GROUP SIMEC SA DE CV
Form F-1/A
January 19, 2007

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Amendment No. 3
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.)

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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. o

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. o

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. o

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. o

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

SUBJECT TO COMPLETION, DATED JANUARY 19, 2007

PROSPECTUS

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

52,173,915 SERIES B COMMON SHARES

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.

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 and the Mexican underwriters options to purchase up to an aggregate 7,826,085 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 January 16, 2007, the last reported sales price of the ADSs on the American Stock Exchange was $13.84 per ADS, and the last reported sales price of the series B shares on the Mexican Stock Exchange was Ps. 51.02 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 , 2007.

Citigroup

Co-Manager

Morgan Stanley

, 2007

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.

TABLE OF CONTENTS

Exchange Rates	iv
Summary	1
Risk Factors	16
Forward Looking Statements	28
Use of Proceeds	29
Capitalization	30
Market Information	31
Dividends and Dividend Policy	38
Unaudited Pro Forma Condensed Combined Financial Information	39
Selected Consolidated Financial Information	42
Management’s Discussion and Analysis of Financial Condition and Results of Operations	46
Business	65
Management	94
Related Party Transactions	100
Major Shareholders	101
Description of Capital Stock	102
Description of American Depositary Receipts	113
Taxation	120
Underwriting	124
Notice to Canadian Residents	129
Where Can You Find More Information	130
Enforceability of Civil Liabilities	130
Validity of Securities	130
Experts	131
Index to Financial Statements	F-1
Exhibit I --Unaudited Financial Information as of and for the Nine Month Periods Ended September 30, 2006 and 2005	I-1

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 January 16, 2007, the interbank transactions rate for the Peso was Ps. 10.992 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
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				
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	11.05	10.75	10.91	11.01
December 2006	10.99	10.77	10.85	10.80
2007				
January 2007[2]	11.02	10.77	10.93	10.99

(1) Average of month-end or period-end rates or daily rates, as applicable.
(2) Through January 16, 2007.

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:

Chart below

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(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.

The Offering

Issuer	Grupo Simec, S.A.B. de C.V.
Securities offered	A total of 52,173,914 series B shares which include 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: February , 2007 Expected closing date: February , 2007

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) (except per share and per ADS data)					(Millions of dollars)	(Millions of constant June 30, 2006 pesos)		(Millions of dollars)
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		405,209	419,451	
Weighted average ADSs outstanding (thousands)	54,816	99,967	119,053	132,972	137,930		135,070	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

	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	65	1,285	503	44	6	167	15
Adjusted 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		1,210	2,902	
Tons shipped	561	609	628	773	1,708		524	1,369	
Mexico	512	529	547	676	899		449	461	
United States, Canada and others	49	80	81	97	809		75	908	
SBQ steel	78	78	63	168	923		170	997	
Structural and other steel products	483	531	565	605	785		352	372	
Per ton:									
Net sales per ton	4,080	3,943	4,851	7,644	7,591	666	6,825	8,699	763
Cost of sales per ton	2,740	2,639	3,187	4,442	6,072	533	4,443	7,070	620
Operating income per ton	385	476	857	2,435	924	81	1,666	1,144	100
Adjusted 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		1,975		4,340

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(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 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) Adjusted EBITDA is not a financial measure computed under Mexican or U.S. GAAP. Adjusted 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.

Adjusted 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 adjusted 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 and must be read in conjunction with the explanations that accompany it. Adjusted EBITDA as presented in this table does not take into account our working capital requirements, debt service requirements and other commitments.

We believe that adjusted 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, adjusted EBITDA has certain material limitations, including that (i) it does not include taxes, which are a necessary and recurring part of our operations; (ii) it does not include depreciation and amortization, which, because we must utilize property, equipment and other assets in order to generate revenues in our operations, is a necessary and recurring part of our costs; (iii) it does not include comprehensive cost of financing, which reflects our cost of capital structure and assisted us in generating revenue; and (iv) it does not include other income and expenses that are part of our net income. Therefore, any measure that excludes any or all of taxes, depreciation and amortization, comprehensive cost of financing and other income and expenses has material limitations.

Adjusted 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 adjusted 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
Adjusted 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-153, 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				**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)			
Income Statement Data:					
Mexican GAAP:					
Net sales					