



Internacional de Cerámica, S.A.B. de C. V.



**First Quarter**

**2008**

This document contains forward-looking statements which reflect the Company's views about future events and financial performance. Actual events and results could differ materially from these statements. Readers are cautioned not to place undue reliance on these forward looking statements, which speaks only of their dates and the Company undertakes no obligation to update or revise any of them.

## Interceramic reports First Quarter Results

In the first quarter of 2008, Interceramic hit US \$127.4 million in consolidated sales, a record for the quarter and a good result in the face of the turmoil in the home building industry in the United States. The continuing strength of the European currency has adversely impacted the demand for imports in the United States, and with the housing slump we have gained a competitive advantage as the Europeans are being priced out. Further, the decline in the residential construction and remodeling markets in the United States has not been matched in the commercial building sector, and we have kept sales healthy in part by shifting more product and attention to commercial customers. Our new production facility in Chihuahua is now running at 100 percent of capacity, providing us with many new products at lower cost and also giving us greater flexibility to match changing patterns of demand.

In general terms, Mexican markets continue to grow and do not present the same challenges that we face in the United States, and we continue to post inroads in Mexico, steadily increasing market share. We are currently working on renovations of many of our Company-owned stores and franchisees, and over the past months we have been introducing an exciting new concept in Mexico of “design center” stores, encouraging closer collaboration with interior designers, architects and other professionals on new products and applications.

The United States is, as it has been for some time, extremely competitive and together with the lack of growth, leaves us in a situation where we need to work on reducing expenses and adapting our infrastructure in order to get better results. Continuing with our strategy to capitalize on opportunities even during difficult times, we opened a new Company-owned store in Kansas City, Kansas, our first effort at captive distribution in that market and one for which we have high expectations.

Consolidated sales of US \$127.4 million for the first quarter of 2008 exceeded by 12.0 percent first quarter 2007 sales of US \$113.7 million. Gross income rose by 6.7 percent to US \$43.7 million for the quarter compared to US \$41.0 million last year, but our gross margin was down somewhat at 34.3 percent compared to 36.0 percent in the first quarter of 2007. Higher operating expenses adversely impacted our operating income, and at US \$3.4 million for the first quarter of 2008 it dipped

by 46.2 percent from operating income of US \$6.3 million in the same quarter last year. Our operating margin for the quarter was 2.7 percent, substantially below the 5.5 percent recorded in the first three months of 2007. Additionally, our EBITDA for the first quarter was down as well, dropping by 15.0 percent to US \$11.0 million for the first quarter of 2008 from US \$13.0 million in the first quarter of 2007. Our key financial ratios at the end of the quarter were 4.7 for the debt service coverage and 3.3 for debt to EBITDA.

As has been true for some time, we continue to make solid inroads in Mexico, where sales of US \$76.2 million for the first quarter of 2008 were 13.3 percent better than the sales of US \$67.3 million lodged in the first three months of 2007. While more than half of our Mexican sales are now achieved through our more profitable Company-owned stores, our dedicated network of independent franchise distribution continues to prosper and grow in sales as well.

In the United States markets, first quarter 2008 sales of US \$51.2 million were a 10.3 percent improvement over the same quarter in 2007, boosted in part by sales from our late-2007 acquisition of Dallas-based stone and granite distributor IMC. Again, with the weakening competitive position of imports, sustained strength in the commercial sector, difficulties being faced by certain of our competing distributors and our efforts at reducing expenses in the United States, we see room for taking advantage of these opportunities despite the difficult housing markets.

Going into the second quarter of 2008, although we know that Interceramic faces some real challenges in the United States markets we are buoyed by the fact that our performance in Mexico remains strong. By focussing on trimming expenses where we can and establishing our products as the best on offer, we believe that Interceramic will continue to bolster its position in the markets and its reputation as a premier, innovative participant in the North American floor and wall covering industry. As always, we thank our investors, our customers and our employees for their continued support.

**Oscar E. Almeida**  
Chairman of the Board

**Víctor D. Almeida**  
Chief Executive Officer

**RELEVANT FINANCIAL INFORMATION**

<b>INCOME STATEMENT</b> (Thousands of Nominal US Dollars, except per Share data)	Jan-Mar'08	<b>Jan-Mar'08</b> Vs. <b>Jan-Mar'07</b>
Net Sales	127,391	<b>12.0%</b>
Cost of goods sold	(83,668)	<b>15.0%</b>
Gross Income	43,724	<b>6.7%</b>
Operating Expenses	(40,349)	<b>16.3%</b>
Operating Income	3,375	<b>(46.2%)</b>
Integral Cost of Financing	(630)	<b>(70.1%)</b>
Interest Expense	(3,646)	<b>58.7%</b>
Interest Income	376	<b>0.9%</b>
Foreign Exchange Gain (Loss)	2,640	<b>N.A.</b>
Other Items	(1,090)	<b>101.3%</b>
Income Tax and Employee Profit Sharing	(2,357)	<b>17.7%</b>
Deferred Income Tax	(182)	<b>N.A.</b>
Minority Income	740	<b>(8.6%)</b>
Net Majority Income	(1,624)	<b>N.A.</b>
Weighted Average Number of Shares Outstanding (Thousands)	162,664	<b>0.0%</b>
EPS	(0.01)	<b>N.A.</b>

<b>BALANCE SHEET</b> (Thousands of Nominal US Dollars)	March 2008	<b>Mar 2008</b> Vs. <b>Mar 2007</b>
Current Assets	242,313	<b>14.4%</b>
Cash Equivalents	13,369	<b>(32.4%)</b>
Fixed Assets	236,769	<b>14.0%</b>
Other non-current Assets	21,531	<b>4.1%</b>
<b>TOTAL ASSETS</b>	<b>500,613</b>	<b>13.7%</b>
Short-term Bank Debt	8,714	<b>N.A.</b>
Other short-term Liabilities	69,871	<b>36.9%</b>
Long-term Bank Debt	157,083	<b>25.7%</b>
Deferred Taxes	45,147	<b>18.9%</b>
Other long-term Liabilities	3,495	<b>(46.6%)</b>
<b>TOTAL LIABILITIES</b>	<b>284,311</b>	<b>28.9%</b>
Majority Shareholders' Equity	190,935	<b>(0.6%)</b>
Minority Interest	25,367	<b>(8.0%)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>216,302</b>	<b>(1.5%)</b>

Note: "Unless otherwise indicated, all financial information are in accordance with Norms for Financial Information as determined by the "Consejo Mexicano para la Investigacion y Desarrollo de Normas de Informacion Financiera, A.C. (CINIF)", and for purposes of clarity, information is also presented in nominal US Dollars dividing the nominal pesos for each month by the applicable average exchange rate for that month."

**RELEVANT FINANCIAL INFORMATION**

<b>INCOME STATEMENT</b> (Thousands of Nominal Pesos except per Share data)	Jan-Mar'08	Jan-Mar'08 Vs. Jan-Mar'07
Net Sales	1,367,311	<b>5.8%</b>
Cost of goods sold	(898,041)	<b>8.6%</b>
Gross Income	469,270	<b>0.8%</b>
Operating Expenses	(432,941)	<b>9.8%</b>
Operating Income	36,328	<b>(49.0%)</b>
Integral Cost of Financing	(6,764)	<b>(72.0%)</b>
Interest Expense	(39,112)	<b>49.7%</b>
Interest Income	4,035	<b>(4.78%)</b>
Foreign Exchange Gain (Loss)	28,312	<b>N.A.</b>
Other Items	(11,685)	<b>89.7%</b>
Income Tax and Employee Profit Sharing	(25,294)	<b>11.1%</b>
Deferred Income Tax	(1,950)	<b>N.A.</b>
Minority Income	7,948	<b>(13.6%)</b>
Net Majority Income	(17,313)	<b>N.A.</b>
Weighted Average Number of Shares Outstanding (Thousands)	162,664	<b>0.0%</b>
EPS	(0.11)	<b>N.A.</b>

<b>BALANCE SHEET</b> (Thousands of Nominal Pesos)	March 2008	Mar 2008 Vs. Mar 2007
Current Assets	2,592,747	<b>8.3%</b>
Cash Equivalents	143,045	<b>(36.0%)</b>
Fixed Assets	2,533,423	<b>7.9%</b>
Other non-current Assets	230,384	<b>(1.4%)</b>
<b>TOTAL ASSETS</b>	<b>5,356,555</b>	<b>7.7%</b>
Short-term Bank Debt	93,241	<b>N.A.</b>
Other short-term Liabilities	747,623	<b>29.6%</b>
Long-term Bank Debt	1,680,789	<b>19.0%</b>
Deferred Taxes	483,074	<b>12.6%</b>
Other long-term Liabilities	37,397	<b>(49.5%)</b>
<b>TOTAL LIABILITIES</b>	<b>3,042,124</b>	<b>22.0%</b>
Majority Shareholders' Equity	2,043,001	<b>(5.9%)</b>
Minority Interest	271,430	<b>(12.9%)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,314,431</b>	<b>(6.8%)</b>