

2016

Third Quarter

INTERCERAMIC RELEASES THIRD QUARTER 2016 RESULTS

Once again Interceramic has set a new quarterly sales record, with all other financial measurements following accordingly, including gross margin, operating income, operating margin and EBITDA. Looking first to consolidated sales, at Ps 2,344.7 million, third quarter 2016 consolidated sales bested those in the third quarter of 2015 of Ps 2,207.5 million by 6.2 percent. The Company's gross income for the third quarter of this year was Ps 974.5 million, an increase of 17.0 percent over gross income of Ps 832.9 million in the third quarter of 2015. Gross margin hit 41.6 percent in the third quarter of this year, a 3.8 percentage points over gross margin of 37.7 percent in the third quarter of 2015. These results reflect our focus on enhancing the shopping experience of our customers and improving our product mix.

Topping Ps 1,645.2 million, Mexican sales for the third quarter of 2016 showed a 7.5 percent increase over Mexican sales in the same quarter of last year of Ps 1,529.8 million. Because most of our International sales are made in United States Dollars, it is most indicative to view them in that currency. For this quarter, International sales were US \$36.8 million, compared to the US\$40.8 million recorded the third quarter of 2015. However, we are expecting this decrease to be only temporary as we have recently modified our sales strategy in the United States to focus on more profitable channels of distribution.

Moving on to operating results, Interceramic's operating income for the third quarter of 2016 showed strong growth. Operating income was Ps 303.9 million, a 15.5 percent increase over the Ps 263.1 million recorded in the third quarter of 2015, leading to an operating margin of 13.0 percent as compared to 11.9 percent in the same period last year. As for EBITDA, in the third quarter 2016, this was Ps 397.2 million, 13.9 percent more than third quarter 2015 EBITDA of Ps 348.8 million. The Company's debt service coverage ratio was 13.9 at the end of the third quarter of 2016 compared to 11.4 at the end of the third quarter of 2015. The debt to EBITDA ratio at the end of the third quarter of this year stood at 1.5 times from 1.8 at the end of the third quarter of 2015.

On a year-to-date basis, consolidated sales through the first three quarters of 2016 of Ps 6,843.2 million were up 13.9 percent over sales of Ps 6,006.6 million recorded in the first three quarters of 2015. Divided by market, Mexican sales for the first three quarters of 2016 stood at Ps 4,785.5 million, an increase of 14.7 percent over the Ps 4,172.3 Mexican sales for the same period last year. Viewed in United States Dollars, accumulated international sales for the first nine months of this year were US 112.4 million, compared to US 116.6 million the same period of 2015. The Company's gross income for the first three quarters of this year was Ps 2,801.2 million, an increase of 24.5 percent over gross income of Ps 2,250.4 million in first three quarters of 2015. Gross margin for the first nine months of 2016 was 40.9 percent, an increase of 3.5 percentage points over gross margin of 37.5 percent recorded for the first nine months of 2015. Operating income of Ps 857.2 million for the first three quarters of this year was 38.5 percent above operating income of Ps 619.1 million over the same period of 2015. EBITDA for the first three quarters of 2016 was Ps 1,128.6 million, up 30.1 percent over three-quarter 2015 EBITDA of Ps 867.7 million.

We are delighted that we have been able to keep improving our financial results, quarter following quarter, for an extended period of time and will continue to do all possible to keep the trend going for an indefinite period of time. As always, we at Interceramic want to thank our investors, our customers and our employees for their continued support.

Víctor D. Almeida

Chairman of the Board & CEO

RELEVANT FINANCIAL INFORMATION

INCOME STATEMENT (Thousands of Pesos except per Share data)	Jul-Sep '16	Jul-Sep '16 Vs. Jul-Sep '15	Jan-Sep '16	Jan-Sep '16 Vs. Jan-Sep '15
Net Sales	2,344,703	6.2%	6,843,222	13.9%
Cost of goods sold	(1,370,229)	(0.3%)	(4,042,007)	7.6%
Gross Income	974,475	17.0%	2,801,215	24.5%
Operating Expenses	(670,548)	17.7%	(1,944,036)	19.2%
Operating Income	303,927	15.5%	857,179	38.5%
Interest Expense	(28,934)	(8.3%)	(80,944)	8.8%
Interest Income	4,651	185.8%	12,632	162.1%
Foreign Exchange Loss	(96,580)	(39.2%)	(218,801)	(15.8%)
Equity in Associated	6,000	185.7%	8,100	38.0%
Income Tax	(58,505)	254.8%	(211,357)	77.4%
Deferred Income Tax	(9,350)	N.A.	(6,050)	(222.2%)
Net Majority Income	119,702	118.8%	349,360	115.6%
Minority Income	1,507	(78.4%)	11,399	(41.4%)
Weighted Average Number of Shares Outstanding (Thousands)	154,433	(5.1%)	154,433	(5.1%)
EPS	0.78	130.4%	2.26	127.1%

BALANCE SHEET (Thousands of Pesos)	As of September 30, 2016	Sep '16 Vs. Sep '15
Current Assets	4,078,401	11.9%
Cash Equivalents	600,793	(4.3%)
Fixed Assets	2,366,836	8.0%
Other non-current Assets	222,447	6.4%
TOTAL ASSETS	6,667,684	10.3%
Short-term Bank Debt	454,726	317.3%
Other short-term Liabilities	989,423	16.1%
Long-term Bank Debt	1,788,026	(3.4%)
Deferred Taxes	162,803	18.7%
Other long-term Liabilities	243,028	10.8%
TOTAL LIABILITIES	3,638,006	14.8%
Majority Shareholders' Equity	2,840,274	6.7%
Minority Interest	189,403	(12.6%)
TOTAL SHAREHOLDERS' EQUITY	3,029,677	5.3%