

GROUP SIMEC SA DE CV  
Form 6-K  
October 25, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of \_\_\_\_\_  
October, 2006.

Group Simec, Inc.  
(Translation of Registrant's Name Into English)

Mexico  
(Jurisdiction of incorporation or organization)

Av. Lazaro Cardenas 601, Colonia la Nogalera, Guadalajara, Jalisco, Mexico 44440  
(Address of principal executive office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F  Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes  No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82-\_\_\_\_\_.)

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRUPO SIMEC, S.A. de C.V.  
(Registrant)

Date: October 25, 2006

By:

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Name: Luis García Limón  
Title: Chief Executive Officer

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**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**CONSOLIDATED FINANCIAL STATEMENT  
AT JUNE 30 OF 2006 AND 2005  
(thousands of Mexican pesos)**

REF S	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
<b>s01</b>	<b>TOTAL ASSETS</b>	<b>16,439,238</b>	<b>100</b>	<b>9,426,739</b>	<b>100</b>
<b>s02</b>	<b>CURRENT ASSETS</b>	<b>8,388,849</b>	<b>51</b>	<b>3,526,821</b>	<b>37</b>
s03	CASH AND SHORT-TERM INVESTMENTS	948,625	6	1,165,103	12
s04	ACCOUNTS AND NOTES RECEIVABLE (NET)	2,561,676	16	1,222,171	13
s05	OTHER ACCOUNTS AND NOTES RECEIVABLE	290,070	1	40,550	0
s06	INVENTORIES	4,321,500	26	1,033,849	11
s07	OTHER CURRENT ASSETS	266,978	2	65,148	1
<b>s08</b>	<b>LONG-TERM</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
s09	ACCOUNTS AND NOTES RECEIVABLE (NET)	0	0	0	0
s10	INVESTMENT IN SHARES OF NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES	0	0	0	0
s11	OTHER INVESTMENTS	0	0	0	0
<b>s12</b>	<b>PROPERTY, PLANT AND EQUIPMENT (NET)</b>	<b>7,520,338</b>	<b>46</b>	<b>5,671,148</b>	<b>60</b>
s13	LAND AND BUILDINGS	2,401,402	15	2,273,373	24
s14	MACHINERY AND INDUSTRIAL EQUIPMENT	7,615,242	46	5,592,744	59
s15	OTHER EQUIPMENT	175,255	1	158,087	2

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s16	ACCUMULATED DEPRECIATION	2,878,670	18	2,363,433	25
s17	CONSTRUCTION IN PROGRESS	207,109	1	10,377	0
<b>s18</b>	<b>OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET)</b>	<b>469,748</b>	<b>3</b>	<b>228,770</b>	<b>2</b>
<b>s19</b>	<b>OTHER ASSETS</b>	<b>60,303</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>s20</b>	<b>TOTAL LIABILITIES</b>	<b>4,537,561</b>	<b>100</b>	<b>2,205,026</b>	<b>100</b>
<b>s21</b>	<b>CURRENT LIABILITIES</b>	<b>2,534,777</b>	<b>56</b>	<b>855,096</b>	<b>39</b>
s22	SUPPLIERS	1,640,252	36	486,193	22
s23	BANK LOANS	0	0	0	0
s24	STOCK MARKET LOANS	3,442	0	3,379	0
s25	TAXES PAYABLE	19,284	1	208,252	9
s26	OTHER CURRENT LIABILITIES	871,799	19	157,272	7
<b>s27</b>	<b>LONG-TERM LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
s28	BANK LOANS	0	0	0	0
s29	STOCK MARKET LOANS	0	0	0	0
s30	OTHER LOANS	0	0	0	0
<b>s31</b>	<b>DEFERRED LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>s32</b>	<b>OTHER NON-CURRENT LIABILITIES</b>	<b>2,002,784</b>	<b>44</b>	<b>1,349,930</b>	<b>61</b>
<b>s33</b>	<b>CONSOLIDATED STOCKHOLDERS' EQUITY</b>	<b>11,901,677</b>	<b>100</b>	<b>7,221,713</b>	<b>100</b>
<b>s34</b>	<b>MINORITY INTEREST</b>	<b>2,258,571</b>	<b>19</b>	<b>482</b>	<b>0</b>
<b>s35</b>	<b>MAJORITY INTEREST</b>	<b>9,643,106</b>	<b>81</b>	<b>7,221,231</b>	<b>100</b>
<b>S36</b>	<b>CONTRIBUTED CAPITAL</b>	<b>4,443,687</b>	<b>37</b>	<b>4,321,668</b>	<b>60</b>
S79	CAPITAL STOCK	3,512,577	30	3,476,606	48
s39	PREMIUM ON ISSUANCE OF SHARES	931,110	8	845,062	12
s40	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0	0	0
<b>s41</b>	<b>EARNED CAPITAL</b>	<b>5,199,419</b>	<b>44</b>	<b>2,899,563</b>	<b>40</b>
s42	RETAINED EARNINGS AND CAPITAL RESERVES	5,865,548	49	3,841,230	53

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s44	OTHER ACCUMULATED COMPREHENSIVE RESULT	(666,129)	(6)	(941,667)	(13)
s80	SHARES REPURCHASED	0	0	0	0

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**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

STOCK EXCHANGE CODE: SIMEC  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**CONSOLIDATED FINANCIAL STATEMENT  
BREAKDOWN OF MAIN CONCEPTS  
(thousands of Mexican pesos)**

REF S	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
<b>s03</b>	<b>CASH AND SHORT-TERM INVESTMENTS</b>	<b>948,625</b>	<b>100</b>	<b>1,165,103</b>	<b>100</b>
s46	CASH	368,869	39	150,213	13
s47	SHORT-TERM INVESTMENTS	579,756	61	1,014,890	87
<b>s07</b>	<b>OTHER CURRENT ASSETS</b>	<b>266,978</b>	<b>100</b>	<b>65,148</b>	<b>100</b>
s81	DERIVATIVE FINANCIAL INSTRUMENTS	20,831	8	18,288	28
s82	DISCONTINUED OPERATIONS	0	0	0	0
s83	OTHER	246,147	92	46,860	72
<b>s18</b>	<b>OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET)</b>	<b>469,748</b>	<b>100</b>	<b>228,770</b>	<b>100</b>
s48	DEFERRED EXPENSES	396,960	85	223,170	98
s49	DEFERRED CREDIT	0	0	0	0
s51	OTHER	72,788	15	5,600	2
<b>s19</b>	<b>OTHER ASSETS</b>	<b>60,303</b>	<b>100</b>	<b>0</b>	<b>0</b>
s84	INTANGIBLE ASSET FROM LABOR OBLIGATIONS	60,303	100	0	0
s85	DERIVATIVE FINANCIAL INSTRUMENTS	0	0	0	0
s50	DEFERRED TAXES	0	0	0	0
s86	DISCONTINUED OPERATIONS	0	0	0	0
s87	OTHER	0	0	0	0

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<b>s21</b>	<b>CURRENT LIABILITIES</b>	<b>2,534,777</b>	<b>100</b>	<b>855,096</b>	<b>100</b>
s52	FOREIGN CURRENCY LIABILITIES	1,853,202	73	142,394	17
s53	MEXICAN PESOS LIABILITIES	681,575	27	712,702	83
<b>s26</b>	<b>OTHER CURRENT LIABILITIES</b>	<b>871,799</b>	<b>100</b>	<b>157,272</b>	<b>100</b>
s88	DERIVATIVE FINANCIAL INSTRUMENTS	0	0	0	0
s89	INTEREST LIABILITIES	3,679	0	0	0
s68	PROVISIONS	236,314	27	0	0
s90	DISCONTINUED OPERATIONS	0	0	0	0
s58	OTHER CURRENT LIABILITIES	631,806	72	157,272	100
<b>s27</b>	<b>LONG-TERM LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
s59	FOREIGN CURRENCY LIABILITIES	0	0	0	0
s60	MEXICAN PESOS LIABILITIES	0	0	0	0
<b>s31</b>	<b>DEFERRED LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
s65	NEGATIVE GOODWILL	0	0	0	0
s67	OTHER	0	0	0	0
<b>s32</b>	<b>OTHER NON CURRENT LIABILITIES</b>	<b>2,002,784</b>	<b>100</b>	<b>1,349,930</b>	<b>100</b>
s66	DEFERRED TAXES	1,885,490	94	1,326,510	98
s91	OTHER LIABILITIES IN RESPECT OF SOCIAL INSURANCE	16,684	1	0	0
s92	DISCONTINUED OPERATIONS	0	0	0	0
s69	OTHER LIABILITIES	100,610	5	23,420	2
<b>s79</b>	<b>CAPITAL STOCK</b>	<b>3,512,577</b>	<b>100</b>	<b>3,476,606</b>	<b>100</b>
s37	CAPITAL STOCK (NOMINAL)	2,048,257	58	2,012,147	58
s69	RESTATEMENT OF CAPITAL STOCK	1,464,320	42	1,464,459	42





**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

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QUARTER: **2** YEAR: **2006**

**CONSOLIDATED FINANCIAL STATEMENT  
BREAKDOWN OF MAIN CONCEPTS  
(thousands of Mexican pesos)**

REF S	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
<b>s42</b>	<b>RETAINED EARNINGS AND CAPITAL RESERVES</b>	<b>5,865,548</b>	<b>100</b>	<b>3,841,230</b>	<b>100</b>
s93	LEGAL RESERVE	0	0	0	0
s43	RESERVE FOR REPURCHASE OF SHARES	87,600	1	87,600	2
s94	OTHER RESERVES	0	0	0	0
s95	RETAINED EARNINGS	4,432,077	76	3,152,417	82
s45	NET INCOME FOR THE YEAR	1,345,871	23	601,213	16
<b>s44</b>	<b>OTHER ACCUMULATED COMPREHENSIVE RESULT</b>	<b>(666,129)</b>	<b>100</b>	<b>(941,667)</b>	<b>100</b>
s70	ACCUMULATED MONETARY RESULT	0	0	0	0
s71	RESULT FROM HOLDING NON-MONETARY ASSETS	87,085	(13)	(48,182)	5
s96	CUMULATIVE RESULT FROM FOREIGN CURRENCY TRANSLATION	138,270	(21)	0	0
s97	CUMULATIVE RESULT FROM DERIVATIVE FINANCIAL INSTRUMENTS	14,344	(2)	12,349	(1)
s98	CUMULATIVE EFFECT OF DEFERRED INCOME TAXES	(905,828)	136	(905,834)	96
s99	LABOR OBLIGATION ADJUSTMENT	0	0	0	0
s100	OTHER	0	0	0	0



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QUARTER: **2** YEAR: **2006**

**BALANCE SHEETS  
OTHER CONCEPTS**  
(thousands of Mexican pesos)

<b>REF S</b>	<b>CONCEPTS</b>	<b>CURRENT YEAR AMOUNT</b>	<b>PREVIOUS YEAR AMOUNT</b>
S72	WORKING CAPITAL	5,854,072	2,671,725
S73	PENSIONS FUND AND SENIORITY PREMIUMS	0	0
S74	EXECUTIVES (*)	52	42
S75	EMPLOYERS (*)	1,131	761
S76	WORKERS (*)	3,157	1,172
S77	COMMON SHARES (*)	421,214,706	137,929,599
S78	REPURCHASED SHARES (*)	0	0
S101	RESTRICTED CASH	0	0
S102	NET DEBT OF NON CONSOLIDATED COMPANIES	0	0

(\*) THESE ITEMS SHOULD BE EXPRESSED IN UNITS

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SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**STATEMENTS OF INCOME**  
FROM JANUARY 1 TO JUNE 30 OF 2006 AND 2005  
(thousands of Mexican pesos)

REF R	CATEGORIES	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
<b>r01</b>	<b>NET SALES</b>	<b>11,912,466</b>	<b>100</b>	<b>3,573,182</b>	<b>100</b>
r02	COST OF SALES	9,681,900	81	2,326,363	65
<b>r03</b>	<b>GROSS PROFIT</b>	<b>2,230,566</b>	<b>19</b>	<b>1,246,819</b>	<b>35</b>
r04	OPERATING EXPENSES	664,093	6	374,630	10
<b>r05</b>	<b>OPERATING INCOME</b>	<b>1,566,473</b>	<b>13</b>	<b>872,189</b>	<b>24</b>
r06	INTEGRAL FINANCING COST	(45,014)	0	35,073	1
<b>r07</b>	<b>INCOME AFTER INTEGRAL FINANCING COST</b>	<b>1,611,487</b>	<b>13</b>	<b>837,116</b>	<b>23</b>
r08	OTHER EXPENSE AND INCOME (NET)	(32,748)	0	(7,633)	0
r44	SPECIAL ITEMS	0	0	0	0
<b>r09</b>	<b>INCOME BEFORE INCOME TAXES AND EMPLOYEES' PROFIT SHARING</b>	<b>1,644,235</b>	<b>14</b>	<b>844,749</b>	<b>24</b>
r10	PROVISIONS FOR INCOME TAXES AND EMPLOYEES' PROFIT SHARING	104,939	1	243,536	7
<b>r11</b>	<b>NET INCOME AFTER TAXES AND EMPLOYEES' PROFIT SHARING</b>	<b>1,539,296</b>	<b>13</b>	<b>601,213</b>	<b>17</b>
r12	EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES	0	0	0	0
<b>r13</b>	<b>CONSOLIDATED NET INCOME FROM CONTINUING</b>	<b>1,539,296</b>	<b>13</b>	<b>601,213</b>	<b>17</b>

	<b>OPERATIONS</b>				
r14	INCOME FROM DISCONTINUED OPERATIONS	0	0	0	0
<b>r15</b>	<b>CONSOLIDATED NET INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>1,539,296</b>	<b>13</b>	<b>601,213</b>	<b>17</b>
r16	EXTRAORDINARY ITEMS, NET EXPENSES (INCOME)	0	0	0	0
r17	CUMULATIVE EFFECT FROM ACCOUNTING CHANGE, NET	0	0	0	0
<b>r18</b>	<b>NET CONSOLIDATED INCOME</b>	<b>1,539,296</b>	<b>13</b>	<b>601,213</b>	<b>17</b>
r19	NET INCOME OF MINORITY INTEREST	193,425	2	0	0
r20	NET INCOME OF MAJORITY INTEREST	<b>1,345,871</b>	<b>11</b>	<b>601,213</b>	<b>17</b>

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GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**STATEMENTS OF INCOME  
BREAKDOWN OF MAIN CONCEPTS  
(thousands of Mexican pesos)**

REF R	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
<b>r01</b>	<b>NET SALES</b>	<b>11,912,466</b>	<b>100</b>	<b>3,573,182</b>	<b>100</b>
r21	DOMESTIC	3,184,772	27	3,124,770	87
r22	FOREIGN	8,727,694	73	448,412	13
r23	TRANSLATED INTO DOLLARS (***)	758,798		39,355	
<b>r06</b>	<b>INTEGRAL FINANCING COST</b>	<b>(45,014)</b>	<b>100</b>	<b>35,073</b>	<b>100</b>
r24	INTEREST EXPENSE	5,395	12	2,723	8
r42	LOSS (GAIN) ON RESTATEMENT OF UDI'S	0	0	0	0
r45	OTHER FINANCE COSTS	0	0	0	0
r26	INTEREST INCOME	20,237	(45)	11,177	(32)
r46	OTHER FINANCIAL INCOME	0	0	0	0
r25	FOREIGN EXCHANGE LOSS (GAIN) (NET)	(18,598)	(41)	35,926	102
r28	RESULT FROM MONETARY POSITION	(11,574)	(26)	7,601	22
r10	PROVISIONS FOR INCOME TAXES AND EMPLOYEES' PROFIT SHARING	<b>104,939</b>	<b>100</b>	<b>243,536</b>	<b>100</b>
r32	INCOME TAX	168,228	160	308,837	127
r33	DEFERRED INCOME TAX	(63,289)	(60)	(65,301)	(27)

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r34	EMPLOYEES' PROFIT SHARING EXPENSES	0	0	0	0
r35	DEFERRED EMPLOYEES' PROFIT SHARING	0	0	0	0

(\*\*\*) THOUSANDS OF DOLLARS

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GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**STATEMENTS OF INCOME  
OTHER CONCEPTS  
(thousands of Mexican pesos)**

<b>REF R</b>	<b>CONCEPTS</b>	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
		<b>AMOUNT</b>	<b>AMOUNT</b>
r36	TOTAL SALES	12,392,825	3,850,204
r37	TAX RESULT FOR THE YEAR	0	0
r38	NET SALES (**)	21,305,690	7,128,885
r39	OPERATION INCOME (**)	2,271,812	2,024,631
r40	NET INCOME OF MAJORITY INTEREST (**)	2,024,519	1,396,734
r41	NET CONSOLIDATED INCOME (**)	2,235,435	1,396,734
r47	OPERATIVE DEPRECIATION AND AMORTIZATION	201,972	130,940

(\*\*) RESTATED INFORMATION FOR THE LAST TWELVE MONTHS

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GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**QUARTERLY STATEMENTS OF INCOME**  
FROM APRIL 1 TO JUNE 30 OF 2006 AND 2005  
(thousands of Mexican pesos)

REF R	CATEGORIES	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
rt01	<b>NET SALES</b>	<b>6,312,312</b>	<b>100</b>	<b>1,752,457</b>	<b>100</b>
rt02	COST OF SALES	5,007,830	79	1,167,520	67
rt03	<b>GROSS PROFIT</b>	<b>1,304,482</b>	<b>21</b>	<b>584,937</b>	<b>33</b>
rt04	OPERATING EXPENSES	345,245	5	186,248	11
rt05	<b>OPERATING INCOME</b>	<b>959,237</b>	<b>15</b>	<b>398,689</b>	<b>23</b>
rt06	INTEGRAL FINANCING COST	(49,635)	(1)	35,585	2
rt07	<b>INCOME AFTER INTEGRAL FINANCING COST</b>	<b>1,008,872</b>	<b>16</b>	<b>363,104</b>	<b>21</b>
rt08	OTHER EXPENSE AND INCOME (NET)	(21,133)	0	(2,541)	0
rt44	SPECIAL ITEMS	0	0	0	0
rt09	<b>INCOME BEFORE INCOME TAXES AND EMPLOYEES' PROFIT SHARING</b>	<b>1,030,005</b>	<b>16</b>	<b>365,645</b>	<b>21</b>
rt10	PROVISIONS FOR INCOME TAXES AND EMPLOYEES' PROFIT SHARING	10,777	0	95,661	5
rt11	<b>NET INCOME AFTER TAXES AND EMPLOYEES' PROFIT SHARING</b>	<b>1,019,228</b>	<b>16</b>	<b>269,984</b>	<b>15</b>
rt12	EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES	0	0	0	0
rt13	<b>CONSOLIDATED NET INCOME</b>				

	<b>FROM CONTINUING OPERATIONS</b>	<b>1,019,228</b>	<b>16</b>	<b>269,984</b>	<b>15</b>
rt14	INCOME FROM DISCONTINUED OPERATIONS	0	0	0	0
<b>rt15</b>	<b>CONSOLIDATED NET INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>1,019,228</b>	<b>16</b>	<b>269,984</b>	<b>15</b>
rt16	EXTRAORDINARY ITEMS, NET EXPENSES (INCOME)	0	0	0	0
rt17	CUMULATIVE EFFECT FROM ACCOUNTING CHANGE, NET	0	0	0	0
<b>rt18</b>	<b>NET CONSOLIDATED INCOME</b>	<b>1,019,228</b>	<b>16</b>	<b>269,984</b>	<b>15</b>
rt19	NET INCOME OF MINORITY INTEREST	114,370	2	0	0
rt20	NET INCOME OF MAJORITY INTEREST	<b>904,858</b>	<b>14</b>	<b>269,984</b>	<b>15</b>

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QUARTER: **2** YEAR: **2006**

**QUARTERLY STATEMENTS OF INCOME**  
**BREAKDOWN OF MAIN CONCEPTS**  
(thousands of Mexican pesos)

REF R	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
<b>rt01</b>	<b>NET SALES</b>	<b>6,312,312</b>	<b>100</b>	<b>1,752,457</b>	<b>100</b>
rt21	DOMESTIC	1,839,080	29	1,543,630	88
rt22	FOREIGN	4,473,232	71	208,827	12
rt23	TRANSLATED INTO DOLLARS (***)	369,578		18,688	
<b>rt06</b>	<b>INTEGRAL FINANCING COST</b>	<b>(49,635)</b>	<b>100</b>	<b>35,585</b>	<b>100</b>
rt24	INTEREST EXPENSE	2,384	5	632	2
rt42	LOSS (GAIN) ON RESTATEMENT OF UDI'S	0	0	0	0
rt45	OTHER FINANCE COSTS	0	0	0	0
rt26	INTEREST INCOME	16,246	(33)	7,045	(20)
rt46	OTHER FINANCIAL INCOME	0	0	0	0
rt25	FOREIGN EXCHANGE LOSS (GAIN) (NET)	(16,843)	(34)	42,040	118
rt28	RESULT FROM MONETARY POSITION	(18,930)	(38)	(42)	0
rt10	PROVISIONS FOR INCOME TAXES AND EMPLOYEES' PROFIT SHARING	<b>10,777</b>	<b>100</b>	<b>95,661</b>	<b>100</b>
rt32	INCOME TAX	52,128	384	116,938	122
rt33	DEFERRED INCOME TAX	(41,351)	(484)	(21,277)	(22)
rt34	EMPLOYEES' PROFIT SHARING EXPENSES	0	0	0	0

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rt35	DEFERRED EMPLOYEES' PROFIT SHARING	0	0	0	0
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(\*\*\*) THOUSANDS OF DOLLARS

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**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**QUARTERLY STATEMENTS OF INCOME**  
**OTHER CONCEPTS**  
(thousands of Mexican pesos)

<b>REF R</b>	<b>CONCEPTS</b>	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
<b>C</b>		<b>AMOUNT</b>	<b>AMOUNT</b>
rt47	OPERATIVE DEPRECIATION AND AMORTIZATION	93,009	65,039

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**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**STATEMENTS OF CHANGES IN FINANCIAL POSITION**  
FROM JANUARY 1 TO JUNE 30 OF 2006 AND 2005  
(thousands of pesos)

REF C	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		AMOUNT	AMOUNT
<b>c01</b>	<b>CONSOLIDATED NET INCOME</b>	<b>1,539,296</b>	<b>601,213</b>
c02	+ (-) ITEMS ADDED TO INCOME WHICH DO NOT REQUIRE CASH	139,616	65,638
<b>c03</b>	<b>RESOURCES FROM NET INCOME FOR THE YEAR</b>	<b>1,678,912</b>	<b>666,851</b>
c04	RESOURCES PROVIDED OR USES IN OPERATION	(900,883)	94,394
<b>c05</b>	<b>RESOURCES PROVIDED BY (USED FOR) IN OPERATING ACTIVITIES</b>	<b>778,029</b>	<b>761,245</b>
c06	RESOURCES PROVIDED BY (USED FOR) EXTERNAL FINANCING ACTIVITIES	(409,142)	(158,067)
c07	RESOURCES PROVIDED BY (USED FOR) INTERNAL FINANCING ACTIVITIES	122,170	0
<b>c08</b>	<b>RESOURCES PROVIDED BY (USED FOR) INTERNAL FINANCING ACTIVITIES</b>	<b>(286,972)</b>	<b>(158,067)</b>
<b>c09</b>	<b>RESOURCES PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES</b>	<b>248,152</b>	<b>35,163</b>
c10	NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	739,209	638,341
c11	CASH AND SHORT-TERM INVESTMENTS AT THE	209,416	526,762

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	BEGINNING OF PERIOD		
c12	CASH AND SHORT-TERM INVESTMENTS AT THE END OF PERIOD	948,625	1,165,103

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**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

STOCK EXCHANGE CODE: SIMEC  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: 2 YEAR: 2006

**STATEMENTS OF CHANGES IN FINANCIAL POSITION  
BREAKDOWN OF MAIN CONCEPTS  
(thousands of pesos)**

REF C	CONCEPTS	CURRENT YEAR AMOUNT	PREVIOUS YEAR AMOUNT
<b>c02</b>	<b>+ (-) ITEMS ADDED TO INCOME WHICH DO NOT REQUIRE CASH</b>	<b>139,616</b>	<b>65,638</b>
c13	DEPRECIATION AND AMORTIZATION FOR THE YEAR	201,972	130,940
c41	+ (-) OTHER ITEMS	(62,356)	(65,302)
<b>c04</b>	<b>RESOURCES PROVIDED OR USED IN OPERATION</b>	<b>(900,883)</b>	<b>94,394</b>
c18	+ (-) DECREASE (INCREASE) IN ACCOUNT RECEIVABLES	(231,369)	(220,389)
c19	+ (-) DECREASE (INCREASE) IN INVENTORIES	(615,074)	141,269
c20	+ (-) DECREASE (INCREASE) IN OTHER ACCOUNT RECEIVABLES	(5,285)	104,777
c21	+ (-) DECREASE (INCREASE) IN SUPPLIERS	228,438	(126,278)
c22	+ (-) DECREASE (INCREASE) IN OTHER LIABILITIES	(277,593)	195,015
<b>c06</b>	<b>RESOURCES PROVIDED BY (USED FOR) EXTERNAL FINANCING ACTIVITIES</b>	<b>(409,142)</b>	<b>(158,067)</b>
c23	+ BANK FINANCING	0	(1,266)
c24	+ STOCK MARKET FINANCING	166	0



c25	+ DIVIDEND RECEIVED	0	0
c26	OTHER FINANCING	0	1,349
c27	BANK FINANCING AMORTIZATION	(409,308)	(158,150)
c28	(-) STOCK MARKET FINANCING AMORTIZATION	0	0
c29	(-) OTHER FINANCING AMORTIZATION	0	0
c42	+ (-) OTHER ITEMS	0	0
<b>c07</b>	<b>RESOURCES PROVIDED BY (USED FOR) INTERNAL FINANCING ACTIVITIES</b>	<b>122,170</b>	<b>0</b>
c30	+ (-) INCREASE (DECREASE) IN CAPITAL STOCK	36,078	0
c31	(-) DIVIDENDS PAID	0	0
c32	+ PREMIUM ON ISSUANCE OF SHARES	86,092	0
c33	+ CONTRIBUTION FOR FUTURE CAPITAL INCREASES	0	0
c43	+ (-) OTHER ITEMS	0	0
<b>c09</b>	<b>RESOURCES PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES</b>	<b>248,152</b>	<b>35,163</b>
c34	+ (-) INCREASE (DECREASE) IN PERMANENT STOCK INVESTMENTS	0	0
c35	(-) ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	(149,797)	(7,465)
c36	(-) INCREASE IN CONSTRUCTION PROGRESS	0	0
c37	+ SALE OF OTHER PERMANENT INVESTMENTS	0	0
c38	+ SALE OF TANGIBLE FIXED ASSETS	0	0
c39	+ (-) OTHER ITEMS	397,949	42,628

**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

DATA PER SHARE  
CONSOLIDATED

REF D	CATEGORIES	QUARTER OF PRESENT FINANCIAL YEAR	QUARTER OF PREVIOUS FINANCIAL YEAR
d01	BASIC PROFIT PER ORDINARY SHARE (**)	\$ 4.86	\$ 10.34
d02	BASIC PROFIT PER PREFERRED SHARE (**)	\$ 0.00	\$ 0.00
d03	DILUTED PROFIT PER ORDINARY SHARE (**)	\$ 0.00	\$ 0.00
d04	CONTINUING OPERATING PROFIT PER COMMON SHARE (**)	\$ 4.86	\$ 10.34
d05	EFFECT OF DISCONTINUED OPERATIONS ON CONTINUING OPERATING PROFIT PER SHARE (**)	\$ 0.00	\$ 0.00
d06	EFFECT OF EXTRAORDINARY PROFIT AND LOSS ON CONTINUING OPERATING PROFIT PER SHARE (**)	\$ 0.00	\$ 0.00
d07	EFFECT BY CHANGES IN ACCOUNTING POLICIES ON CONTINUING OPERATING PROFIT PER SHARE (**)	\$ 0.00	\$ 0.00
d08	CARRYING VALUE PER SHARE	\$ 22.89	\$ 52.35
d09	CASH DIVIDEND ACCUMULATED PER SHARE	\$ 0.00	\$ 0.00
d10		0.00 shares	0.00 shares

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	DIVIDEND IN SHARES PER SHARE		
d11	MARKET PRICE TO CARRYING VALUE	1.24 times	0.88 times
d12	MARKET PRICE TO BASIC PROFIT PER ORDINARY SHARE	5.82 times	4.48 times
d13	MARKET PRICE TO BASIC PROFIT PER PREFERRED SHARE (**)	0.00 times	0.00 times

(\*\*) TO CALCULATE THE DATE PER SHARE USE THE NET INCOME FOR THE LAST TWELVE MONTHS.

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**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

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GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**RATIOS  
CONSOLIDATED**

REF P	CATEGORIES	QUARTER OF PRESENT FINANCIAL YEAR	QUARTER OF PREVIOUS FINANCIAL YEAR
	<b>YIELD</b>		
p01	NET INCOME TO NET SALES	12.92%	16.82%
p02	NET INCOME TO STOCKHOLDERS' EQUITY (**)	20.99%	19.34%
p03	NET INCOME TO TOTAL ASSETS (**)	13.59%	14.81%
p04	CASH DIVIDENDS TO PREVIOUS YEAR NET INCOME	0.00%	0.00%
p05	INCOME DUE TO MONETARY POSITION TO NET INCOME	0.75%	(1.26)%
	<b>ACTIVITY</b>		
p06	NET SALES TO NET ASSETS (**)	1.29 times	0.75 times
p07	NET SALES TO FIXED ASSETS (**)	2.83 times	1.25 times
p08	INVENTORIES TURNOVER (**)	4.10 times	4.19 times
p09	ACCOUNTS RECEIVABLE IN DAYS OF SALES	33.65 days	53.53 days
p10	PAID INTEREST TO TOTAL LIABILITIES WITH COST (**)	1,297.50%	127.33%
	<b>LEVERAGE</b>		
p11	TOTAL LIABILITIES TO TOTAL ASSETS	27.60%	23.39%

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p12	TOTAL LIABILITIES TO STOCKHOLDERS' EQUITY	0.38 times	0.30 times
p13	FOREIGN CURRENCY LIABILITIES TO TOTAL LIABILITIES	40.84%	6.45%
p14	LONG-TERM LIABILITIES TO FIXED ASSETS	0.00%	0.00%
p15	OPERATING INCOME TO INTEREST PAID	290.35 times	320.30 times
p16	NET SALES TO TOTAL LIABILITIES (**)	4.69 times	3.23 times
	<b>LIQUIDITY</b>		
p17	CURRENT ASSETS TO CURRENT LIABILITIES	3.30 times	4.12 times
p18	CURRENT ASSETS LESS INVENTORY TO CURRENT LIABILITIES	1.60 times	2.91 times
p19	CURRENT ASSETS TO TOTAL LIABILITIES	1.84 times	1.59 times
p20	AVAILABLE ASSETS TO CURRENT LIABILITIES	37.42%	136.25%
	<b>CASH FLOW</b>		
p21	RESOURCES FROM NET INCOME TO NET SALES	14.09%	18.66%
p22	RESOURCES FROM CHANGES IN WORKING CAPITAL TO NET SALES	(7.56)%	2.64%
p23	RESOURCES GENERATED (USED) IN OPERATING TO INTEREST PAID	144.21 times	279.56 times
p24	EXTERNAL FINANCING TO RESOURCES PROVIDED BY (USED FOR) FINANCING	142.57%	100.00%
p25	INTERNAL FINANCING TO RESOURCES PROVIDED (USED FOR) FINANCING	(42.57)%	0.00%
p26	RESOURCES PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES	(60.36)%	(21.22)%

(\*\*) IN THESE RATIOS FOR THE DATA TAKE INTO CONSIDERATION THE LAST TWELVE MONTHS

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**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
CONSOLIDATED**

Grupo Simec, S.A. de C.V. (Simec), announced restated net consolidated income for the six-months ended June 30, 2006 of Ps. 1,539 million, as compared to Ps. 1,412 million reported previously in the company's quarterly report for the second quarter 2006 filed with the Mexican Stock Exchange. This increase of Ps. 127 million in net consolidated income for this period principally reflects a reduction in previously reported total income tax of approximately Ps. 150 million, offset by an increase in comprehensive financial result of approximately Ps. 20 million.

The adjustment to total income tax is the result of a recalculation of deferred income tax at June 30, 2006, in which part of a deferred credit was amortized by deferred tax and as a result net income tax was reduced in the amount of approximately Ps. 150 million. The adjustment to comprehensive financial result reflects the inclusion of monetary position results for PAV Republic, the company's majority-owned U.S. subsidiary, as a result of the application of a U.S. inflation-based index to the results of operations of the U.S. subsidiary under Mexican financial reporting standards.

The company's restated earnings per share for the six-months ended June 30, 2006 are accordingly Ps. 3.21, as opposed to the previously reported earnings per share of Ps. 2.95.

Attached to this report are the financial statements of the company which include the aforementioned adjustments. Below is management's discussion and analysis of financial condition and results of operations, with restated amounts.

Six-Month Period Ended June 30, 2006 compared to Six-Month Period Ended June 30, 2005

**Net Sales**

Net sales of Simec increased 233% to Ps. 11,912 million in the six-month period ended June 30, 2006 (including the net sales generated by the newly acquired plants of Republic of Ps. 8,366 million), compared to Ps. 3,573 million in the same period of 2005. Sales in metric tons of basic steel products increased 162% to 1,369,352 metric tons in the six-month period ended June 30, 2006 (including 851,752 metric tons generated by the newly acquired plants of Republic) compared to 523,501 metric tons in the same period of 2005. Exports (including sales by U.S. subsidiaries) of basic steel products increased 1,116% to 908,283 metric tons in the six-month period ended June 30, 2006 (including 851,752 metric tons generated by the newly acquired plants of Republic) versus 74,692 metric tons in the same period of 2005. Additionally, Simec sold 1,388 metric tons of billet in the six-month period ended June 30, 2006, compared to 12,870 tons of billet in the same period of 2005. The average price of steel products (excluding the sales of Republic) increased 2% in real terms in the six-month period ended June 30, 2006 versus the same period of 2005.

**Direct Cost of Sales**





Simec's direct cost of sales increased 316% to Ps. 9,682 million in the six-month period ended June 30, 2006 (including Ps. 7,466 million relating to the newly acquired plants of Republic) compared to Ps. 2,326 million in the same period of 2005. Direct cost of sales as a percentage of net sales was 81% (63% excluding the cost of sales of Republic) in the six-month period ended June 30, 2006 compared to 65% in the same period of 2005. The average cost of raw materials used to produce steel products (excluding the production of Republic) decreased 2% in real terms in the six-month period ended June 30, 2006 versus the same period of 2005.

#### Marginal Profit

Simec's marginal profit increased 79% to Ps. 2,230 million in the six-month period ended June 30, 2006 (including Ps. 900 million relating to the newly acquired plants of Republic) compared to Ps. 1,247 million in the same period of 2005. As a percentage of net sales, marginal profit was 19% (37% excluding the marginal profit of Republic) in the six-month period ended June 30, 2006 compared to 35% in the same period of 2005.

#### Indirect Manufacturing, Selling, General and Administrative Expenses

Indirect manufacturing, selling, general, and administrative expenses (which include depreciation and amortization) increased 77% to Ps. 664 million in the six-month period ended June 30, 2006 (including Ps. 304 million relating to the newly acquired plants of Republic) from Ps. 375 million in the same period of 2005. Depreciation and amortization expense, in the six-month period ended June 30, 2006 increased to Ps. 202 million (including Ps. 68 million relating to the newly acquired plants of Republic) compared to Ps. 131 million in the same period of 2005.

#### Operating Income

Simec's operating income increased 79% to Ps. 1,566 million in the six-month period ended June 30, 2006 (including Ps. 596 million relating to the newly acquired plants of Republic) compared to Ps. 872 million in the same period of 2005. As a percentage of net sales, operating income decreased 11 percentage points (increased 3 percentage points excluding the operating income of Republic) from 24% in the six-month period ended June 30, 2005 to 13% (27% excluding the operating income of Republic) in the six-month period ended June 30, 2006.

#### Financial Income (Expense)

Simec recorded financial income of Ps. 45 million in the six-month period ended June 30, 2006 compared to financial expense of Ps. 35 million in the same period of 2005. Net interest income was Ps. 15 million in the six-month period ended June 30, 2006 versus net interest income of Ps. 8 million in the same period of 2005.

Simec recorded an exchange gain of approximately Ps. 19 million in the six-month period ended June 30, 2006 compared to an exchange loss of Ps. 36 million in the same period of 2005, reflecting a 5.7% decrease in the value of the peso versus the dollar in the six-month period ended June 30, 2006 compared to a 3.7% increase in the value of the peso versus the dollar in the same period of 2005. Simec recorded a gain from monetary position of Ps. 11 million in the six-month period ended June 30, 2006 compared to a loss from monetary position of Ps. 7 million in the same period of 2005, reflecting the domestic inflation rate of 0.7% in the six-month period ended June 30, 2006 as compared to 0.8% in the same period of 2005.

#### Other Income (Expense), Net

Simec recorded other income, net, of Ps. 33 million in the six-month period ended June 30, 2006 compared to other income, net, of Ps. 8 million in the same period of 2005.

#### Income Tax and Employee Profit Sharing

Simec recorded a provision of Ps. 105 million for income tax and employee profit sharing in the six-month period ended June 30, 2006 (including a decrease in the provision of Ps. 63 million with respect to deferred income tax) compared to a provision of Ps. 244 million in the same period of 2005 (including a decrease in the provision of Ps. 65 million with respect to deferred income tax).

#### Minority Interest

Simec recorded minority interest of Ps. 193 million in the six-month period ended June 30, 2006 versus no minority interest recorded in the same period of 2005. The minority interest reflects the 49.8% interest in Republic held by ICH.

#### Net Income

As a result of the foregoing Simec recorded net income of Ps. 1,346 million in the six-month period of 2006 compared to net income of Ps. 601 million in the same period of 2005.

#### Deferred Taxes

Pursuant to Bulletin D-4 issued by the Mexican Institute of Public Accountants, beginning January 1, 2000, companies reporting under Mexican general accepted accounting principles shall record deferred taxes under the balance sheet. At June 30, 2006, Simec recorded a deferred credit of Ps. 1,985 million compared to Ps. 1,327 million at June 30, 2005. The effect on Simec's consolidated statement of income in the six-month period ended June 30, 2006 was a decrease of Ps. 63 million in the provision for income tax and employee profit sharing compared to a decrease in the provision for income tax of Ps. 65 million in the same period of 2005. These provisions do not affect the cash flow of Simec.

#### Liquidity and Capital Resources

At June 30, 2006 Simec's total consolidated debt consisted of Ps. 3.4 million of medium-term notes (U.S. \$302,000 dollars; accrued interest of U.S. \$322,798 dollars). At December 31, 2005, Simec's total consolidated debt consisted of Ps. 413 million (U.S. \$38 million dollars), of which U.S.\$33.4 million dollars was debt held by GE Capital, U.S.\$4.3 million dollars held by the Ohio Department of Development Loan, and Ps. 3.3 million of medium-term notes (U.S. \$302,000 dollars; accrued interest of U.S. 309,311 dollars).

On July 22, 2005, Simec and its parent company, Industrias CH, S.A. de C.V. ("ICH"), acquired 100% of the stock of PAV Republic, Inc. ("Republic"). The transaction was valued in U.S.\$229 million dollars. Simec, ICH's largest subsidiary, acquired 50.2% of Republic's stock, and ICH purchased the remaining 49.8%. The transaction was financed with financial resources of both ICH and Simec. At June 30, 2005, Republic repaid in full its outstanding bank debt. Republic is a leading company in the steel industry (SBQ steel) in the United States and, jointly, with Simec, they constitute the leading producer of special steel products in the American continent.

Net resources provided by operations were Ps. 778 million in the six-month period ended June 30, 2006 versus Ps. 761 million of net resources provided by operations in the same period of 2005. Net resources used by financing activities were Ps. 287 million in the six-month period ended June 30, 2006 (which amount includes the prepayment of Ps. 409 million (U.S. \$37.7 million) of Republic's bank debt and a capital contribution of certain minority shareholders of Simec of Ps. 122 million) versus Ps. 158 million of net resources used by financing activities in the same period of 2005. Net resources provided by investing activities (to acquire property, plant and equipment, other non-current assets and liabilities and Proceeds from insurance claim) were Ps. 248 million in the six-month period ended June 30, 2006 versus net resources provided by investing activities of Ps. 35 million in the same period of 2005.

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**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**FINANCIAL STATEMENT NOTES  
CONSOLIDATED**

**(1) Operations preparation bases and summary of significant accounting policies:**

Grupo Simec, S.A. de C.V. and its Subsidiaries ("the Company") are subsidiaries of Industrias CH, S.A. de C.V. ("ICH"), and their main activities consist of the manufacturing and sale of steel products primarily destined for the construction sector of Mexico and other countries.

Significant accounting policies and practices followed by the Companies which affect the principal captions of the financial statements are described below:

**a. Financial statement presentation** - The consolidated financial statements have been prepared in accordance with principles generally accepted in Mexico, which include the recognition of the effects of inflation on the financial information and the presentation in constant Mexican pesos.

**b. Principles of Consolidation** - As part of the financial debt restructuring agreement into during 1997, Compañía Siderúrgica de Guadalajara, S.A. de C.V. ("CSG") assumed all of the debt of the Company in return for an equity interest in its subsidiaries. As a result of the above, the Company is the principal shareholder of CSG, and CSG is the principal shareholder of the other subsidiaries that Grupo Simec, S.A. de C.V. ("Simec") controlled before the restructuring.

The main subsidiaries of CSG are the following:

- Compañía Siderúrgica de California, S.A. de C.V.
- Industrias del Acero y del Alambre, S.A. de C.V.
- Pacific Steel Inc.
- SimRep Corporation and PAV Republic and Subsidiaries

All significant intercompany balances and transactions have been eliminated in consolidation.

**c. Cash and cash equivalents** - The Company considers short-term investments with original maturities not greater than three months to be cash equivalent. Cash equivalents include temporary investments and Mexican Government Treasury Bonds, and are stated at market value, which approximates cost plus earned interest. Any increase in market value is credited to operations for the period.

**d. Inventories** - The inventories are originally stated at average cost and subsequently adjusted to replacement value at the balance sheet date. The replacement values do not exceed market and are determined as follows:

Billet finished goods and work in process - At the latest production cost for the month.

Raw materials - According to purchase prices prevailing in the market at the balance sheet date.

Materials, supplies and rollers - At historical cost, restated by applying the steel industry inflation index.

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The Company presents as non-current inventories the rollers and spare parts, which according to historical data and production trends will not be used within a one-year period.

**e.- Derivative financial instruments--** The Company is using derivative financial instruments for hedging risks associated with natural gas prices and conducted studies on historical consumption, future requirements and commitments; thus it avoided exposure to risks other than the normal operating risks. Management of the Company examines its financial risks by continually analyzing price, credit and liquidity risks.

The Company uses futures contracts for hedging risks from fluctuations in natural gas prices, which are based on demand and supply at the principal international markets.

As applicable, the Company recognized the fair value of instruments either as liabilities or assets. Such fair value and thus, the value of these assets or liabilities were restated at each month's-end. The Company opted for the early adoption of Bulletin C-10 "Derivative Financial Instruments and Hedging"; therefore, at December 31, 2003 the fair value of natural gas in force during 2004, 2005 and 2006 and which effective portions will not be offset against the asset risks until consumed, were recognized within the comprehensive income account in stockholders' equity.

**f. Property, plant and equipment** - Property, plant and equipment of domestic origin are restated by using factors derived from The National Consumer Price Index ("NCPI") from the date of their acquisition, and imported machinery and equipment are restated by applying devaluation and inflation factors of the country of origin. Depreciation recorded in the consolidated statement of income (loss) is computed based upon the estimated useful life and the restated cost of each asset. In addition, Financial expense incurred during the construction period is capitalized as construction in progress. The capitalized amounts are restated using a factor derived from the NCPI cumulative from the date of capitalization through period-end and are amortized over the average depreciation period of the corresponding assets. The estimated useful lives of assets as of June 30, 2006 are as follows:

	<u>Years</u>
Buildings	15 to 50
Machinery and equipment	10 to 40
Buildings and improvements (Republic)	10 to 25
Land improvements (Republic)	5 to 25
Machinery and equipment (Republic)	5 to 20

**g. Other assets** - Organization and pre-operating expenses are capitalized and restated using a factor derived from the NCPI cumulative from the date of generation through period-end, and their amortization is calculated by the straight-line method over a period of 20 years.

**h. Seniority premiums and severance payments** - According to Federal Labor Law, employees are entitled to seniority premiums after fifteen years or more of services. These premiums are recognized as expenses in the years in which the services are rendered, using actuarial calculations based on the projected unit credit method, and since 1996 by applying real interest and salary increases.

Any other payments to which employees may be entitled in case of separation, disability or death, are charged to operations in the period in which they become payable.

**i. Pension plan** - Until 1995, the Company provided pension benefits for all personnel with a minimum of 10 years of service and 35 years of age. The Company had established an irrevocable trust for its contributions, which were based on actuarial calculations. In December 1995, the board of directors of the Company, in agreement with the trade union, discontinued these benefits and related contributions to the trust fund. This decision was made because of

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the new Mexican pension fund system, Administradoras de Fondos para el Retiro, which establishes similar benefits for the employees. The balance of the trust fund will be applied to the retirement benefits of qualifying employees until the fund is exhausted due to the irrevocable status of the fund.

The Company does not have any contractual obligation regarding the payment of pensions of retirements.

**j. Cost of sales** - Cost of sales related to sales of inventory items is recorded at standard cost, which approximates the replacement cost at the date of sale.

**k. Income tax and employee profit sharing** - In 1999, the Mexican Institute of Public Accountants issued Bulletin D-4, "Accounting for Income and Asset Taxes and Employee Profit Sharing", which is effective for all fiscal years beginning January 1, 2000. Bulletin D-4 establishes financial accounting and reporting standards for the effects of asset tax, income tax and employee profit sharing that result from enterprise activities during the current and preceding years.

The Company and its subsidiaries are included in the consolidated tax returns of the company's parent.

**l. Foreign currency transactions and exchange differences** - All transactions in foreign currency are recorded at the exchange rates prevailing on the date of their execution or liquidation. Foreign currency denominated assets and liabilities are translated at the exchange rates prevailing at the balance sheet date. Any exchange differences incurred with regard to assets or liabilities denominated in foreign currency are charged to operations of the period and are included in financial income (expense) in the accompanying consolidated statements of income (loss).

For consolidation purposes, the financial statements of the subsidiaries abroad, SimRep and subsidiaries, Pacific Steel and Undershaft Investment, were translated into pesos in conformity with Mexican accounting Bulletin B-15, Transactions in Foreign Currency and Translation of Financial Statements of Foreign Operations.

The subsidiary SimRep was considered as a foreign entity for translation purposes; therefore the financial statements as reported by the subsidiary abroad were adjusted to conform with Mexican GAAP, which includes the recognition of the effects of inflation as required by Mexican accounting Bulletin B-10, applying inflation adjustment factors derived from the U.S. Consumer Price Index (CPI) published by the U.S. labor department, The financial information already restated to include inflationary effects, is translated to Mexican pesos as follows:

- By applying the prevailing exchange rate at the consolidated balance sheet date for monetary and non-monetary assets and liabilities.
- By applying the prevailing exchange rate for stockholders' equity accounts, at the time capital contributions were made and earnings were generated.
- By applying the prevailing exchange rate at the consolidated balance sheet date for revenues and expenses during the reporting period.
- The related effect of translation is recorded in stockholders' equity under the caption Equity adjustments for non monetary assets.
- The resulting amounts were restated applying adjustment factors derived from the NCPI, in conformity with Mexican accounting Bulletin B-10.

The subsidiaries Pacific Steel and Undershaft Investment, were considered an "integral part of the operations" of the Company; and the financial statements of such subsidiaries were translated into Mexican pesos as follows:

By applying the prevailing exchange rate at the consolidated balance sheet date for monetary items.





By applying the prevailing exchange rate at the time the non-monetary assets and capital are generated, and the weighted average exchange rate of the period for income statement items.

The related effect of translation is recorded in the statement of operations as part of the caption Comprehensive financing cost.

The resulting amounts were restated applying adjustment factors derived from the Mexican NCPI, in conformity with Mexican accounting Bulletin B-10.

**m. Geographic concentration of credit risk** - The Company sells its products primarily to distributors for the construction industry with no specific geographic concentration. Additionally, no single customer accounted for a significant amount of the Company's sales, and there were no significant accounts receivable from a single customer or affiliate at June 30, 2005 and at June 30, 2006, direct sales to United States Steel Corp. (US Steel) accounted for 16.9% of the Republic's sales. The Company performs evaluations of its customers' credit histories and establishes an allowance for doubtful accounts based upon the credit risk of specific customers and historical trends.

**n. Other income (expenses)** - Other income (expenses) shown in the consolidated statements of operations primarily includes other financial operations.

**o. Gain on monetary position** - The gain on monetary position in the consolidated statements of income (loss) is determined by applying to net monetary assets or liabilities at the beginning of each month the factor of inflation derived from the NCPI and is restated at period-end with the corresponding factor.

**p. Restatement of capital stock and retained earnings (losses)** - This is determined by multiplying capital stock contributions and retained earnings (losses) by factors derived from the NCPI, which measure the cumulative inflation from the date when capital stock contributions were made and earnings (losses) were generated, through the latest period-end.

**q. Effect of restatement of stockholders' equity** - The effect resulting from restating stockholders' equity includes the accumulated effect from holding non-monetary assets, which represents the change in the specific price level of those assets compared to the change in the NCPI.

**(2) Financial Debt:**

At June 30, 2006 Simec's total consolidated debt consisted of U.S. \$302,000 of 8 7/8% medium-term notes ("MTN's") due 1998 (accrued interest at June 30, 2006 was U.S. \$322,798 dollars). At December 31, 2005, Simec's total consolidated debt consisted of U.S. \$38 million (Ps. 413 million), of which \$33.4 million was debt held by GE Capital, \$4.3 million dollars held by the Ohio Department of Development Loan, and U.S. \$302,000 of 8 7/8% medium-term notes ("MTN's") due 1998 (accrued interest at December 31, 2005 was U.S. 309,311 dollars).

**(3) Commitments and contingent liabilities:**

a. Pacific Steel, Inc. (a wholly-owned subsidiary located in the U.S.A.) has been named in various claims and suits relating to the generation, storage, transport, disposal and cleanup of materials classified as hazardous waste. The Company has accrued approximately Ps. 14,712 (U.S. \$1,290,843) at June 30, 2006, (included in accrued liabilities) relating to these actions; the reduction of this reserve from previous levels reflects clean-up activities undertaken by Simec. Management believes the ultimate liability with respect to this matter will not exceed the amounts that have been accrued.

b. The Company is subject to various other legal proceeding and claims, which have arisen, in the ordinary course of its business. It is the opinion of management that their ultimate resolution will not have a material adverse effect on the Company's consolidated financial position or consolidated results of operations.

c. Compañía Siderúrgica de Guadalajara, S.A. de C.V. has entered into a gas and liquid oxygen purchase agreement with Praxair de México, S.A. de C.V., under which it is committed to acquire monthly over a fifteen-year period beginning January 1, 1989, a certain amount of product. At present required purchases amount to Ps. 1,464 per month.

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**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**RELATIONS OF SHARES INVESTMENTS  
CONSOLIDATED**

COMPANY NAME	MAIN ACTIVITIES	NUMBER OF SHARES	OWNERSHIP
<b>SUBSIDIARIES</b>			
Cia. Siderúrgica de Guadalajara	Sub-Holding		99.99
Administradora de Cartera de Occidente	Administration of accounts receivable		99.99
Simec International	Production and sales of steel products		99.99
Arrendadora Simec	Production and sales of steel products		100.00
Controladora Simec	Sub-Holding		100.00
Pacific Steel	Scrap purchase		100.00
Cia. Siderúrgica del Pacífico	Rent of land		99.99
Coordinadora de Servicios Siderúrgicos de Calidad	Administrative services		100.00
Administradora de Servicios de la Industria Siderúrgica	Administrative services		99.99
Industrias del Acero y del Alambre	Sales of steel products		99.99
Procesadora Mexicali	Scrap purchase		99.99
Servicios Simec	Administrative services		100.00
Sistemas de Transporte de Baja California			100.00
Operadora de Metales	Administrative services		100.00
Operadora de Servicios Siderúrgicos de Tlaxcala	Administrative services		100.00
Administradora de Servicios Siderúrgicos de Tlaxcala	Administrative services		100.00
Operadora de Servicios de la Industria Siderúrgica	Administrative services		100.00
SimRep	Sub-Holding		100.00
PAV Republic	Production and sales of		100.00

	steel products		
<b>TOTAL INVESTMENT IN SUBSIDIARIES</b>			
<b>ASSOCIATES</b>		0	0.00
<b>TOTAL INVESTMENT IN ASSOCIATES</b>			0.00
<b>OTHER PERMANENT INVESTMENTS</b>			0.00
<b>TOTAL</b>			

NOTES

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**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**CREDITS BREAKDOWN  
(THOUSANDS OF MEXICAN PESOS)**

CONSOLIDATED

II	Amortization	Rate of	Denominated in Pesos (Thousands of Pesos)					Denominated in Fopreign Currency (Thousands of Pesos)						
	Date	Interest	Time Interval					Time Interval						
Credit Type / Institution			Current	Until 1	Until 2	Until 3	Until 4	Until 5	Current	Until 1	Until 2	Until 3	Until 4	Until 5
			Year	Year	Years	Years	Years	Years or More	Year	Year	Years	Years	Years	Years or More
<b>BANKS</b>														
With Warranty			0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL BANKS</b>			0	0	0	0	0	0	0	0	0	0	0	0
<b>LISTED IN THE STOCK EXCHANGE</b>														
<b>UNSECURED DEBT</b>														
Medium Term Notes	15/12/1998	9.33	0	0	0	0	0	0	3,442	0	0	0	0	0
<b>TOTAL STOCK</b>			0	0	0	0	0	0	3,442	0	0	0	0	0

<b>EXCHANGE</b>														
<b>SUPPLIERS</b>														
Various			363,367	0	0	0	0	0	0	1,276,885	0	0	0	0
<b>TOTAL SUPPLIERS</b>			363,367	0	0	0	0	0	0	1,276,885	0	0	0	0
<b>OTHER CURRENT LIABILITIES AND OTHER CREDITS</b>														
Various			428,992	0	0	0	0	0	0	202,814	0	0	0	0
<b>TOTAL OTHER CURRENT LIABILITIES AND OTHER CREDITS</b>			428,992	0	0	0	0	0	0	202,814	0	0	0	0

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<b>TOTAL</b>			792,359	0	0	0	0	0	3,442	1,479,699	0	0	0	0

**NOTES:** The exchange rate of the peso to the U.S. Dollar at June 30, 2006 was Ps. 11.3973

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MEXICAN STOCK EXCHANGE  
SIFIC / ICS

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**MONETARY FOREIGN CURRENCY POSITION**  
(Thousands of Mexican Pesos)

**CONSOLIDATED**

FOREIGN CURRENCY POSITION	DOLLARS		OTHER CURRENCIES		TOTAL
	THOUSANDS OF DOLLARS	THOUSANDS OF PESOS	THOUSANDS OF DOLLARS	THOUSANDS OF PESOS	THOUSANDS OF PESOS
<b>TOTAL ASSETS</b>	<b>212,394</b>	<b>2,420,705</b>	<b>16</b>	<b>184</b>	<b>2,420,889</b>
<b>LIABILITIES POSITION</b>	<b>162,410</b>	<b>1,851,033</b>	<b>190</b>	<b>2,169</b>	<b>1,853,202</b>
SHORT TERM LIABILITIES POSITION	162,410	1,851,033	190	2,169	1,853,202
LONG TERM LIABILITIES POSITION	0	0	0	0	0
<b>NET BALANCE</b>	<b>49,984</b>	<b>569,672</b>	<b>(174)</b>	<b>(1,985)</b>	<b>567,687</b>

**NOTES**

THE EXCHANGE RATE OF THE PESO TO THE U.S. DOLLAR AT JUNE 30, 2006 WAS PS. 11.3973



MEXICAN STOCK EXCHANGE  
SIFIC / ICS

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**RESULT FROM MONETARY POSITION**  
(Thousands of Mexican Pesos)

**CONSOLIDATED**

MONTH	MONETARY ASSETS	MONETARY LIABILITIES	ASSET (LIABILITY ) MONETARY POSITION	MONTHLY INFLATION	MONTHLY (PROFIT ) AND LOSS
JANUARY	1,913,974	912,170	1,001,804	0.59	5,875
FEBRUARY	1,762,423	862,009	900,414	0.15	1,378
MARCH	1,754,283	844,712	909,571	0.13	1,141
APRIL	1,767,088	1,342,592	424,496	0.15	622
MAY	1,952,871	1,725,270	227,601	(0.45)	(1,013)
JUNE	1,871,618	1,404,694	466,924	0.09	420
ACTUALIZATION					(3)
CAPITALIZATION					0
FOREIGN CORPORATION					(19,994)
OTHER					0
TOTAL					(11,574)

MEXICAN STOCK EXCHANGE  
SIFIC / ICS

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**DEBT INSTRUMENTS**

**CONSOLIDATED**

**FINANCIAL LIMITED BASED IN ISSUED DEED AND/OR TITLE**

**MEDIUM TERM NOTES**

- A) Current assets to current liabilities must be 1.0 times or more.
- B) Total liabilities to total assets do not be more than 0.60.
- C) Operating income plus items added to income which do not require using cash must be 2.0 times or more.

This notes was offered in the international market.

**ACTUAL SITUATION OF FINANCIAL LIMITED**

**MEDIUM TERM NOTES**

- A) Accomplished the actual situation is 3.31 times.
- B) Accomplished the actual situation is 0.28
- C) Accomplished the actual situation is 327.79

As of June 30, 2006, the remaining balance of the MTNs not exchanged amounts to Ps. 3,442 (\$302,000 dollars).

C.P. José Flores Flores  
Chief Financial Officer

**BONDS AND/OR MEDIUM TERM NOTES CERTIFICATE**

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MEXICAN STOCK EXCHANGE  
SIFIC / ICS

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**PLANTS, COMMERCE CENTERS OR DISTRIBUTION CENTERS**

**CONSOLIDATED**

<b>PLANT OR CENTER</b>	<b>ECONOMIC ACTIVITY</b>	<b>PLANT CAPACITY</b>	<b>UTILIZATION (%)</b>
GUADALAJARA MINI MILL	PRODUCTION AND SALES OF STEEL PRODUCTS	480	83.50
MEXICALI MINI MILL	PRODUCTION AND SALES OF STEEL PRODUCTS	250	83.83
INDUSTRIAS DEL ACERO Y DEL ALAMBRE	SALE OF STEEL PRODUCTS	0	0
APIZACO AND CHOLULA PLANTS	PRODUCTION AND SALES OF STEEL PRODUCTS	460	91.23
CANTON CASTER FACILITY	PRODUCTION OF BILLET	787	79.80
LORAIN CASTER FACILITY	PRODUCTION OF BILLET	1,169	90.20
LORAIN HOT-ROLLING MILL	PRODUCTION AND SALES OF STEEL PRODUCTS	838	88.20
LACKAWANNA HOT-ROLLING MILL	PRODUCTION AND SALES OF STEEL PRODUCTS	544	98.40
MASSILLON COLD-FINISH FACILITY	PRODUCTION AND SALES OF STEEL PRODUCTS	125	78.00
GARY COLD-FINISH FACILITY	PRODUCTION AND SALES OF STEEL PRODUCTS	71	66.50
ONTARIO COLD-FINISH FACILITY	PRODUCTION AND SALES OF STEEL PRODUCTS	59	63.80

MEXICAN STOCK EXCHANGE  
SIFIC / ICS

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**MAIN RAW MATERIALS**

**CONSOLIDATED**

<b>DOMESTIC</b>	<b>MAIN SUPPLIERS</b>	<b>FOREIGN</b>	<b>MAIN SUPPLIERS</b>	<b>DOMESTIC SUBSTITUTION</b>	<b>COST PRODUCTION (%)</b>
SCRAP	VARIOUS	SCRAP	VARIOUS	YES	23.74
ELECTRICITY	C.F.E		AEP, OHIO EDISON	NO	5.89
FERROALLOYS	MINERA AUTLAN	FERROALLOYS	GFM TRADING	YES	10.33
ELECTRODES	UCAR CARBON MEXICANA	ELECTRODES	SGL CARBON GROUP	YES	1.53

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MEXICAN STOCK EXCHANGE  
SIFIC / ICS

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**SELLS DISTRIBUTION BY PRODUCT  
CONSOLIDATED**

**DOMESTIC SELLS**

MAIN PRODUCTS	NET SALES		MAIN DESTINATION	
	VOLUME	AMOUNT	TRADEMARKS	COSTUMERS
STRUCTURAL PROFILES	90	633,586		
COMMERCIAL PROFILES	69	451,280		
REBAR	124	859,395		
FLAT BAR	75	481,367		
STEEL BARS	104	758,094		
OTHER	0	661		
BILLET	0	389		
HOT-ROLLED BARS				
COLD-FINISHED BARS				
SEMI-FINISHED SEAMLESS TUBE ROUNDS				
OTHER SEMI-FINISHED TRADE PRODUCTS				
<b>T O T A L</b>		<b>3,184,772</b>		
<b>FOREIGN SALES</b>		<b>8,727,694</b>		
<b>TOTAL</b>		<b>11,912,466</b>		

MEXICAN STOCK EXCHANGE  
SIFIC / ICS

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**SELLS DISTRIBUTION BY PRODUCT**

**CONSOLIDATED**

**FOREIGN SELLS**

MAIN PRODUCTS	NET SELLS		MAIN	
	VOLUME	AMOUNT	TRADEMARKS	COSTUMERS
<b>EXPORTS</b>				
STRUCTURAL PROFILES	16	101,920		
COMMERCIAL PROFILES	11	67,115		
REBAR	12	64,598		
STEEL BARS	2	15,937		
FLAT BAR	14	105,002		
BILLET	1	7,219		
<b>FOREIGN SUBSIDIARIES</b>				
HOT-ROLLED BARS	516	5,387,125		
COLD-FINISHED BARS	77	1,111,715		
SEMI-FINISHED SEAMLESS TUBE ROUNDS	210	1,419,765		
OTHER SEMI-FINISHED TRADE PRODUCTS	49	447,298		
<b>T O T A L</b>		<b>8,727,694</b>		

MEXICAN STOCK EXCHANGE  
SIFIC / ICS

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**CONSOLIDATED**

**INTEGRATION OF THE PAID SOCIAL CAPITAL STOCK  
CHARACTERISTICS OF THE SHARES**

SERIES	NOMINAL VALUE	VALID COUPON	NUMBER OF SHARES				CAPITAL STOCK (Thousands of Pesos)	
			FIXED PORTION	VARIABLE PORTION	MEXICAN	FREE SUBSCRIPTION	FIXED	VARIABLE
B			90,850,050	330,364,656	0	421,214,706	441,786	1,606,471
<b>TOTAL</b>			<b>90,850,050</b>	<b>330,364,656</b>	<b>0</b>	<b>421,214,706</b>	<b>441,786</b>	<b>1,606,471</b>

**TOTAL NUMBER OF SHARES REPRESENTING THE PAID-IN CAPITAL STOCK ON THE DATE OF SENDING THE  
INFORMATION : 421,214,706**

MEXICAN STOCK EXCHANGE  
SIFIC / ICS

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**CONSTRUCTION IN PROGRESS**

**CONSOLIDATED**

THE PROJECTS IN PROGRESS AT JUNE 30, 2006, ARE:

PROJECTS IN PROGRESS	TOTAL INVESTMENT
CASTER PROJECT IN CANTON AND OTHER	
PROJECTS IN REPUBLIC	81,581
MEXICALI	41,190
VARIOUS PROJECTS IN TLAXCALA	36,068
VARIOUS PROJECTS IN GUADALAJARA AND MEXICALI	48,270
<b>TOTAL INVESTMENT AT JUNE 30, 2006</b>	<b>207,109</b>

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MEXICAN STOCK EXCHANGE  
SIFIC / ICS

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**INFORMATION RELATED TO BULLETIN B-15  
(FOREIGN CURRENCY TRANSLATION)**

**CONSOLIDATED**

**Foreign currency transactions and exchange differences** - All transactions in foreign currency are recorded at the exchange rates prevailing on the date of their execution or liquidation. Foreign currency denominated assets and liabilities are translated at the exchange rates prevailing at the balance sheet date. Any exchange differences incurred with regard to assets or liabilities denominated in foreign currency are charged to operations of the period and are included in financial income (expense) in the accompanying consolidated statements of income (loss).

The financial statements of foreign subsidiaries are translated into Mexican pesos in conformity with Bulletin B-15 "Transactions in Foreign Currency and Translation of Financial Statements of Foreign Operations".

Pacific Steel and Undershaft investments are considered to be "integrated foreign operations", as defined in Bulletin B-15, and accordingly such financial statements were translated as follows:

- Monetary items at the exchange rate at the balance sheet date.
- Non-monetary items and stockholders' equity at the exchange rate prevailing at the date the transactions occurred.
  - Income and expense items at an appropriate average exchange rate.
- The resulting foreign currency translation differences are included in the financial income (expense) in the statement of income (loss).
- All resulting Mexican peso amounts are restated for the effects of inflation in accordance with the dispositions of Bulletin B-10 using the NCPI, where such effects are considered significant.

SimRep and subsidiaries are considered to be "foreign operations", as defined in Bulletin B-15, and accordingly such financial statements were translated as follows:

- Monetary and non-monetary items at the exchange rate at the balance sheet date.
    - Income and expense items at the exchange rate at the balance sheet date.
  - The resulting foreign currency translation differences are included in the stockholders' equity.
  - All resulting Mexican peso amounts are restated for the effects of inflation in accordance with the dispositions of Bulletin B-10 using the NCPI, where such effects are considered significant.
-

**MEXICAN STOCK EXCHANGE  
SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**FINANCIAL STATEMENT NOTES**

CONSOLIDATED

**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

On July 22, 2005, Simec and its parent company, Industrias CH, S.A. de C.V. ("ICH"), acquired 100% of the stock of PAV Republic, Inc. ("Republic"). Simec, ICH's largest subsidiary, acquired 50.2% of Republic's stock, through its majority owned subsidiary, SimRep Corporation, and ICH purchased the remaining 49.8% through SimRep Corporation.. Simec financed its portion of the U.S. \$229 million purchase price principally from a loan it received through ICH that has since been repaid in full. At June 30, 2006, Republic repaid in full its outstanding bank debt, which had maturities through 2009. Simec began to operate the plants of Republic on July 22, 2005 and, as a result the operation is reflected in Simec's financial results as of such date.

According with the rules seth forth in articles 35 and 81 of the Dispositions of General Character Applicable to Registrants and Other participants of the Mexican Stock Market, the following consolidated earning statements from January 1 to June 30, appears pro forma for Simec for the period 2005, in order to be comparable and the consolidated balance sheet appears pro forma for Simec at June 30, 2005 in order to be comparable against June 30, 2006.

**CONSOLIDATED EARNING STATEMENT**  
(Thousands of Pesos)  
FROM JANUARY 1 TO JUNE 30 OF 2006

	Simec without Republic	Republic	Consolidated Simec Earning Statement
Steel Sales (Metric Tons)	517,600	851,752	1,369,352
Net Sales	3,546,563	8,365,903	11,912,466
Cost of Sales	2,216,099	7,465,801	9,681,900
Gross Income	1,330,464	900,102	2,230,566
Operating Expenses	360,309	303,784	664,093
Operating Income	970,155	596,318	1,566,473
Total Financing Cost	(21,193)	(23,821)	(45,014)
Other Financial Operations	(20,712)	(12,036)	(32,748)
Income Taxes	(138,678)	243,617	104,939
Net Income Before Minority Interest	1,150,738	388,558	1,539,296
Minority Interest	0	193,425	193,425
Net Income	1,150,738	195,133	1,345,871



CONSOLIDATED PRO FORMA EARNING STATEMENT  
(Thousands of Pesos)  
FROM JANUARY 1 TO JUNE 30 OF 2005

	Simec without Republic	Republic	Consolidated Simec Earning Statement
Steel Sales (Metric Tons)	523,501	876,627	1,400,128
Net Sales	3,573,182	8,815,639	12,388,821
Cost of Sales	2,326,363	7,660,786	9,987,149
Gross Income	1,246,819	1,154,853	2,401,672
Operating Expenses	374,630	476,560	851,190
Operating Income	872,189	678,293	1,550,482
Total Financing Cost	35,073	85,217	120,290
Other Financial Operations	(7,633)	(26,583)	(34,216)
Income Taxes	97,484	225,810	323,294
Net Income Before Minority Interest	747,265	393,849	1,141,114
Minority Interest	0	196,058	196,058
Net Income	747,265	197,791	945,056

The earnings statement Pro forma for the period January 1 to June 30 2005, includes the information of Republic corresponded to the previous owners.

CONSOLIDATED BALANCE SHEET  
(Thousands of Pesos)  
AT JUNE 30

	2006	Pro-forma 2005		
	Consolidated Simec Balance Sheet	Simec without Republic	Adjustments Republic	Consolidated Simec Balance Sheet
Current assets	8,388,849	3,526,821	4,906,493	8,433,314
Property, Plant and Equipment	7,520,338	5,671,148	1,140,903	6,812,051
Other Intangible Assets and Deferred Assets	530,051	228,770	410,855	639,625
Total Assets	16,439,238	9,426,739	6,458,251	15,884,990
Current Liabilities	2,534,777	855,096	1,726,013	2,581,109
Other non Current Liabilities	2,002,784	1,349,930	2,216,500	3,566,430
Total Stockholders' Equity	11,901,677	7,221,713	2,515,738	9,737,451

The Plants of Republic already are integrated in the consolidated balance sheet at June 30 of 2006 and the consolidated balance sheet Pro forma includes the adjustments of Republic at June 30, 2005.

s35 Stockholders' Equity:

Effects of inflation - The effects of inflation on stockholders' equity at June 30, 2006 are as follows:

	Historical Cost	Restated Amount	Total
	Ps.	Ps.	Ps.
Capital stock	2,048,257	1,464,320	3,512,577
Additional paid-in capital	788,394	142,716	931,110
Premium on Issuance of Shares	20,000	67,600	87,600
Retained earnings	5,175,453	690,095	5,865,548
Effect deferred income tax Bulletin D-4	(662,340)	(243,488)	(905,828)

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On May 30, 2006, the Company effected a 3 for 1 stock split. To maintain trading prices in the U.S., the ADS to share ratio was simultaneously adjusted from one ADS representing one share to one ADS representing three shares.

s39 Premium on Issuance of Shares made in March 29, 2001, April 29, 2005 and February 13, 2006.

s44 In 1999, the Mexican Institute of Public Accountants issued Bulletin D-4, "Accounting for Income and Asset Taxes and Employee Profit Sharing", which is effective for all fiscal years beginning January 1, 2000. Bulletin D-4 establishes financial accounting and reporting standards for the effects of asset tax, income tax and employee profit sharing that result from enterprise activities during the current and preceding years. Simec's long-term liabilities resulted of the adoption of this Bulletin was Ps. 1,885,490 at June 30, 2006 compared to Ps. 1,326,510 at June 30, 2005. The effect on Simec's consolidated statement of income in the first six months of 2006, was a decrease of Ps. 63,289 in the provision for income tax and employee profit sharing compared to a decrease of Ps. 65,301 in the same period of 2005. These provisions do not affect the cash flow of Simec.

c02 Consolidated Statements of Changes in Financial Position

The net loss in money exchange and net profit in liabilities actualization are as follows:

	June 30, 2006	June 30, 2005
Net loss (profit) in money exchange	Ps. 187	Ps. (625)
Net loss (profit) in liabilities actualization	(21)	(1,292)

MEXICAN STOCK EXCHANGE  
SIFIC / ICS

STOCK EXCHANGE CODE: **SIMEC**  
GRUPO SIMEC, S.A. DE C.V.

QUARTER: **2** YEAR: **2006**

**CONSOLIDATED**

**DECLARATION OF THE COMPANY OFFICIALS RESPONSIBLE FOR THE INFORMATION  
CONTAINED IN THIS REPORT.**

LUIS GARCIA LIMON AND JOSE FLORES FLORES CERTIFY THAT BASED ON OUR KNOWLEDGE, THIS REPORT DOES NOT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT OR OMIT TO STATE A MATERIAL FACT NECESSARY TO MAKE THE STATEMENTS MADE HEREIN, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH SUCH STATEMENTS WERE MADE, NOT MISLEADING WITH RESPECT TO THE PERIOD COVERED BY THIS FIRST QUARTER REPORT.

**ING LUIS GARCIA LIMON**  
**CHIEF EXECUTIVE OFFICER**

**C.P. JOSE FLORES FLORES**  
**CHIEF FINANCIAL OFFICER**

**GUADALAJARA, JAL, AT OCTOBER 25 OF 2006**