

First Quarter

# 2012



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 releases First Quarter Results

The highlight of the first quarter of 2012 for Interceramic was material improvement in operating income on a relatively slight increase in consolidated sales when compared to the same period last year. At US \$114.1 million, consolidated sales for the first quarter of 2012 were up just 1.1 percent over first quarter 2011 consolidated sales of US \$112.9 million. However, a 5.8 percent decrease in operating expenses between the two periods went straight to the Company's bottom line, and first quarter 2012 operating income of US \$7.3 million was 36.5 percent higher than the US \$5.4 million posted in the first quarter 2011. Operating expenses for the first quarter of this year were 27.1 percent of sales for the period, a decrease of two full percentage points from the 29.1 percent recorded in the first quarter of 2011. Operating margin for the first quarter of 2012 grew as well, up to 6.4 percent from last year's 4.8 percent. The Company's EBITDA for the first quarter of 2012 rose by 10.4 percent over that in the first quarter of 2011, to US \$13.1 million from the earlier US \$11.9 million. The key financial ratios used by the Company to monitor its financial health continue their steady improvement. At the end of the first quarter of 2012, our debt service coverage ratio was 8.2 times, considerably better than the 5.6 times at the end of the first quarter of 2011. The ratio of the Company's debt to its EBITDA at the end of the quarter also got better, standing at 2.3 times from the 2.9 times at the end of the first quarter of 2011.

In our biggest market, Mexico, our first quarter sales were better than they might have appeared at first glance. Because our sales in Mexico are all made in Mexican Pesos, viewing our sales in Pesos provides a much more realistic assessment of how we are doing in this market. First quarter 2012 sales in Mexico of Ps 1,007.8 million increased by 8.8 percent over first quarter 2011 Mexican sales of Ps 926.0 million. In Dollars, Mexican sales for the first quarter of the year were US \$78.2 million a 1.7 percent increase over first quarter 2011 Mexican sales of US \$76.9 million. There are now 243 exclusive Interceramic franchise and company-owned stores throughout Mexico, giving us a great strategic advantage over our primary competitors. This year we have also commenced a programme in Mexico to better extend our coverage of the country with a number of new or remodelled locations, and we are hopeful of achieving further gains in our primary market as a result.

In the International markets, we seem to have stabilised a bit after the large and sustained consolidation efforts undertaken by us in the United States over the past two or three years. International sales in the first quarter of 2012 and the first quarter of 2011 were completely flat at US \$36.0 million for each period. We still have a long way to go before we can expect our International operations to positively contribute to our group in a material way, but looking on the bright side, these operations are having less of an adverse effect on our consolidated results than they had for some time previously. Out of the Company's

consolidated EBITDA for the first quarter of 2012 of US \$13.1 million, International operations accounted for a reduction of around US \$400,000. In the United States are focussed more on the commercial and remodelling markets, which appear to have more vitality than the new construction sector, which continues to suffer and looks likely to do so for some time yet. Same store sales in the United States are up around 14 percent over last year, and we will keep looking for ways to take advantage of opportunities as they might present themselves as well as to keep reducing our expenses in this difficult market.

The first quarter of 2012 has started positively, if modestly, for Interceramic, and we look forward to building more momentum over the coming quarters. As always, we at Interceramic want to thank our investors, our customers and our employees for their continued support.

**Oscar E. Almeida**  
Honorary Chairman

**Víctor D. Almeida**  
Chairman of the Board & CEO

**RELEVANT FINANCIAL INFORMATION**

| <b>INCOME STATEMENT</b><br>(Thousands of Nominal US Dollars,<br>except per Share data) | <b>Jan-Mar'12</b> | <b>Jan-Mar'12</b><br>Vs.<br><b>Jan-Mar'11</b> |
|--|-------------------|---|
| Net Sales  | 114,119           | 1.1%  |
| Cost of goods sold   | (75,460)          | 1.5%  |
| Gross Income   | 38,658            | 0.3%  |
| Operating Expenses   | (30,911)          | (5.8%)  |
| Other Expenses, Net  | (402)             | 14.7%   |
| Operating Income   | 7,345             | 36.5%   |
| Interest Expense   | (1,812)           | 1.2%  |
| Interest Income  | 194               | (41.4%)                                       |
| Foreign Exchange Gain (Loss)   | 10,714            | 113.2%  |
| Equity in Associated   | (300)             | N.A.  |
| Income Tax   | (2,811)           | (27.4%)                                       |
| Deferred Income Tax  | 58                | N.A.  |
| Net Majority Income  | 12,608            | 198.1%  |
| Minority Income  | 781               | (3.9%)  |
| Weighted Average Number of Shares Outstanding (Thousands)                              | 162,664           | 0.0%  |
| EPS  | 0.08              | 198.1%  |

| <b>BALANCE SHEET</b><br>(Thousands of Nominal US Dollars) | <b>March 2012</b> | <b>Mar '12</b><br>Vs.<br><b>Mar '11</b> |
|---|-------------------|---|
| Current Assets  | 211,962           | 5.6%                                    |
| Cash Equivalents  | 23,429            | 6.6%                                    |
| Fixed Assets  | 173,489           | (11.8%)                                 |
| Other non-current Assets                                  | 9,605             | (38.2%)                                 |
| <b>TOTAL ASSETS</b>                                       | <b>395,057</b>    | <b>(4.3%)</b>                           |
| Short-term Bank Debt                                      | 10,708            | (52.8%)                                 |
| Other short-term Liabilities                              | 42,638            | 0.8%                                    |
| Long-term Bank Debt                                       | 120,029           | 2.0%                                    |
| Deferred Taxes  | 26,337            | (16.2%)                                 |
| Other long-term Liabilities                               | 8,993             | 5.5%                                    |
| <b>TOTAL LIABILITIES</b>                                  | <b>208,707</b>    | <b>(6.2%)</b>                           |
| Majority Shareholders' Equity                             | 165,060           | (0.1%)                                  |
| Minority Interest   | 21,290            | (14.8%)                                 |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                         | <b>186,350</b>    | <b>(2.0%)</b>                           |

Note: "Unless otherwise indicated, all financial information are in accordance with International Financial Reporting Standards as determined by the International Accounting Standard Board ("IASB") 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><br>(Thousands of Pesos<br>except per Share data) | <b>Jan-Mar'12</b> | <b>Jan-Mar'12</b><br>Vs.<br><b>Jan-Mar'11</b> |
|--|-------------------|---|
| Net Sales  | 1,471,162         | 8.2%  |
| Cost of goods sold   | (972,890)         | 8.7%  |
| Gross Income   | 498,272           | 7.3%  |
| Operating Expenses   | (398,523)         | 0.7%  |
| Other Expenses, Net  | (5,190)           | 22.5%   |
| Operating Income   | 94,560            | 46.4%   |
| Interest Expense   | (23,361)          | 8.2%  |
| Interest Income  | 2,503             | (37.5%)                                       |
| Foreign Exchange Gain (Loss)   | 139,079           | 130.0%  |
| Equity in Associated   | (3,868)           | N.A   |
| Income Tax   | (36,246)          | (22.3%)                                       |
| Deferred Income Tax  | 750               | N.A   |
| Net Majority Income  | 163,363           | 222.6%  |
| Minority Income  | 10,053            | 2.8%  |
| Weighted Average Number of Shares Outstanding (Thousands)                | 162,664           | 0.0%  |
| EPS  | 1.00              | 222.6%  |

  

| <b>BALANCE SHEET</b><br>(Thousands of Pesos) | <b>March 2012</b> | <b>Mar '12</b><br>Vs.<br><b>Mar '11</b> |
|--|-------------------|---|
| Current Assets                               | 2,715,233         | 13.5%                                   |
| Cash Equivalents                             | 300,127           | 14.6%                                   |
| Fixed Assets                                 | 2,222,397         | (5.2%)                                  |
| Other non-current Assets                     | 123,044           | (33.5%)                                 |
| <b>TOTAL ASSETS</b>                          | <b>5,060,674</b>  | <b>2.8%</b>                             |
| Short-term Bank Debt                         | 137,175           | (49.3%)                                 |
| Other short-term Liabilities                 | 546,198           | 8.4%                                    |
| Long-term Bank Debt                          | 1,537,575         | 9.7%                                    |
| Deferred Taxes                               | 337,380           | (10.0%)                                 |
| Other long-term Liabilities                  | 115,203           | 13.4%                                   |
| <b>TOTAL LIABILITIES</b>                     | <b>2,673,531</b>  | <b>0.8%</b>                             |
| Majority Shareholders' Equity                | 2,114,423         | 7.3%                                    |
| Minority Interest                            | 272,721           | (8.5%)                                  |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>            | <b>2,387,143</b>  | <b>5.3%</b>                             |