

To the extent that the Company declares and pays dividends on its common stock, owners of ADSs at the time a dividend or other distribution is declared will be entitled to receive any dividends payable in respect of the series B common stock underlying their ADSs, subject to the terms of the Deposit Agreement. Cash dividends will be paid to the Depositary in pesos, and, except as otherwise described under Item 12 “Description of Securities Other than Equity Securities –Description of ADSs–Dividends, Other Distribution and Rights,” will be converted by the Depositary into dollars and paid to the owners net of currency expenses and applicable fees.

A shareholder’s entitlement to uncollected dividends lapses within five years following the stated payment date, in favor of the Company.

### **Liquidation**

In the event the Company is liquidated, the surplus assets remaining after payment of all Simec’s creditors will be divided among the Company’s shareholders in proportion to the respective shares held by them. Shares that are only partially paid will participate in the distribution in the proportion that they were paid. The general extraordinary shareholders’ meeting at which the liquidation resolution is made, will appoint one or more liquidators to wind up the Company’s affairs.

### **Foreign Investment**

Ownership by non-Mexicans of shares of Mexican enterprises in certain economic sectors is regulated by the 1993 Foreign Investment Law and the 1998 Regulations thereunder. The Ministry of the Economy and the National Commission on Foreign Investment are responsible for the administration of the Foreign Investment Law and Regulations.

Pursuant to the Foreign Investment Law and Regulations, foreign investors may acquire up to 100% of the capital stock of Mexican companies or entities in the steel industry. In accordance with Simec’s by-laws, shares of all series of the Company’s common stock can be acquired and held by Mexican and non-Mexican nationals. Simec has registered any foreign owner of its shares, and the depositary with respect to the ADSs representing Simec’s shares, with the *Registro Nacional de Inversión Extranjera* (the National Registry of Foreign Investment).

### **Directors’ and Shareholders’ Conflict of Interest**

Under Mexican law, any shareholder that has a conflict of interest with respect to any transaction must abstain from voting on that transaction at the relevant shareholders’ meeting. A shareholder who votes on a transaction in which its interest conflicts with the Company’s interests may be liable for damages in the event the relevant transaction would not have been approved without that shareholder’s vote.

Under Mexican law, any director who has a conflict of interest with Simec in any transaction must disclose that fact to the other directors and abstain from voting. Any director who violates those provisions will be liable for damages. Additionally, Simec’s directors and statutory auditors may not represent shareholders in the shareholders’ meetings.

### **Other Provisions**

**Appraisal Rights.** Whenever the shareholders approve a change of corporate purposes, change of nationality of the corporation or transformation from one form of corporate organization to another, the Mexican corporation law provides that any shareholder entitled to vote on that change that has voted against it may withdraw from the Company and receive the book value (as set forth in the latest balance sheet approved at a general ordinary shareholders’ meeting) attributable to its shares, provided that it exercises that right within 15 days following the adjournment of the meeting at which the change was approved.

**Forfeiture of Shares.** As required by Mexican law, Simec’s by-laws provide that “any alien who at the time of incorporation or at any time thereafter acquires an interest or participation in the capital of the corporation shall be considered, by virtue thereof, as Mexican in respect thereof and shall be deemed to have agreed not to invoke the protection of his own government, under penalty, in case of breach of such agreement, of forfeiture to the nation of such interest or participation.” Under this provision a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder’s rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the U.S. securities laws, with respect to its investment in Simec. If the shareholder invokes such governmental protection in violation of this agreement, its shares could be forfeited to the Mexican government. Mexican law requires that such a provision be included in the by-laws of all Mexican corporations unless such by-laws prohibit ownership of shares by non-Mexican persons or entities.

**Duration.** Simec’s existence under the by-laws is 99 years from the date of registration with the Public Registry of Commerce, extending through 2089.

**Tender Offer in the Event of Delisting.** Simec’s by-laws provide that in the event the Company decides to cancel the registration of the series B common stock with the *Registro Nacional de Valores e Intermediarios* (“RNV”) or if the *Comisión Nacional Bancaria y de Valores* (“CNBV”) requires such cancellation, the controlling shareholders must make a tender offer to purchase the series B common stock at the higher of (i) the average of the price at which transactions have been conducted in the series B common stock on the Mexican Stock Exchange during the 30 days prior to the date on which the tender offer is made or (ii) the book value of the series B common stock determined pursuant to the latest quarterly financial information of the Company filed with the CNBV and the Mexican Stock Exchange. However, a different basis may be used to determine the purchase price, if approved by shareholders representing at least 95% of the Company’s capital stock, with the prior consent of the CNBV.

The controlling shareholders will not be obligated to make the tender offer in the event that all the shareholders consent to the cancellation of the registration of the series B common stock.

### **Exchange Controls**

Ownership by non-Mexicans of shares of Mexican companies is regulated by the *Ley de Inversión Extranjera* (the “Foreign Investment Law”) and the regulations set forth in the *Reglamento de la Ley para Promover la Inversión Mexicana y Regular la Inversión Extranjera* (the “Foreign Investment Regulations”). The *Secretaría de Economía* (the “Ministry of the Economy”) and the *Comisión Nacional de Inversión Extranjera* (the “National Foreign Investment Commission”) are responsible for the administration of the Foreign Investment Law and the Foreign Investment Regulations. In accordance with recent changes to the Foreign Investment Regulations, up to 100% of the capital stock of Mexican companies in the steel industry may be acquired and held by non-Mexicans.

As required by Mexican law, the corporate charter of the Company provides that “current or future foreign shareholders formally bind themselves with the Ministry of Foreign Relations to consider themselves as Mexican with respect to the shares of the Company which they acquire or hold, as well as to the property, rights, concessions, participations or interests which the Company may hold, or to the rights and obligations which derive from the contracts to which the Company is a party with Mexican authorities and not to invoke therefore the protection of their governments under penalty of forfeiting the corporate participation that they have acquired to the benefit of the Nation if they invoke such protection.”

The series B common stock and the ADRs do not have any limitation on the right of non-Mexicans to own or vote such securities.

### **Taxation**

#### **Mexican Tax Considerations**

Effective January 1, 2005, dividends, either in cash or in any other form, paid with respect to the series B common stock represented by ADSs to holders will not be subject to Mexican withholding tax. Simec is required to pay a 30% tax on 1.4285 times the amount of any dividend if the dividend is not paid from earnings that have been already subject to income tax.

The sale or other disposition of ADSs by holders who are not residents of Mexico (as defined below) will not be subject to Mexican tax. Deposits of series B common stock in exchange for ADSs will not give rise to Mexican tax or transfer duties.

The sale or other disposition of shares of series B common stock by nonresidents of Mexico will not be subject to any Mexican tax if the sale is carried out by an individual through the Mexican Stock Exchange. Sales or other dispositions of shares of series B common stock made in other circumstances would be subject to Mexican income tax. Under the Tax Treaty (as defined below), gains attributable to permanent establishment that a United States enterprise (as defined in the Tax Treaty) has or had in Mexico, or which are attributable to a fixed base which is or was available to a United States resident (as defined in the Tax Treaty) in Mexico for the purpose of performing independent personal services are taxable in Mexico. Also under the Tax Treaty gains derived by a United States resident (as defined in the Tax Treaty) may be taxed in Mexico if such resident during the 12-month period preceding the sale or disposition giving rise to the gain had a participation, directly or indirectly, of at least 25% of the Company’s capital. The Tax Treaty further provides that such gains shall be deemed to be Mexican sourced to the extent necessary to avoid double taxation.

For purposes of Mexican taxation, a natural person is a resident of Mexico if he or she has established his or her home in Mexico, unless he or she has resided in another country for more than 183 calendar days during a year and can demonstrate that he or she had become a resident of that country for tax purposes and a legal entity is a resident of Mexico if its principal administrative office is located in Mexico. A Mexican citizen or a legal entity with its corporate domicile in Mexico and established under Mexican law is presumed to be a resident of Mexico, unless the citizen or entity can demonstrate otherwise.

If a legal entity has a permanent establishment or fixed base in Mexico, its permanent establishment or fixed base is required to pay taxes in Mexico with respect to income attributable to such permanent establishment or fixed base in accordance with relevant tax provisions.

#### ***Tax Treaties and Information Exchange***

The United States and Mexico are parties to an income tax treaty to avoid double taxation and a protocol thereto (the “Tax Treaty”) which became effective on January 1, 1994. In general, the Tax Treaty does not adversely affect the tax treatment of U.S. holders of ADSs or series B common stock. The United States and Mexico have also entered into an agreement that covers the exchange of information with respect to tax matters. Mexico has also executed treaties to avoid double taxation with other countries, some of which are in force. The foregoing summary does not take into account the effects of any such treaties.

#### ***Other Mexican Taxes***

Other than income tax, there are no other inheritance taxes applicable to the ownership, transfer or disposition of ADSs or shares of series B common stock. There are no Mexican stamp, issuer, registration or similar taxes or duties payable by holders of ADSs or the shares of series B common stock.

Reimbursement of capital pursuant to a redemption of shares will not be subject to tax if the corresponding amount is not more than the adjusted contributed capital corresponding to the redeemed shares. Any excess of that amount will be considered as a dividend for tax purposes and will be taxed as described above.

#### ***United States Tax Considerations***

The following is a description of the material U.S. federal income tax consequences of an investment in the ADSs or series B common shares. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury regulations, judicial decisions and published positions of the U.S. Internal Revenue Service, all as in effect on the date hereof and all of which may be changed, possibly with a retroactive effect. The discussion is not a full description of all tax considerations that may be relevant to a holder of ADSs or series B common shares. Except as otherwise specifically discussed herein, this discussion is directed only to U.S. holders that will hold ADSs or series B common shares as capital assets and that have the U.S. dollar as their functional currency, and it does not consider the tax treatment of U.S. holders that are subject to special tax rules, such as banks, securities dealers, insurance companies, tax-exempt entities, persons that hold ADSs or series B common shares as a hedge or as part of a straddle, conversion transaction or other risk reduction transaction for tax purposes and holders of 10% or more of the voting shares of the Company. Furthermore, the discussion below is based upon the provisions of the Code and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, possibly with retroactive effects, so as to result in U.S. federal income tax consequences different from those discussed below. If a partnership holds ADSs or series B common shares, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Partners in a partnership holding ADSs or series B common shares should consult their tax advisors about the federal, state, local and foreign tax consequences to them of the purchase, ownership and disposition of ADSs or series B common shares. This summary does not discuss any state, local or foreign tax consequences to the purchase and ownership of the ADSs or series B common shares.

As used herein, “U.S. holder” means a beneficial owner of ADSs or shares of common stock that is:

- a United States citizen or resident;
- a United States corporation or partnership;
- a trust (x) if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. fiduciaries have authority to control all substantial decisions of the trust or (y) that has an election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate, the income of which is subject to United States federal income taxation regardless of our source.

If the obligations contemplated by the Deposit Agreement are performed in accordance with our terms, U.S. holders of ADSs, or ADRs evidencing ADSs, generally will be treated for United States federal income tax purposes as the owners of the series B common shares represented by those ADSs.

#### ***Cash Dividends and Other Distributions***

Subject to the passive foreign investment company rules discussed below, the gross amount of any dividends paid with respect to the series B common shares represented by ADSs or the series B common shares generally will be included in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the U.S. holder, in the case of the series B common shares, or by the Depositary, in the case of the series B common shares represented by ADSs, and will not be eligible for the dividends received deduction allowed to corporations under the Code. To the extent that a distribution exceeds our current and accumulated earnings and profits, it will be treated first as a return of capital to the extent of a U.S. holder’s adjusted federal income tax basis in our ADSs or series B common shares, and thereafter as gain from the sale of a capital asset.

Dividends paid in Mexican pesos will be includible in the income of a U.S. holder in a U.S. dollar amount calculated, in general, by reference to the exchange rate in effect on the date that they are received by the U.S. holder, in the case of the series B common shares, or by the Depositary, in the case of the series B common shares represented by the ADSs (regardless of whether such Mexican pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. U.S. holders should consult their tax advisors regarding the treatment of the foreign currency gain or loss, if any, on any Mexican pesos received that are converted into U.S. dollars on a date subsequent to the date of receipt. Dividends generally will constitute foreign source “passive income” for U.S. foreign tax credit purposes.

Subject to certain exceptions for short-term and hedged positions and the passive foreign investment company rules discussed below, the U.S. dollar amount of dividends received by an individual U.S. holder in respect of series B common shares or ADSs before January 1, 2011 is subject to taxation at a maximum rate of 15% if the dividends constitute “qualified dividend income.” Dividends paid on ADSs will be treated as qualified dividend income if, among other requirements, (1) the shares of the issuer are readily tradable on an established securities market in the U.S. or (2) the foreign corporation is eligible for the benefits of a comprehensive income tax treaty with the U.S. that the IRS has approved for the purposes of the qualified dividend income rules and that contains an exchange of information program. ARDs backed by the series B common shares are readily tradable on the American Stock Exchange. In addition, the income tax treaty between Mexico and the United States has been approved for the purposes of the qualified dividend income rules. Accordingly, we believe that dividends paid by us with respect to our series B common shares or ADSs should constitute “qualified dividend income” for U.S. federal income tax purposes, provided that the holding period requirements are satisfied and none of the other special exceptions apply.

Distributions of additional series B common shares to U.S. holders with respect to the ADSs held by such holders that are made as part of a pro rata distribution to all shareholders of the Company generally will not be subject to United States federal income tax. The basis of the shares received generally will be determined by allocating the U.S. holder’s adjusted basis in the ADSs between the ADSs and the new shares received, based on their relative fair market values.

A holder of series B common shares or ADSs that is, with respect to the United States, a non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on dividends received on series B common shares or ADSs unless such income is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States.

#### ***Capital Gains***

Subject to the passive foreign investment company rules discussed below, a gain or loss realized by a U.S. holder on the sale or other disposition of ADSs or series B common shares will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the amount realized on the disposition and such U.S. holder’s tax basis in the ADSs or the series B common shares. Any such gain or loss will be a long-term capital gain or loss if the ADSs or series B common shares were held for more than one year on the date of such sale. Long-term capital gain recognized by a U.S. holder that is an individual generally is subject to lower rates of federal income taxation than ordinary income or short-term capital gain. The deduction of capital loss is subject to limitations for U.S. federal income tax purposes. Deposits and withdrawals of series B common shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Gain, if any, realized by a U.S. holder on the sale or other disposition of series B common shares or ADSs will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if a Mexican withholding tax is imposed on the sale or disposition of series B common shares, a U.S. holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of these Mexican taxes. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, series B common shares.

A non-U.S. holder of series B common shares or ADSs will not be subject to U.S. federal income or withholding tax on any gain realized on the sale of series B common shares or ADSs, unless (1) such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States, or (2) in the case of gain realized by an individual non-U.S. holder, the non-U.S. holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.