks Related to Our Business

We may not be able to pass along price increases for raw materials to our customers to compensate for fluctuations in price and supply.

Prices for raw materials necessary for production have fluctuated significantly in the past and significant increases could adversely affect our margins. During periods when prices for scrap metal, iron ore, alloys, coke and other important raw materials have increased, our industry historically has sought to maintain profit margins and pass along increased raw materials costs to customers by means of price increases.

We may not be able to pass along these and other possible cost increases in the future and, therefore, our margins and profitability may be adversely affected. Even when we can successfully apply surcharges, interim reductions in profit margins frequently occur due to a time lag between the increase in raw material prices and the market acceptance of higher selling prices for finished steel products. We cannot assure you that any of our future customers will agree to pay increased prices based on surcharges or that any of our current customers will continue to pay such surcharges.

Implementing our growth strategy, which may include acquisitions, may adversely affect our operations.

As part of our growth strategy, we may need to expand our existing facilities, build additional plants, acquire other steel assets, enter into joint ventures or form strategic alliances that we expect will expand or complement our existing business. If any of these transactions occur, they will likely involve some or all of the following risks:

- disruption of our ongoing business;
- diversion of our resources and of management’s time;
- decreased ability to maintain uniform standards, controls, procedures and policies;
- difficulty managing the operations of a larger company;
- increased likelihood of involvement in labor, commercial or regulatory disputes or litigation related to the new enterprise;
- potential liability to joint venture participants or to third parties;

- difficulty competing for acquisitions and other growth opportunities with companies having greater financial resources; and
- difficulty integrating the acquired operations and personnel into our existing business.

Our operations are capital intensive. We require capital for, among other purposes, acquiring new equipment, maintaining existing equipment and complying with environmental laws and regulations. We may not be able to fund our capital expenditures from operating cash flow or from borrowings. If we are unable to fund our capital requirements we may not be able to implement our business plan.

We intend to continue to pursue a growth strategy, the success of which will depend in part on our ability to acquire and integrate additional facilities. Some of these acquisitions may be outside of Mexico. Acquisitions involve a number of special risks that could adversely affect our business, financial condition and results of operations, including the diversion of management's attention, the assimilation of the operations and personnel of the acquired facilities, the assumption of legacy liabilities and the potential loss of key employees. We cannot assure you that any acquisition we make will not materially and adversely affect us or that any such acquisition will enhance our business. We are unable to predict the likelihood of any additional acquisitions being proposed or completed in the near future or the terms of any such acquisitions. If we determine to make any significant acquisition, we may be required to sell additional equity or debt securities or obtain additional credit facilities, which could result in additional dilution to our stockholders. There can be no assurance that adequate equity or debt financing would be available to us for any such acquisitions.

We may not be able to integrate successfully our recently acquired steel facilities into our operations.

In 2005, we and our controlling shareholder, Industrias CH, acquired 100% of the stock of Republic, a U.S. producer of SBQ steel. We acquired 50.2% of Republic's stock through our majority owned subsidiary, SimRep, and Industrias CH purchased the remaining 49.8% through SimRep. Our future success will depend in part on our ability to integrate the operations of Republic successfully into our historic operations. Furthermore, while we have not yet encountered any material problems related to the assets acquired, there can be no assurance that problems will not arise in the future and that the costs associated with those problems, should they arise, will not be significant.

We face significant price and industry competition from other steel producers, which may adversely affect our profitability and market share.

Competition in the steel industry is significant. Continuous advances in materials sciences and resulting technologies have given rise to products such as plastics, aluminum, ceramics and glass, all of which compete with steel products. Competition in the steel industry exerts a downward pressure on prices, and, due to high start-up costs, the economics of operating a steel mill on a continuous basis may encourage mill operators to establish and maintain high levels of output even in times of low demand, which further decreases prices and profit margins. The recent trend of consolidation in the global steel industry may increase competitive pressures on independent producers of our size if large steel producers formed through consolidations adopt predatory pricing strategies that decrease prices and profit margins even further. If we are unable to remain competitive with these producers, our market share and financial performance may be adversely affected.

Approximately 27.9% of our sales for the six-months ended June 30, 2006 were in Mexico, where we face strong competition from other Mexican steel producers. A number of our Mexican competitors have undertaken modernization and expansion plans, including the installation of production facilities and

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manufacturing capacity for certain products that will compete with our products. As these producers become more efficient, we may experience increased competition from them and a loss of market share. In addition, we face competition from international steel producers. Increased international competition, especially when combined with excess production capacity, could force us to lower our prices or to offer increased services at a higher cost to us, which could reduce our gross margins and net income.

Since most of our sales are in the United States and Canada, we also face strong competition from other steel producers. A number of our competitors have undertaken modernization and expansion plans, including the installation of production facilities and manufacturing capacity for certain products that will compete with our products. As these producers become more efficient, we may experience increased competition from them and a loss of market share. In addition, we face competition from international steel producers. Increased international competition, especially when combined with excess production capacity, could force us to lower our prices or to offer increased services at a higher cost to us, which could reduce our gross margins and net income.

We depend on distributions from our operating subsidiaries to finance our operations.

We need to receive sufficient funds from our subsidiaries for a substantial portion of our internal cash flow, including cash flow to fund any future investment plans and to service our future financial obligations. As a result, our cash flow will be adversely affected if we do not receive dividends and other income from our subsidiaries. The ability of most of our subsidiaries to pay dividends and make other transfers to us may be restricted by any indebtedness that we may incur or by Mexican law. Any such reduction in cash flow could materially adversely affect us.

The operation of our facilities depends on good labor relations with our employees.

At September 30, 2006, approximately 83% of our non-Mexican and 59% of our Mexican employees were members of unions. Collective bargaining agreements are typically negotiated on a facility by facility basis for our Mexican facilities. The compensation terms of our labor contracts are adjusted on an annual basis, and all other terms of the labor contracts are renegotiated every two years. Any failure to reach an agreement on new labor contracts or to negotiate these labor contracts might result in strikes, boycotts or other labor disruptions. These potential labor disruptions could have a material adverse effect on our results of operations and financial condition. There have been no labor disruptions in the past five years in our Mexicali and Guadalajara facilities, and there have been no labor disruptions in the Apizaco and Cholula facilities or our U.S. and Canadian facilities since we acquired them in 2004 and 2005, respectively. Labor disruptions, strikes or significant negotiated wage increases could reduce our sales or increase our cost, and accordingly could have a material adverse effect on our business.

Operations at our Lackawanna, New York facility depend on our right to use certain property and assets of an adjoining facility that the Mittal Steel Company N.V. ("Mittal Steel") owns. The termination of any such rights could interrupt our operations and have a material adverse effect on our results of operations and financial condition.

The operations at our Lackawanna facility depend on certain easements and other recorded agreements that the International Steel Group Inc. made in our favor relating to, among other things, use of certain oxygen pipelines, engine rooms, water pipelines, natural gas and compressed air distribution systems and electrical equipment. Currently we and Mittal Steel are negotiating to extend these services and utility arrangements for a period of three years. Our respective rights under these agreements may be terminated in the event of force majeure or plant closures by either party. In the event that a plant closure occurs and affects the supply of utilities or services, either party, upon notice, has the right of ingress, egress and regress to enter the other party's premises for the sole purpose of continuing the supply of the

utility affected. All of these rights are assignable in the event of a sale of either of the parties. These rights are essential to the use and operation of the Lackawanna facility. In the event of a termination of any of these rights, we could be required to cease some or all of our operations at the Lackawanna facility. Because we produced certain types of products in the Lackawanna facility that we do not produce in our other facilities, an interruption of production at the Lackawanna facility could result in a substantial loss of revenue and could damage our relationships with customers.

Our sales are highly concentrated and could be significantly reduced if one of our major customers reduced its purchases of our products or was unable to fulfill its financial obligations to us.

Our sales are concentrated among a relatively small number of customers. Any of our major customers can stop purchasing our products or significantly reduce their purchases at any time. For the six-months ended June 30, 2006, direct sales of our products to two of our customers, United States Steel Corporation (“U.S. Steel”) and American Axle & Manufacturing Holdings, Inc. (“American Axle”) accounted for approximately 18.7% of our revenue. A disruption in sales to either of these customers could adversely effect our cash flow and results of operations. In the past we sold products to U.S. Steel under a long-term supply contract. Currently, we have no contract with U.S. Steel but continue to sell them our products on a spot basis.

There can be no assurance that we will be able to maintain our current level of sales to these customers or that we will be able to sell our products to other customers on terms that will be favorable. The loss of, or substantial decrease in the amount of purchases by, or a write-off of any significant receivables from, any of our major customers would adversely affect our business, results of operations, liquidity and financial condition.

Unanticipated problems with our manufacturing equipment and facilities could have an adverse impact on our business.

Our capacity to manufacture steel products depends on the suitable operation of our manufacturing equipment, including blast furnaces, electric arc furnaces, continuous casters, reheating furnaces and rolling mills. Although we perform maintenance to our equipment on a continuous basis, breakdowns requiring significant time and/or resources to repair, as well as the occurrence of adverse events such as fires, explosions or adverse meteorological conditions, could cause temporary production interruptions that could adversely affect our results of operations.

We have not obtained insurance against all risks, and do not maintain insurance covering losses resulting from catastrophes or business interruptions. In the event we are not able to quickly and cost-effectively remedy problems creating any significant interruption of our manufacturing capabilities, our operations could be adversely affected. In addition, in the event any of our plants were destroyed or significantly damaged or its production capabilities otherwise significantly decreased, we would likely suffer significant losses; furthermore, the capital investments necessary to repair any destroyed or damaged facilities or machinery would adversely affect our cash flows and our profitability.

Because a significant portion of our sales are to the automotive industry, a decrease in automotive manufacturing could reduce our cash flows and adversely affect our results of operations.

Direct sales of products to automotive assemblers and manufacturers accounted for approximately 45% of our total net sales for the six months ended June 30, 2006. Demand for our products is affected by, among other things, the relative strength or weakness of the U.S. automotive industry. U.S. automotive manufacturers have experienced significant reductions in market share to mostly Asian companies and have announced planned reduction in working capacity. Many large

original equipment manufacturers such as Dana Corporation, Delphi Corporation ("Delphi") and others, have sought bankruptcy protection. A reduction in vehicles manufactured in North America, the principal market for Republic's SBQ steel products, would have an adverse effect on our results of operations. In addition, the U.S. automotive industry is significantly unionized and subject to unanticipated and extended work slowdowns and stoppages resulting from labor disputes. We also sell to independent forgers, components suppliers and steel service centers, all of which sell to the automotive market as well as other markets. Developments affecting the U.S. automotive industry may adversely affect us.

If we are unable to obtain or maintain quality and environmental management certifications for our facilities, we may lose existing customers and fail to attract new customers.

Most of our automotive parts customers in Mexico and the United States require that we have ISO 9001 or 14001 certification. All of the U.S. facilities that sell to automotive parts customers are currently ISO 9001 or 14001 certified, as required.

If the foregoing certifications are canceled, if approvals are withdrawn or if necessary additional standards are not obtained in a timely fashion, our ability to continue to serve our targeted market, retain our customers or attract new customers may be impaired. For example, our failure to maintain these certifications could cause customers to refuse shipments, which could materially affect our revenues and results of operations.

In order to continue to serve the premium part of the SBQ products market, our U.S. facilities will need to be ISO/TS 16949 certified as of December 15, 2006. We currently are in compliance with this new standard but cannot assure you of our future compliance.

In the SBQ market, all participants must satisfy quality audits and obtain certifications in order to obtain the status of "approved supplier". The automotive industry has put these stringent conditions in place for the production of auto parts to assure a vehicle's quality and safety. We currently are an approved supplier for our automotive parts customers. Maintaining these certifications is crucial in preserving and increasing our market share because these conditions can be a barrier to entry in the SBQ market and we cannot assure you that we will do so.

In the event of environmental violations at our facilities we may incur significant liabilities.

Our operations are subject to a broad range of environmental laws and regulations regulating our impact on air, water, soil and groundwater and exposure to hazardous substances. We cannot assure you that we will at all times operate in compliance with environmental laws and regulations. If we fail to comply with these laws and regulations, we may be assessed fines or penalties, be required to make large expenditures to comply with such laws and regulations and/or be forced to shut down noncompliant operations. You should also consider that environmental laws and regulations are becoming increasingly stringent and it is possible that future laws and regulations may require us to incur material environmental compliance liabilities and costs. In addition, we need to maintain existing and obtain future environmental permits in order to operate our facilities. The failure to obtain necessary permits or consents or the loss of any permits could result in significant fines or penalties or prevent us from operating our facilities. We may also be subject, from time to time, to legal proceedings brought by private parties or governmental agencies with respect to environmental matters, including matters involving alleged property damage or personal injury that could result in significant liability. We currently own a steel scrap yard in San Diego, California, which has been the subject of administrative action by state and local environmental authorities. See "Business—Legal Matters and Regulations—Legal Proceedings—Environmental Claims."

If we are required to remediate contamination at our facilities we may incur significant liabilities.

We may be required to remediate contamination at certain of our facilities and have established a reserve to deal with such liabilities. However, we cannot assure you that our environmental reserves will be adequate to cover such liabilities or that our environmental expenditures will not differ significantly from our estimates or materially increase in the future. Failure to comply with any legal obligations requiring remediation of contamination could result in liabilities, imposition of cleanup liens and fines, and we could incur large expenditures to bring our facilities into compliance.

We could incur losses due to product liability claims and may be unable to maintain product liability insurance on acceptable terms, if at all.

We could experience losses from defects or alleged defects in our steel products that subject us to claims for monetary damages. For example, many of our products are used in automobiles and light trucks and it is possible that a defect in one of these vehicles could result in product liability claims against us. In accordance with normal commercial sales, some of our products include implied warranties that they are free from defects, are suitable for their intended purposes and meet certain agreed upon manufacturing specifications. We cannot assure you that future product liability claims will not be brought against us, that we will not incur liability in excess of our insurance coverage, or that we will be able to maintain product liability insurance with adequate coverage levels and on acceptable terms, if at all.

Our controlling shareholder, Industrias CH, is able to exert significant influence on our business and policies and its interests may differ from those of other shareholders.

As of June 30, 2006, Industrias CH, which the chairman of our board of directors, Rufino Vigil González, controls, owned approximately 85% of our shares. Industrias CH nominated and elected all of the current members of our board of directors, and Industrias CH continues and, after this offering, will continue to be in a position to elect our future directors and to exercise substantial influence and control over our business and policies, including the timing and payment of dividends. The interests of Industrias CH may differ significantly from those of other shareholders. Furthermore, as a result of the significant equity position of Industrias CH, there is currently limited liquidity in our series B shares and ADSs, and we cannot assure you liquidity will increase significantly as a result of this offering.

We have had a number of transactions with our affiliates.

Historically, we have engaged in a significant number and variety of transactions on market terms with affiliates, including entities that Industrias CH owns or controls. We expect that in the future we will continue to enter into transactions with our affiliates, and some of these transactions may be significant.

We depend on our senior management and their unique knowledge of our business and of the SBQ industry, and we may not be able to replace key executives if they leave.

We depend on the performance of our executive officers and key employees. Our senior management has significant experience in the steel industry, and the loss of any member of senior management or our inability to attract, retain additional senior management could adversely affect our business, results of operations, prospects and financial condition. We believe that the SBQ steel market is a niche market where specific industry experience is key to success. We depend on the knowledge of our business and the SBQ industry of our senior management team, including Luis Garcia Limon, our chief executive officer. See “Management”. In addition, we attribute much of the success of our growth strategy to our ability to retain most of the key senior management personnel of the companies and

businesses that we have acquired. Competition for qualified personnel is significant, and we may not be able to find replacements with sufficient knowledge of, and experience in, the SBQ industry for our existing senior management or any of these individuals if their services are no longer available. Our business could be adversely affected if we cannot attract or retain senior management or other necessary personnel.

Risks Related to the Steel Industry

Our results of operations are significantly influenced by the cyclical nature of steel industry.

The steel industry is cyclical in nature and sensitive to national and international macroeconomic conditions. Global demand for steel as well as overall supply levels significantly influence prices for our products. Changes in these two factors likely will impact our operating results. Although global steel prices increased significantly during 2004, they fell in 2005 over 2004 levels, increasing again in the first nine months of 2006. We cannot predict or give you any assurances as to prices of steel in the future.

The costs of ferrous scrap and iron ore, the principal raw materials used in our steel operations, are subject to price fluctuations. Although our wholly-owned scrap collection and processing operations furnish a material portion of our scrap requirements, we must acquire the remainder of our scrap from other sources. Because increases in the prices we are able to charge for our finished steel products may lag increases in ferrous scrap prices, such increases in scrap prices can adversely affect our operating results. In 2004, the price of scrap increased significantly. However, scrap prices decreased significantly in 2005 over 2004 levels. In the first four months of 2006, scrap prices remained similar to 2005 levels. There can be no assurance that scrap prices will not increase and, if so, there can be no assurance that we will be able to pass all or a portion of these increases on through higher finished product prices.

U.S. Steel supplies the majority of our iron ore and a portion of our coke requirements. We purchase the balance of our requirements in the open market. We expect to purchase increasing amounts of our iron ore requirements in the open market in the future. In 2004, U.S. Steel supplied essentially all of Republic's iron ore and coke requirements under terms of a supply agreement that was beneficial to us. In 2005, the prices of these materials increased when we negotiated new contracts with U.S. Steel, and, therefore, we purchased more of the material in the open market. In the first six months of 2006, iron ore and coke prices decreased from 2005 levels. We cannot guarantee that we will be able to continue to find suppliers of these raw materials in the open market or that the prices of these materials will not increase or that the quality will remain the same. There is no assurance we will be able to pass all or a portion of higher raw material prices on through finished product prices.

The energy costs involved in our production processes are subject to fluctuations that are beyond our control and could significantly increase our costs of production.

Energy costs constitute a significant component of our costs of operations. Energy cost as a percentage of net sales was 13% for the year ended December 31, 2005. Our manufacturing processes are dependent on adequate supplies of electricity and natural gas. A substantial increase in the cost of natural gas or electricity could have a material adverse effect on our margins. In addition, a disruption or curtailment in supply could have a material adverse effect on our production and sales levels.

The Mexican government is currently the only supplier of energy in Mexico and has, in some cases, increased prices above international levels. We, like all other high volume users of electricity in Mexico, pay special rates to the Mexican federal electricity commission (*Comisión Federal de Electricidad* or "CFE") for electricity. We also pay special rates to Pemex, Gas y Petroquímica Básica, ("PEMEX"), the national oil company, for gas used at the Guadalajara facility. There can be no

assurance these special rates will continue to be available to us or that these rates may not increase significantly in the future. We enter into futures contracts to fix and reduce volatility of natural gas prices. We have not always been able to pass the effect of these increases on to our customers and there is no assurance that we will be able to pass the effect of these increases on to our customers in the future or to maintain futures contracts to reduce volatility in natural gas prices. Changes in the price or supply of natural gas would materially and adversely affect our business and results of operations.

Risks Related to Mexico

Mexican governmental, political and economic factors may adversely impact our business.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican governmental actions concerning the economy and state-owned enterprises could have a significant impact on Mexican private sector entities in general and us, in particular, and on market conditions, prices and returns on Mexican securities, including ours.

Our financial condition, results of operations and prospects may also be affected by currency fluctuations, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico. There can be no assurance that future developments in the Mexican political, economic or social environment, over which we have no control, will not have a material adverse effect on our business, results of operations, financial condition or prospects or adversely affect the market price of the ADSs and the series B shares.

The Mexican economy has in the past experienced balance of payment deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert pesos to foreign currencies generally, and to U.S. dollars in particular, it has done so in the past and no assurance can be given that the Mexican government will not institute a restrictive exchange control policy in the future. The effect of any exchange control measures adopted by the Mexican government on the Mexican economy cannot be predicted.

In the Mexican national elections held on July 2, 2000, Vicente Fox of the *Partido Accion Nacional* (the National Action Party) or PAN, won the presidency. His victory ended more than 70 years of presidential rule by the *Partido Revolucionario Institucional* (the Institutional Revolutionary Party) or PRI. Neither the PRI nor the PAN succeeded in securing a majority in either house of the Mexican Congress. Further, elections held in 2003 and 2004, resulted in a reduction in the number of seats held by the PAN in the Mexican Congress and state governorships. The resulting gridlock impeded the progress of structural reforms in Mexico.

On July 2, 2006, Mexico held presidential and federal congressional elections, and Felipe Calderón Hinojosa, the PAN candidate, won by a very narrow margin. However, the *Partido de la Revolución Democrática* (the Revolutionary Democratic Party or PRD), the leading opposition party, has contested the results of the election. On September 6, 2006, the Tribunal *Electoral del Poder Judicial de la Federación* (the Federal Electoral Chamber) unanimously declared Mr. Calderón to be the president-elect whose term as president will run from December 1, 2006 until November 30, 2012. We cannot predict whether the PRD will continue to generate political unrest in the country or whether any such unrest would affect our financial condition results of operations or prospects.

High levels of inflation and interest rates in Mexico, and weakness in the Mexican economy, could adversely impact our financial condition and results of operation.

In the past, Mexico has experienced high levels of inflation and high domestic interest rates. If the Mexican economy falls into a recession, or if inflation and interest rates increase, consumer purchasing power may decrease, and as a result, demand for steel products may decrease. In addition, a recession could affect our operations to the extent we are unable to reduce our costs and expenses in response to falling demand. Furthermore, our growth strategy of acquiring other companies and assets may be impaired in the future if interest rates increase, and we are not able to obtain acquisition financing on favorable terms. These events could adversely affect our business, results of operations, financial condition or prospects.

Devaluation or depreciation of the peso against the U.S. dollar may adversely affect the dollar value of an investment in the ADSs and the series B shares, as well as the dollar value of any dividend or other distributions that we may make.

Fluctuations in the exchange rate between the peso and the U.S. dollar, particularly peso depreciations, may adversely affect the U.S. dollar equivalent of the peso price of the Series B shares on the Mexican Stock Exchange. As a result, such peso depreciations will likely affect our revenues and earnings in U.S. dollar terms and the market price of the ADSs. Exchange rate fluctuations could also affect the depositary’s ability to convert into U.S. dollars, and make timely payment of, any peso cash dividends and other distributions paid in respect of the Series B shares.

Our financial statements are prepared in accordance with Mexican GAAP, and therefore may not be directly comparable to financial statements of other companies prepared under U.S. GAAP or other accounting principles.

All Mexican companies must prepare their financial statements in accordance with Mexican GAAP, which differs in certain respects from U.S. GAAP. Among other differences, Mexican companies are required to incorporate the effects of inflation directly in their accounting records and in their published financial statements. Accordingly, Mexican financial statements and reported earnings may differ from those of companies in other countries in this and other respects. See Note 19 to our 2005 consolidated financial statements for a description of the principal differences between Mexican GAAP and U.S. GAAP as they relate to us.

Tariffs, anti-dumping and countervailing duty claims imposed in the future could harm our ability to export our products.

In recent years, the U.S. government has imposed anti-dumping and countervailing duties against Mexican and other foreign steel producers, but has not imposed any such penalties against us or our products. In the first quarter of 2002, the U.S. government imposed tariffs of 15% on rebar and 30% on hot rolled bar and cold finish bar against imports of steel from all the countries with the exception of Mexico, Canada, Argentina, Thailand and Turkey; in the first quarter of 2003, the tariffs were reduced to 12% on rebar and 24% on hot rolled bar and cold finish bar, and these tariffs were eliminated in late 2003, prior to their originally scheduled termination date. There can be no assurance that anti-dumping or countervailing duties suits will not be initiated against us or that the U.S. government will not impose tariffs on steel imports from Mexico or that existing tariffs on U.S. steel imports from other countries, will not be lifted in the future.

In September 2001, the Mexican government imposed tariffs of 25% against imports for all products that we produce from all countries with the exception of those which have a free trade agreement

with Mexico, which includes the United States. In April 2002, the Mexican government increased these tariffs to 35%. These tariffs have subsequently been reduced over time and are currently 7% for steel products. There can be no assurances that these tariffs will not be further reduced or that countries seeking to export steel products to Mexico will not impose similar tariffs on Mexican exports to those countries.

We are subject to different corporate disclosure and accounting standards than U.S. companies.

A principal objective of the securities laws of the United States, Mexico and other countries is to promote full and fair disclosure of all material corporate information. However, there may be less publicly available information about non-U.S. issuers of securities listed in the United States than is regularly published by or about U.S. issuers of listed securities. In addition, we prepare our financial statements in accordance with Mexican GAAP, which differs from U.S. GAAP in a number of respects. For example, under Mexican GAAP we must incorporate the effects of inflation directly in our accounting records and published financial statements. While we are required to reconcile our net income and stockholders' equity to those amounts that would be derived under U.S. GAAP, the effects of inflation accounting under Mexican GAAP are not eliminated in such reconciliation. For this and other reasons, the presentation of Mexican financial statements and reported earnings may differ from that of U.S. companies in this and other important respects. Please see Note 19 to our audited consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 beginning on page F-41 of this prospectus and Note 16 to our unaudited condensed consolidated financial statements for the six-month period ended June 30, 2006 beginning on page F-72 of this prospectus.

Risks Related to the Global Offering

As a result of the lower level of liquidity and the higher level of volatility of the Mexican securities market, the market price of our series B shares, and as a result, our ADSs, may experience extreme price and trading volume fluctuations.

The Mexican Stock Exchange is one of Latin America's largest exchanges in terms of market capitalization, but it remains relatively small, illiquid and volatile compared to other major world markets. Although the public participates in the trading of securities on the Mexican Stock Exchange, a substantial portion of such activity consists of transactions by or on behalf of institutional investors. These market characteristics may limit the ability of a holder of series B shares to sell its shares and may also adversely affect the market price of the series B shares and, as a result, the market price of the ADSs. The trading volume for securities issued by emerging market companies tends to be lower than the trading volume of securities issued by companies in more developed countries.

You may not be entitled to participate in future preemptive rights offerings.

Under Mexican law, if we issue new shares for cash as part of a capital increase, other than in a public offering, we must grant our stockholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage in our company. Rights to purchase shares in these circumstances are known as preemptive rights. We may not legally be permitted to allow holders of ADSs or holders of series B shares in the United States to exercise any preemptive rights in any future capital increase unless: (1) we file a registration statement with the U.S. Securities and Exchange Commission, or the SEC, with respect to that future issuance of shares; or (2) the offering qualifies for an exemption from the registration requirements of the Securities Act. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC and any other factors that we consider important to determine whether we will file such a registration statement.

We cannot assure you that we will file a registration statement with the SEC to allow holders of ADSs or holders of series B shares in the United States to participate in a preemptive rights offering. In addition, under current Mexican law, sales by the depositary of preemptive rights and distribution of the proceeds from such sales to you, the ADS holders, is not possible. As a result, your equity interest in us may be diluted proportionately.

ADS holders may only vote through the depositary and are not entitled to attend shareholders' meetings.

Under the terms of the ADSs, you have a right to instruct the depositary, The Bank of New York, to vote the shares underlying our ADSs. If we provide the depositary with notice of shareholders' meetings, the depositary will notify you of shareholders' meetings. Otherwise, you will not be able to exercise your right to vote unless you withdraw the series B shares underlying the ADSs. We will use our best efforts to request that the depositary notify you of upcoming votes and ask for your instructions. However, you may not receive voting materials in time to ensure that you are able to instruct the depositary to vote your shares or otherwise learn of shareholders' meetings to withdraw your series B shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send out your voting instructions on time or carry them out in the manner you have instructed. As a result, you may not be able to exercise your right to vote and you may lack recourse if the series B shares underlying your ADSs are not voted as you requested.

In addition, Mexican law and our by-laws require shareholders to deposit their shares with our secretary or with a Mexican custodian or provide evidence of their status as shareholders in order to attend shareholders' meetings. ADS holders will not be able to meet this requirement and accordingly are not entitled to attend shareholders' meetings. ADS holders will also not be permitted to vote the series B shares underlying the ADSs directly at a shareholders' meeting or to appoint a proxy to do so without withdrawing the series B shares. Please see "Description of American Depositary Receipts" for further discussion regarding the deposit agreement and your voting rights.

It may be difficult to enforce civil liabilities against us or our directors, officers and controlling persons.

We are organized under the laws of Mexico, and most of our directors, officers and controlling persons reside in Mexico. In addition, a substantial portion of our assets and their assets are located in Mexico. As a result, it may be difficult for investors to effect service of process on such persons within the United States or elsewhere outside of Mexico or to enforce judgments against us or them, including in any action based on civil liabilities under U.S. federal securities laws. There is doubt as to the enforceability in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts or other courts outside of Mexico, of liabilities based solely on U.S. federal securities laws.

Future sales of shares may depress the price of our series B shares and ADSs.

As of June 30, 2006, we had 421,214,706 series B shares outstanding. After this offering, the series B shares and ADSs sold in this offering will be freely tradable, without restriction, under the Securities Act, except for any shares purchased by our "affiliates", as defined in the Securities Act. Sales of substantial amounts of any remaining series B shares may depress our stock price and, as a result, the price of our ADSs, and we cannot assure you that our stock price would recover from any such loss in value.

This discussion assumes the effectiveness of certain lock-up arrangements with the underwriters under which we have agreed not to issue, sell or otherwise dispose of shares. We cannot assure you that these lock-up arrangements will not be terminated prior to 180 days after the global offering without prior notice to you by the underwriters.

We may issue additional series B shares or ADSs in the future which may dilute the interest of the public investors.

We may offer additional series B shares or ADSs in the future, although we have no current intention to do so. Any such offering or the market perception that such an offering could occur may result in a decrease in the market price of the series B shares and ADSs.

FORWARD LOOKING STATEMENTS

This prospectus contains certain statements regarding our business that may constitute "forward looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. When used in this prospectus, the words "anticipates", "plans", "believes", "estimates", "intends", "expects", "projects" and similar expres are intended to identify forward looking statements, although not all forward looking statements contain those words. These statements, including but not limited to our statements regarding our strategy for raw material acquisition, products and markets, production processes and facilities, sales and distribution and exports, growth and other trends in the steel industry and various markets, operations and liquidity and capital resources are based on management's beliefs, as well as on assumptions made by, and information currently available to, management, and involve various risks and uncertainties, some of which are beyond our control. Our actual results could differ materially from those expressed in any forward looking statement. In light of these risks and uncertainties there can be no assurance that forward looking statements will prove to be accurate. Factors that might cause actual results to differ from forward looking statements include, but are not limited to,

- factors relating to the steel industry (including the cyclicality of the industry, finished product prices, worldwide production capacity, the high degree of competition from Mexican and foreign producers and the price of ferrous scrap, iron ore and other raw materials);
- our ability to operate at high capacity levels;
- the costs of compliance with U.S. and Mexican environmental laws;
- the integration of the Mexican steel manufacturing facilities located in Apizaco and Cholula, as well as the recently acquired Republic in the United States;
- future capital expenditures and acquisitions;
- future devaluations of the peso;
- the imposition by Mexico of foreign exchange controls and price controls;
- the influence of economic and market conditions in other countries on Mexican securities; and
- the factors discussed in "Risk Factors" beginning on page 16.

Forward looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward looking statements after we distribute this prospectus because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward looking events and circumstances discussed in this prospectus might not occur. In light of these limitations, you should not place undue reliance on forward looking statements contained in this prospectus.

USE OF PROCEEDS

We estimate that the proceeds from the combined offering will be approximately Ps. (U.S.$ million) (or approximately Ps. (U.S.$ million) if the over-allotment options are exercised in full) based upon an estimated public offering price per series B share of approximately Ps. and after deducting underwriting discounts and commissions but before the estimated expenses associated with the combined offering.

We intend to use the proceeds obtained from the combined offering for general corporate purposes, including approximately U.S.$110 million for investments in fixed assets aimed at increasing our installed capacity in our various facilities in the U.S., Canada and Mexico. These investments include investments intended to increase our melt shop capacity, a new oxygen plant, new roll mills, a project to increase production of new SBQ products, investments to increase stainless steel production and a new inspection system for finished products, and potential acquisitions intended to improve our market share and complement our business strategy.

CAPITALIZATION

The following table sets forth our unaudited, short-term debt and capitalization under Mexican GAAP as of October 31, 2006 and as adjusted to give effect to our receipt of the net proceeds of the sale of our series B shares in the combined offering (assuming no exercise of the over-allotment options).

You should read this table together with our audited financial statements and our unaudited financial statements included in this prospectus. Information in the following table is presented in constant pesos as of October 31, 2006 and dollar amounts are translated at the rate of Ps. 10.7093 per U.S.$1.00, the interbank transactions rate on September 30, 2006.

	As of October 31, 2006			
	Actual		As Adjusted [1]	
	($ Millions)	(Ps. Millions)	($ Millions)	(Ps. Millions)
Short-term debt	17	180		
Long-term debt	0	0		
Total stockholders' equity	1,139	12,197		
Total Capitalization	1,156	12,377		

(1) Adjusted values have been calculated based on an assumed offering price of Ps. per series B share.

For every increase or decrease in the price per series B share in this combined offering, our total stockholders' equity will increase or decrease by approximately Ps. (U.S.$).

MARKET INFORMATION

We have prepared the information concerning the Mexican securities market set forth below based on materials obtained from public sources, including the Mexican National Banking and Securities Commission, the Mexican Stock Exchange, the Mexican Central Bank, and publications by market participants.

Our ADSs are listed on the American Stock Exchange under the symbol "SIM", and our series B shares are listed on the Mexican Stock Exchange under the symbol "SIMEC.B".

We cannot predict the extent to which investors will choose to take delivery of series B shares in the form of ADSs as compared to series B shares, or the extent to which investors will be interested in our ADSs. We also cannot predict the liquidity of any such market. If the trading volume of our ADSs or series B shares in any such market falls below certain levels, our shares or ADSs could be delisted or deregistered in that market.

Trading on the Mexican Stock Exchange

Overview

The Mexican Stock Exchange, located in Mexico City, is the only stock exchange in Mexico. Operating continuously since 1907, the Mexican Stock Exchange is organized as a corporation (*sociedad anonima de capital variable*). Securities trading on the Mexican Stock Exchange occurs each business day from 8:30 a.m. to 3:00 p.m., Mexico City time.

Since January 1999, all trading on the Mexican Stock Exchange has been effected electronically. The Mexican Stock Exchange may impose a number of measures to promote an orderly and transparent trading price of securities, including the operation of a system of automatic suspension of trading in shares of a particular issuer when price fluctuation exceeds certain limits. The Mexican Stock Exchange may also suspend trading in shares of a particular issuer as a result of:

- non-disclosure of material events; or
- changes in the offer or demand, volume traded, or prevailing share price that are inconsistent with the shares' historical performance and cannot be explained through publicly available information.

The Mexican Stock Exchange may reinstate trading in suspended shares when it deems that the material events have been adequately disclosed to public investors or when it deems that the issuer has adequately explained the reasons for the changes in offer and demand, volume traded, or prevailing share price. Under current regulations, the Mexican Stock Exchange may consider the measures adopted by the other stock exchanges in order to suspend and/or resume trading in an issuer's shares in cases where the relevant securities are simultaneously traded on a stock exchange outside of Mexico.

Settlement on the Mexican Stock Exchange is effected two business days after a share transaction. Deferred settlement is not permitted without the approval of the Mexican National Banking and Securities Commission, even where mutually agreed. Most securities traded on the Mexican Stock Exchange are on deposit with the INDEVAL, a privately owned securities depositary that acts as a clearinghouse, depositary, and custodian, as well as a settlement, transfer, and registration agent for Mexican Stock Exchange transactions, eliminating the need for physical transfer of securities.

Although the Mexican Securities Market Law (*Ley del Mercado de Valores*) provides for the existence of an over-the-counter market, no such market for securities in Mexico has developed.

Market Regulation

In 1925, the Mexican National Banking Commission (*Comisión Nacional Bancaria*) was established to regulate banking activity and in 1946, the Mexican Securities Commission (*Comisión Nacional de Valores*) was established to regulate stock market activity. In 1995, these two entities were merged to form the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores).* The Mexican Securities Market Law, which took effect in 1975, introduced important structural changes to the Mexican financial system, including the organization of brokerage firms as corporations (*sociedades anónimas*). The Mexican Securities Market Law sets standards for authorizing companies to operate as brokerage firms, which authorization is granted at the discretion of the Mexican Ministry of Finance and Public Credit (*Secretaria de Hacienda y Credito Publico*), upon the recommendation of the National Banking and Securities Commission. In addition to setting standards for brokerage firms, the Mexican Securities Market Law authorizes the National Banking and Securities Commission, among other things, to regulate the public offering and trading of securities, corporate governance, disclosure and reporting standards and to impose sanctions for the illegal use of insider information and other violations of the Mexican Securities Market Law. The National Banking and Securities Commission regulates and supervises the Mexican securities market, the Mexican Stock Exchange, INDEVAL and brokerage firms through a board of governors composed of 13 members.

On December 30, 2005, a new Mexican Securities Market Law was enacted and published in the Official Gazette. The new Securities Market Law became effective on June 28, 2006, however, in some cases an additional period of 180 days (until late December 2006) will be available for issuers to incorporate the new corporate governance and other requirements derived from the new law into their by-laws. The new Mexican Securities Market Law changed the Mexican securities regulation in various material respects. The reforms were intended to update the Mexican regulatory framework applicable to the securities market and publicly traded companies in accordance with international standards.

In particular, the new Mexican Securities Market Law (i) establishes that public entities and the entities controlled by them will be considered a single economic unit (e.g. holding companies and wholly-owned subsidiaries), (ii) clarifies the rules for tender offers, dividing them into voluntary and mandatory categories, (iii) clarifies standards for disclosure of holdings of shareholders of public companies, (iv) expands and strengthens the role of the board of directors of public companies, (v) defines the standards applicable to the board of directors and the duties of the board, each director, its secretary, the general director and executive officers (introducing concepts such as the duty of care, duty of loyalty and safe harbors), (vi) replaces the statutory auditor (*comisario*) and its duties with an audit committee, a corporate practices committee and external auditors, (vii) clearly defines the roles and responsibilities of executive officers, (viii) improves the rights of minority shareholders relating to legal remedies and access to company information, (ix) introduces concepts such as consortiums, groups of related persons or entities, control, related parties and decision-making power, (x) sets out three new types of companies different to the ones which are set out by the Mexican Companies Law, the (a) *sociedad anónima promotora de inversión*, by which the investment of national and foreigner investors shall be promoted, (b) *sociedad anónima promotora de inversión bursátil* and (c) *sociedad anónima bursátil,* and (xi) expands the definition of applicable sanctions for violations of the Mexican Securities Market Law, including the punitive damages and criminal penalties.

In March 2003, the National Banking and Securities Commission issued certain general regulations applicable to issuers and other securities market participants. The general regulations, which repealed several previously enacted National Banking and Securities Commission regulations

(*circulares*), now provide a single set of rules governing issuers and issuer activity, among other things. In September 2006, these general regulations were amended to give effect to the provisions of the Mexican Securities Market Law.

In addition, in September 2004, the National Banking and Securities Commission issued general rules applicable to brokerage firms, the National Banking and Securities Commission Rules for Brokerage Firms (*circulares aplicables a casas de bolsa*). These rules now provide a single set of rules governing participation of Mexican underwriters in public offerings, among other things.

Registration and Listing Standards

To offer securities to the public in Mexico, an issuer must meet specific qualitative and quantitative requirements. In addition, only securities that have been registered with the Mexican National Securities Registry as authorized by National Banking and Securities Commission approval may be listed on the Mexican Stock Exchange. The authorization of the National Banking and Securities Commission with respect to the registration does not imply any kind of certification or assurance related to the investment quality of the securities, the solvency of the issuer, or the accuracy or completeness of any information delivered to the National Banking and Securities Commission. The general regulations state that the Mexican Stock Exchange must adopt minimum requirements for issuers to list their securities in Mexico. These requirements relate to matters such as operating history, financial and capital structure, minimum trading volumes and minimum public floats, among others. The general regulations also state that the Mexican Stock Exchange must implement minimum requirements for issuers to maintain their listing in Mexico. These requirements relate to matters such as financial condition, trading minimums, capital structure and minimum public floats, among others. The National Banking and Securities Commission may waive some of these requirements in certain circumstances. In addition, some of the requirements are applicable to each series of shares of the relevant issuer.

The Mexican Stock Exchange will review compliance with the foregoing requirements and other requirements on an annual, semi-annual and quarterly basis, and may also do it at any other time. The Mexican Stock Exchange must inform the National Banking and Securities Commission of the results of its review and this information must, in turn, be disclosed to investors. If an issuer fails to comply with any of the foregoing requirements, the Mexican Stock Exchange will request that the issuer propose a plan to cure the violation. If the issuer fails to propose a plan, if the plan is not satisfactory to the Mexican Stock Exchange or if an issuer does not make substantial progress with respect to the corrective measures, trading of the relevant series of shares on the Mexican Stock Exchange will be temporarily suspended. In addition, if an issuer fails to propose a plan or ceases to follow the plan once proposed, the National Banking and Securities Commission may suspend or cancel the registration of the shares, in which case the majority shareholder or any controlling group must carry out a tender offer to acquire 100% of the outstanding shares of the issuer in accordance with the tender offer rules discussed below.

Reporting Obligations

Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements as well as various periodic reports with the National Banking and Securities Commission and the Mexican Stock Exchange. Mexican issuers must file the following reports with the National Banking and Securities Commission:

- an annual report prepared in accordance with the National Banking and Securities Commission general regulations by no later than June 30 of each year;

- quarterly reports, within 20 business days following the end of each of the first three quarters and 40 business days following the end of the fourth quarter; and
- reports disclosing material events promptly upon their occurrence.

Pursuant to the National Banking and Securities Commission's general regulations, the internal rules of the Mexican Stock Exchange were amended to implement an automated electronic information transfer system, or SEDI (*Sistema Electrónico de Envío y Difusión de Información*), for information required to be filed with the Mexican Stock Exchange. Issuers of listed securities must prepare and disclose their financial information via a Mexican Stock Exchange-approved electronic financial information system, or SIFIC (*Sistema de Información Financiera Computarizada*). Immediately upon its receipt, the Mexican Stock Exchange makes the financial information submitted via SIFIC available to the public.

The National Banking and Securities Commission's general regulations and the rules of the Mexican Stock Exchange require issuers of listed securities to file information through SEDI that relates to any act, event or circumstance that could influence issuers' share price. If listed securities experience unusual price volatility, the Mexican Stock Exchange must immediately request that an issuer inform the public as to the causes of the volatility or, if the issuer is unaware of the causes, that an issuer make a statement to that effect. In addition, the Mexican Stock Exchange must immediately request that issuers disclose any information relating to relevant material events, when it deems the information currently disclosed to be insufficient, as well as instruct issuers to clarify the information when necessary. The Mexican Stock Exchange may request that issuers confirm or deny any material events that have been disclosed to the public by third parties when it deems that the material event may affect or influence the securities being traded. The Mexican Stock Exchange must immediately inform the National Banking and Securities Commission of any such requests.

An issuer may defer the disclosure of material events under some circumstances, as long as:

- the issuer implements adequate confidentiality measures (including maintaining records of persons or entities in possession of confidential information);
- the information is related to incomplete transactions;
- there is no misleading public information relating to the material event; and
- no unusual price or volume fluctuation occurs.

Similarly, if an issuer's securities are traded on both the Mexican Stock Exchange and a foreign securities exchange, the issuer must simultaneously file the information that it is required to file pursuant to the laws and regulations of the foreign jurisdiction with the National Banking and Securities Commission and the Mexican Stock Exchange.

The new Mexican Securities Market Law has not substantially modified the reporting obligations of issuers of equity securities listed on the Mexican Stock Exchange.

Suspension of Trading

In addition to the authority of the Mexican Stock Exchange under its internal regulations as described above, pursuant to the rules of National Banking and Securities Commission, the National

Banking and Securities Commission and the Mexican Stock Exchange may suspend trading in an issuer's securities:

- if the issuer does not disclose a material event; or
- upon price or volume volatility or changes in the offer or demand in respect of the relevant securities that are not consistent with the historic performance of the securities and cannot be explained solely through information made publicly available pursuant to the National Banking and Securities Commission's general regulations.

The Mexican Stock Exchange must immediately inform the National Banking and Securities Commission and the general public of any such suspension. An issuer may request that the National Banking and Securities Commission or the Mexican Stock Exchange resume trading, provided it demonstrates that the causes triggering the suspension have been resolved and that it is in full compliance with the periodic reporting requirements under applicable law. If an issuer's request has been granted, the Mexican Stock Exchange will determine the appropriate mechanism to resume trading. If trading in an issuer's securities is suspended for more than 20 business days and the issuer is authorized to resume trading without conducting a public offering, the issuer must disclose via SEDI a description of the causes that resulted in the suspension and reasons why it is now authorized to resume trading before trading may resume.

Insider Trading, Trading Restrictions and Tender Offers

The Mexican Securities Market Law contains specific regulations regarding insider trading, including, (i) the requirement that persons in possession of information deemed privileged abstain (x) from trading in the relevant issuer's securities, (y) from making recommendations to third parties to trade in such securities and (z) from trading in options and derivatives of the underlying security issued by such entity, and (ii) providing a counterparty not privy to insider information with a right of indemnification from the party possessing privileged information.

In addition, if an issuer's securities are traded on both the Mexican Stock Exchange and a foreign securities exchange, the issuer must simultaneously file with the National Banking and Securities Commission the information that it is required to file pursuant to the rules and regulations of the foreign securities exchange.

Pursuant to the Mexican Securities Market Law, the following persons must notify the National Banking and Securities Commission of any transactions undertaken by a listed issuer:

- members of a listed issuer's board of directors;
- shareholders controlling 10% or more of a listed issuer's outstanding share capital;
- advisors;
- groups controlling 25% or more of a listed issuer's outstanding share capital; and
- other insiders.

In addition, under the Mexican Securities Market Law insiders must abstain from purchasing or selling securities of the issuer within 90 days from the last sale or purchase, respectively.

Shareholders of issuers listed on the Mexican Stock Exchange must notify the National Banking and Securities Commission before effecting transactions outside of the Mexican Stock Exchange that result in a transfer of 10% or more of an issuer's share capital. Transferring shareholders must also inform the National Banking and Securities Commission of the effect of the transactions within three days following their completion, or, alternatively, that the transactions have not been consummated. The National Banking and Securities Commission will notify the Mexican Stock Exchange of these transactions on a no-name basis.

The Mexican Securities Market Law also provides that, for purposes of determining any of the foregoing percentages, convertible securities, warrants and derivatives must be taken into account.

Subject to certain exceptions, any acquisition of a public company's shares that results in the acquiror owning 10% or more, but less than 30%, of an issuer's outstanding share capital must be publicly disclosed to the National Banking and Securities Commission and the Mexican Stock Exchange by no later than one business day following the acquisition. Any acquisition by an insider that results in the insider holding an additional 5% or more of a public company's outstanding share capital must also be publicly disclosed to the National Banking and Securities Commission and the Mexican Stock Exchange no later than the day following the acquisition. Some insiders must also notify the National Banking and Securities Commission of share purchases or sales that occur within a three-month or five-day term and that exceed certain value thresholds. The Mexican Securities Market Law requires that convertible securities, warrants and derivatives to be settled in kind be taken into account in the calculation of share ownership percentages.

The Mexican Securities Market Law contains provisions relating to public tender offers and certain other share acquisitions occurring in Mexico. Under the law, tender offers may be voluntary or mandatory. Voluntary tender offers, or offers where there is no requirement that they be initiated or completed, are required to be made *pro rata*. Any intended acquisition of a public company's shares that results in the acquiror owning 30% or more, but less than a percentage that would result in the acquiror obtaining control, of a company's voting shares requires the acquiror to make a mandatory tender offer for (i) the greater of the percentage of the share capital intended to be acquired or (ii) 10% of the company's outstanding share capital stock. Finally, any intended acquisition of a public company's shares that is aimed at obtaining voting control requires the potential acquiror to make a mandatory tender offer for 100% of the company's outstanding share capital (however, under certain circumstances the National Banking and Securities Commission may permit an offer for less than 100%). The tender offer must be made at the same price to all shareholders and classes of shares. The board of directors, with the advice of the audit committee, must issue its opinion of any tender offer resulting in a change of control, which opinion must take minority shareholder rights into account and which may be accompanied by an independent fairness opinion.

Under the Mexican Securities Market Law, all tender offers must be open for at least 20 business days and not 15 business days as required by the general rules and purchases thereunder are required to be made pro rata to all tendering shareholders. The Mexican Securities Market Law also permits the payment of certain amounts to controlling shareholders over and above the offering price if these amounts are (i) fully disclosed, (ii) approved by the board of directors and (iii) paid in connection with non-compete or similar obligations. The law also provides exceptions to the mandatory tender offer requirements and specifically sets forth remedies for non-compliance with these tender offer rules (e.g., suspension of voting rights, possible annulment of purchases, etc.) and other rights available to prior shareholders of the issuer.

Anti-Takeover Protections

The Mexican Securities Market Law provides that public companies may include anti-takeover provisions in their by-laws if such provisions (i) are approved by a majority of the shareholders, with no more than 5% of the outstanding capital shares voting against such provisions, (ii) do not exclude any shareholder(s) or group of shareholder(s) and (iii) do not restrict, in an absolute manner, a change of control.

Market Price of Series B shares

Our series B shares are traded on the Mexican Stock Exchange under the symbol "SIMEC.B". As of April 28, 2006, the date of our annual shareholders meeting, there were 140,404,902 series B shares issued and outstanding. As of such date, 3,585,912 shares were held in the United States in the form of ADSs by 24 record holders, and 136,818,990 shares were held in Mexico by approximately 49 record holders. The ADSs are evidenced by ADRs issued by The Bank of New York (the "Depositary"), as depositary under a Deposit Agreement, dated as of July 8, 1993, as amended, among us, the Depositary and the holders from time to time of ADRs. Because certain of the shares are held by nominees, the number of record holders may not be representative of the number of beneficial owners.

Share Price Information

The following table sets forth for the periods indicated the high and low sales prices expressed in historical pesos of a series B shares on the Mexican Stock Exchange and the high and low sales price expressed in dollars of the ADSs on the American Stock Exchange. (Table adjusted to reflect May 30, 2006 3 for 1 stock split.)

		Mexican Stock Exchange		American Stock Exchange	
		High	**Low**	**High**	**Low**
2001		1.25	0.52	2.50	0.81
2002		0.89	0.50	1.75	0.80
2003		37.50	10.20	5.34	0.85
2004		95.99	22.40	8.75	2.10
2005		95.00	40.75	8.70	3.63
2003					
	First Quarter	11.00	10.20	1.60	0.85
	Second Quarter	12.50	12.40	1.40	1.25
	Third Quarter	15.39	10.30	1.60	1.01
	Fourth Quarter	37.50	14.00	5.34	1.10
2004					
	First Quarter	39.99	22.40	4.60	2.10
	Second Quarter				