

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

**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 | % |
| s01 | TOTAL ASSETS | 16,439,238 | 100 | 9,426,739 | 100 |
| s02 | CURRENT ASSETS | 8,388,849 | 51 | 3,526,821 | 37 |
| 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 |
| s08 | LONG-TERM | 0 | 0 | 0 | 0 |
| 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 |
| s12 | PROPERTY, PLANT AND EQUIPMENT (NET) | 7,520,338 | 46 | 5,671,148 | 60 |
| 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 |
| s18 | OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET) | 469,748 | 3 | 228,770 | 2 |
| s19 | OTHER ASSETS | 60,303 | 0 | 0 | 0 |
| | | | | | |
| s20 | TOTAL LIABILITIES | 4,537,561 | 100 | 2,205,026 | 100 |
| | | | | | |
| s21 | CURRENT LIABILITIES | 2,534,777 | 56 | 855,096 | 39 |
| 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 |
| s27 | LONG-TERM LIABILITIES | 0 | 0 | 0 | 0 |
| s28 | BANK LOANS | 0 | 0 | 0 | 0 |
| s29 | STOCK MARKET LOANS | 0 | 0 | 0 | 0 |
| s30 | OTHER LOANS | 0 | 0 | 0 | 0 |
| s31 | DEFERRED LIABILITIES | 0 | 0 | 0 | 0 |
| s32 | OTHER NON-CURRENT LIABILITIES | 2,002,784 | 44 | 1,349,930 | 61 |
| | | | | | |
| s33 | CONSOLIDATED STOCKHOLDERS' EQUITY | 11,901,677 | 100 | 7,221,713 | 100 |
| | | | | | |
| s34 | MINORITY INTEREST | 2,258,571 | 19 | 482 | 0 |
| s35 | MAJORITY INTEREST | 9,643,106 | 81 | 7,221,231 | 100 |
| S36 | CONTRIBUTED CAPITAL | 4,443,687 | 37 | 4,321,668 | 60 |
| 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 |
| s41 | EARNED CAPITAL | 5,199,419 | 44 | 2,899,563 | 40 |
| 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 |

**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 | % |
| s03 | CASH AND SHORT-TERM INVESTMENTS | 948,625 | 100 | 1,165,103 | 100 |
| s46 | CASH | 368,869 | 39 | 150,213 | 13 |
| s47 | SHORT-TERM INVESTMENTS | 579,756 | 61 | 1,014,890 | 87 |
| | | | | | |
| s07 | OTHER CURRENT ASSETS | 266,978 | 100 | 65,148 | 100 |
| 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 |
| | | | | | |
| s18 | OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET) | 469,748 | 100 | 228,770 | 100 |
| s48 | DEFERRED EXPENSES | 396,960 | 85 | 223,170 | 98 |
| s49 | DEFERRED CREDIT | 0 | 0 | 0 | 0 |
| s51 | OTHER | 72,788 | 15 | 5,600 | 2 |
| | | | | | |
| s19 | OTHER ASSETS | 60,303 | 100 | 0 | 0 |
| 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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| | | | | | |
|------------|--|------------------|------------|------------------|------------|
| | | | | | |
| s21 | CURRENT LIABILITIES | 2,534,777 | 100 | 855,096 | 100 |
| s52 | FOREIGN CURRENCY LIABILITIES | 1,853,202 | 73 | 142,394 | 17 |
| s53 | MEXICAN PESOS LIABILITIES | 681,575 | 27 | 712,702 | 83 |
| | | | | | |
| s26 | OTHER CURRENT LIABILITIES | 871,799 | 100 | 157,272 | 100 |
| 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 |
| | | | | | |
| s27 | LONG-TERM LIABILITIES | 0 | 0 | 0 | 0 |
| s59 | FOREIGN CURRENCY LIABILITIES | 0 | 0 | 0 | 0 |
| s60 | MEXICAN PESOS LIABILITIES | 0 | 0 | 0 | 0 |
| | | | | | |
| s31 | DEFERRED LIABILITIES | 0 | 0 | 0 | 0 |
| s65 | NEGATIVE GOODWILL | 0 | 0 | 0 | 0 |
| s67 | OTHER | 0 | 0 | 0 | 0 |
| | | | | | |
| s32 | OTHER NON CURRENT LIABILITIES | 2,002,784 | 100 | 1,349,930 | 100 |
| 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 |
| | | | | | |
| s79 | CAPITAL STOCK | 3,512,577 | 100 | 3,476,606 | 100 |
| 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**

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 | % |
| s42 | RETAINED EARNINGS AND CAPITAL RESERVES | 5,865,548 | 100 | 3,841,230 | 100 |
| 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 |
| | | | | | |
| s44 | OTHER ACCUMULATED COMPREHENSIVE RESULT | (666,129) | 100 | (941,667) | 100 |
| 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 |

**MEXICAN STOCK EXCHANGE
SIFIC / ICS**

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

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

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

| REF S | CONCEPTS | CURRENT YEAR AMOUNT | PREVIOUS YEAR AMOUNT |
|----------|---|---------------------------|----------------------------|
| | | | |
| 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

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

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

**MEXICAN STOCK EXCHANGE
SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**
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 | % |
| r01 | NET SALES | 11,912,466 | 100 | 3,573,182 | 100 |
| 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 | |
| | | | | | |
| r06 | INTEGRAL FINANCING COST | (45,014) | 100 | 35,073 | 100 |
| 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 | 104,939 | 100 | 243,536 | 100 |
| 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

**MEXICAN STOCK EXCHANGE
SIFIC / ICS**

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

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

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

| REF R | CONCEPTS | CURRENT YEAR AMOUNT | PREVIOUS YEAR AMOUNT |
|----------|--|---------------------------|----------------------------|
| 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

**MEXICAN STOCK EXCHANGE
SIFIC / ICS**

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

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

**MEXICAN STOCK EXCHANGE
SIFIC / ICS**

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

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 | % |
| rt01 | NET SALES | 6,312,312 | 100 | 1,752,457 | 100 |
| 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 | |
| | | | | | |
| rt06 | INTEGRAL FINANCING COST | (49,635) | 100 | 35,585 | 100 |
| 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 | 10,777 | 100 | 95,661 | 100 |
| 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 |
|------|---------------------------------------|---|---|---|---|

(***) THOUSANDS OF DOLLARS

**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)

| REF R | CONCEPTS | CURRENT YEAR | PREVIOUS YEAR |
|------------------|--|-------------------------|--------------------------|
| C | | AMOUNT | AMOUNT |
| | | | |
| rt47 | OPERATIVE DEPRECIATION AND AMORTIZATION | 93,009 | 65,039 |

**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 |
| c01 | CONSOLIDATED NET INCOME | 1,539,296 | 601,213 |
| c02 | + (-) ITEMS ADDED TO INCOME WHICH DO NOT REQUIRE CASH | 139,616 | 65,638 |
| c03 | RESOURCES FROM NET INCOME FOR THE YEAR | 1,678,912 | 666,851 |
| c04 | RESOURCES PROVIDED OR USES IN OPERATION | (900,883) | 94,394 |
| c05 | RESOURCES PROVIDED BY (USED FOR) IN OPERATING ACTIVITIES | 778,029 | 761,245 |
| 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 |
| c08 | RESOURCES PROVIDED BY (USED FOR) INTERNAL FINANCING ACTIVITIES | (286,972) | (158,067) |
| c09 | RESOURCES PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES | 248,152 | 35,163 |
| 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 |

**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 |
|----------|---|---------------------------|----------------------------|
| c02 | + (-) ITEMS ADDED TO INCOME WHICH DO NOT REQUIRE CASH | 139,616 | 65,638 |
| c13 | DEPRECIATION AND AMORTIZATION FOR THE YEAR | 201,972 | 130,940 |
| c41 | + (-) OTHER ITEMS | (62,356) | (65,302) |
| c04 | RESOURCES PROVIDED OR USED IN OPERATION | (900,883) | 94,394 |
| 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 |
| c06 | RESOURCES PROVIDED BY (USED FOR) EXTERNAL FINANCING ACTIVITIES | (409,142) | (158,067) |
| 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 |
| | | | |
| c07 | RESOURCES PROVIDED BY (USED FOR) INTERNAL FINANCING ACTIVITIES | 122,170 | 0 |
| 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 |
| | | | |
| c09 | RESOURCES PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES | 248,152 | 35,163 |
| 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.

**MEXICAN STOCK EXCHANGE
SIFIC / ICS**

STOCK EXCHANGE CODE: **SIMEC**
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 |
|----------|--|--|--|
| | | | |
| | YIELD | | |
| 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)% |
| | | | |
| | ACTIVITY | | |
| 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% |
| | | | |
| | LEVERAGE | | |
| 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 |
| | | | |
| | LIQUIDITY | | |
| 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% |
| | | | |
| | CASH FLOW | | |
| 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

**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.

**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.

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

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.

**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 |
|---|--|------------------|-----------|
| SUBSIDIARIES | | | |
| 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 | | |
|---|----------------|---|------|
| TOTAL INVESTMENT IN SUBSIDIARIES | | | |
| ASSOCIATES | | 0 | 0.00 |
| TOTAL INVESTMENT IN ASSOCIATES | | | 0.00 |
| OTHER PERMANENT INVESTMENTS | | | 0.00 |
| TOTAL | | | |

NOTES

**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 Foreign 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 |
| BANKS | | | | | | | | | | | | | | |
| With Warranty | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | | | |
| TOTAL BANKS | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| LISTED IN THE STOCK EXCHANGE | | | | | | | | | | | | | | |
| UNSECURED DEBT | | | | | | | | | | | | | | |
| Medium Term Notes | 15/12/1998 | 9.33 | 0 | 0 | 0 | 0 | 0 | 0 | 3,442 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | | | |
| TOTAL STOCK | | | 0 | 0 | 0 | 0 | 0 | 0 | 3,442 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | | | | | | |
|--|--|--|---------|---|---|---|---|---|---|-----------|---|---|---|---|
| EXCHANGE | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| SUPPLIERS | | | | | | | | | | | | | | |
| Various | | | 363,367 | 0 | 0 | 0 | 0 | 0 | 0 | 1,276,885 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | | | |
| TOTAL SUPPLIERS | | | 363,367 | 0 | 0 | 0 | 0 | 0 | 0 | 1,276,885 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| OTHER CURRENT LIABILITIES AND OTHER CREDITS | | | | | | | | | | | | | | |
| Various | | | 428,992 | 0 | 0 | 0 | 0 | 0 | 0 | 202,814 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | | | |
| TOTAL OTHER CURRENT LIABILITIES AND OTHER CREDITS | | | 428,992 | 0 | 0 | 0 | 0 | 0 | 0 | 202,814 | 0 | 0 | 0 | 0 |

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| | | | | | | | | | | | | | | |
|--------------|--|--|---------|---|---|---|---|---|-------|-----------|---|---|---|---|
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| TOTAL | | | 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

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 |
| | | | | | |
| | | | | | |
| TOTAL ASSETS | 212,394 | 2,420,705 | 16 | 184 | 2,420,889 |
| | | | | | |
| LIABILITIES POSITION | 162,410 | 1,851,033 | 190 | 2,169 | 1,853,202 |
| SHORT TERM LIABILITIES POSITION | 162,410 | 1,851,033 | 190 | 2,169 | 1,853,202 |
| LONG TERM LIABILITIES POSITION | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| NET BALANCE | 49,984 | 569,672 | (174) | (1,985) | 567,687 |

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

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

| PLANT OR CENTER | ECONOMIC ACTIVITY | PLANT CAPACITY | UTILIZATION (%) |
|------------------------------------|--|-----------------------|------------------------|
| 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
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GRUPO SIMEC, S.A. DE C.V.

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

MAIN RAW MATERIALS

CONSOLIDATED

| DOMESTIC | MAIN SUPPLIERS | FOREIGN | MAIN SUPPLIERS | DOMESTIC SUBSTITUTION | COST PRODUCTION (%) |
|-----------------|----------------------------|----------------|-----------------------|------------------------------|----------------------------|
| 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 |

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 | | | | |
| T O T A L | | 3,184,772 | | |
| | | | | |
| FOREIGN SALES | | 8,727,694 | | |
| TOTAL | | 11,912,466 | | |

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 |
| EXPORTS | | | | |
| 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 | | |
| FOREIGN SUBSIDIARIES | | | | |
| 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 | | |
| T O T A L | | 8,727,694 | | |

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 |
| TOTAL | | | 90,850,050 | 330,364,656 | 0 | 421,214,706 | 441,786 | 1,606,471 |

**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 |
| TOTAL INVESTMENT AT JUNE 30, 2006 | 207,109 |

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 set 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) |

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.**

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ING LUIS GARCIA LIMON
CHIEF EXECUTIVE OFFICER

C.P. JOSE FLORES FLORES
CHIEF FINANCIAL OFFICER

GUADALAJARA, JAL, AT OCTOBER 25 OF 2006