Interceramic®

First Quarter 2009

Interceramic Posts First Quarter Results

Interceramic's first quarter 2009 financial results are pretty much reflective of the continuing crisis in the global economy in general and the sustained decline in the North American building markets in particular. Measured in United States Dollars, consolidated sales of US $95.5 million for the first quarter of 2009 represented a 25.0 percent drop over sales of US $127.4 million for the first quarter of 2008. We worked diligently over the period to lower costs to match the downturn in sales and idled a significant portion of our production, resulting in a 24.6 percent reduction in the amount of square metres of tile manufactured by Interceramic in the first quarter of 2009 compared to the same period last year. Nonetheless, we still had a higher level of fixed costs to absorb with materially lower sales, and our gross margin for the quarter at 31.5 percent was off 2.87 percentage points from the first quarter of 2008. On the bright side, given the market conditions in Mexico our operations have shown encouraging strength and measured in our domestic currency our sales in Mexico for the first quarter were virtually identical to those in the first quarter of last year. The United States markets have proven much more difficult, and we are heavily engaged in a process to steeply reduce costs in the United States to offset a marked decline in sales. Recent steps have included the closing of Company-owned Interceramic Tile and Stone Gallery stores in Fresno, Manteca and Ontario, California, as well as one of our three stores in Houston, Texas and our Kansas City, Missouri, and Scottsdale, Arizona facilities. These locations were selected for closing during these lean times as not being as strategically important to maintaining coverage of the Company's main regional markets when the building and remodelling industry starts to recover.

Operating expenses over the course of the quarter declined to US $32.4 million from US $40.3 million in the first quarter last year, but this 19.7 percent reduction was not enough to offset the sharp decline in sales, and an operating loss of US $2.3 million for the first quarter of 2009 contrasts rather unfavourably with operating income of US $3.4 million posted in the same quarter last year. The Company's EBITDA suffered correspondingly, and at US $3.6 million was 67.1 percent lower than the US $11.0 million recorded in the first quarter of 2008. Further erosion of the value of the Mexican Peso against the Dollar over the first quarter of 2009 was also damaging, considering that virtually all of the Company's debt is Dollar denominated. On top of a 26 percent decline in the value of the Peso during 2008, the first three months of 2009 saw a further decrease of three percent in the value of the Peso against the Dollar. All of this combined to weaken our financial ratios, with our debt service coverage ratio at quarter's end at 3.3 times compared to 4.7 at the end of the first quarter of 2008. The ratio of debt to EBITDA for the first quarter of 2009 sat at 6.8 times as opposed to 3.3 times at the same point last year.

As noted, the Mexican markets provided us with some well appreciated good news in the first quarter of 2009. For the quarter, our sales in Mexico in Dollars stood at US $56.8 million, and although a 25.5 percent decrease over domestic sales of US $76.2 million in the first quarter of 2008, when expressed in Pesos however the two quarters were the same. In an overall market that we estimate declined by about ten percent for the quarter over the same quarter last year, we actually grew in market share, selling a bit more product for the first quarter of 2009 than we did in the first quarter of 2008. Sales in the United States remain typically more problematic, and fell 24.3 percent for the first quarter of 2009 over the first quarter of 2008, down to US $38.8 million from US $51.2 million. That being said, overall tile consumption in the United States has declined by close to 40 percent over the past two years and as European imports—a major source of competition for us throughout North America—remain overpriced with the strong Euro currency, we are hopeful that our competitive position in the United States market will only continue to improve. While not unmindful of the challenges facing us in coming months, we see perhaps a unique opportunity in the market share loss of European products in the United States and intend on being suitably positioned to benefit.

We are in the process of managing and negotiating the store closings in the United States, and expect to start realising savings from this initiative during the course of the second half of the year. On a Company-wide basis, we are looking for additional ways to effectively and quickly reduce costs and expenses, and as our decision to close a number of stores in the United States demonstrates, we have the resolve to make the tough decisions that are called for in these most extraordinary times. The Company has reached tentative agreement with its lenders on terms for the renegotiation of its major debt obligations and we are optimistic that this will be concluded within the coming month. With the Mexican operations still performing well, in coming quarters we will focus on maximising Interceramic's penetration domestically while at the same time looking to materially trim where at all possible to enable us to successfully wait out the passage of the storms bedevilling the American market. Mindful of our fundamental competitive strengths, we will also keep innovating, bringing exciting and bold new products to the market, and improving our customer service. 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

INCOME STATEMENT (Thousands of Nominal US Dollars, except per Share data)	Jan-Mar '09	Jan-Mar '09 Vs. Jan-Mar '08
Net Sales	95,543	(25.0%)
Cost of goods sold	(65,489)	(21.7%)
Gross Income	30,054	(31.3%)
Operating Expenses	(32,398)	(19.7%)
Operating Income	(2,344)	(169.5%)
Integral Cost of Financing	(6,086)	N.A.
Interest Expense	(2,461)	(32.5%)
Interest Income	247	(34.3%)
Foreign Exchange Gain (Loss)	(3,872)	N.A.
Other Expenses, Net	(825)	(24.3%)
Income Tax	(1,409)	(40.2%)
Deferred Income Tax	(104)	(42.8%)
Minority Income	266	(64.1%)
Net Majority Income	(11,033)	N.A.
Weighted Average Number of Shares Outstanding (Thousands)	162,664	0.0%
EPS	(0.07)	N.A.

BALANCE SHEET (Thousands of Nominal US Dollars)	March 2009	Mar 2009 Vs. Mar 2008
Current Assets	204,657	(15.5%)
Cash Equivalents	15,102	13.0%
Fixed Assets	166,021	(29.9%)
Other non-current Assets	15,820	(26.5%)
TOTAL ASSETS	386,499	(22.8%)
Short-term Bank Debt	178,666	N.A.
Other short-term Liabilities	55,484	(20.6%)
Long-term Bank Debt	-	-
Deferred Taxes	35,819	(20.7%)
Other long-term Liabilities	4,601	31.7%
TOTAL LIABILITIES	274,570	(3.4%)
Majority Shareholders' Equity	93,777	(50.9%)
Minority Interest	18,151	(28.4%)
TOTAL SHAREHOLDERS' EQUITY	111,928	(48.3%)

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

INCOME STATEMENT (Thousands of Pesos except per Share data)	Jan-Mar '09	Jan-Mar '09 Vs. Jan-Mar '08
Net Sales	1,376,759	**0.7%**
Cost of goods sold	(943,554)	**5.1%**
Gross Income	433,205	**(7.7%)**
Operating Expenses	(467,305)	**7.9%**
Operating Income	(34,100)	**(193.9%)**
Integral Cost of Financing	(92,578)	**N.A.**
Interest Expense	(35,500)	**(9.2%)**
Interest Income	3,564	**(11.7%)**
Foreign Exchange Gain (Loss)	(60,642)	**N.A.**
Other Expenses, Net	(11,774)	**0.8%**
Income Tax	(20,311)	**(19.7%)**
Deferred Income Tax	(1,500)	**(23.1%)**
Minority Income	3,879	**(51.2%)**
Net Majority Income	(164,142)	**N.A.**
Weighted Average Number of Shares Outstanding (Thousands)	162,664	**0.0%**
EPS	(1.01)	**N.A.**

BALANCE SHEET (Thousands of Pesos)	March 2009	Mar 2009 Vs. Mar 2008
Current Assets	2,895,901	**11.7%**
Cash Equivalents	213,689	**49.4%**
Fixed Assets	2,349,203	**(7.3%)**
Other non-current Assets	223,856	**(2.8%)**
TOTAL ASSETS	5,468,959	**2.1%**
Short-term Bank Debt	2,528,125	**N.A.**
Other short-term Liabilities	785,096	**5.0%**
Long-term Bank Debt	-	**-**
Deferred Taxes	506,841	**4.9%**
Other long-term Liabilities	65,110	**74.1%**
TOTAL LIABILITIES	3,885,171	**27.7%**
Majority Shareholders' Equity	1,326,950	**(35.0%)**
Minority Interest	256,838	**(5.4%)**
TOTAL SHAREHOLDERS' EQUITY	1,583,788	**(31.6%)**