

2016

Fourth Quarter

INTERCERAMIC RELEASES FOURTH QUARTER 2016 RESULTS

Interceramic finished 2016 on a strong note. Fourth quarter 2016 consolidated sales ended up at Ps 2,361.8 million, an 8.4 percent increase over fourth quarter 2015 consolidated sales of Ps 2,179.0 million. Gross income for the fourth quarter of 2016 was Ps 999.2 million, up 17.2 percent over gross income of Ps 852.6 million in the fourth quarter of 2015. Gross margin hit 42.3 percent in the fourth quarter of this year, a 3.2 percentage points over gross margin of 39.1 percent in the fourth quarter of 2015. The most important feature of the quarter was better overall margins that resulted from our ever-improving product mix.

In Mexico, our domestic sales for the last quarter of 2016 were Ps 1,678.2 million which, compared to domestic sales of Ps 1,575.3 million for the same quarter last year, grew by 6.5 percent over the two periods. International sales for the fourth quarter of 2016 were US \$34.2 million, down slightly by 4.9 percent over fourth quarter 2015 International sales of US \$36.0 million. This drop is attributable to a new focus on and renovation of our product offerings aimed at better serving the markets and improving sales in coming periods.

The Company's consolidated operating results for the fourth quarter of 2016 were great as well, and with operating income of Ps 298.9 million, we bested operating income of Ps 255.0 for the same quarter of 2015 by 17.2 percent. On the back of these figures, our operating margin for this past quarter climbed to 12.7 percent against the 11.7 percent margin in the fourth quarter of 2015. EBITDA of Ps 393.2 million for the fourth quarter of 2016 was 14.9 percent greater than the Ps 342.2 million obtained in the same period of 2015. The Company's debt service coverage ratio was 14.1 at the end of the fourth quarter of 2016 compared to 12.1 at the end of the fourth quarter of 2015 and our debt to EBITDA ratio at the end of the fourth quarter of this year stood at 2.2 times versus the 1.7 ratio at the end of the fourth quarter of 2015.

Looking at the figures for the entire year, Interceramic's consolidated sales for 2016 were Ps 9,205.1 million and when viewed against consolidated sales for 2015 of Ps 8,185.6 million reflected annual growth of 12.5 percent.

Split between our two markets, Mexican sales for the combined four quarters of 2016 reached Ps 6,463.7 million, a 12.5 percent increase over last year's Mexican sales of Ps 5,747.6 million. When viewed in United States Dollars, International sales for all of 2016 were US \$146.6 million, a dip of 3.9 percent over 2015 International sales of US \$152.6 million. The Company's gross income for 2016 was Ps 3,800.4 million, an increase of 22.5 percent over gross income of Ps 3,103.0 million in 2015. Our gross margin for the year 2016 was 41.3 percent, an increase of 3.4 percentage points over gross margin of 37.9 percent in 2015. Operating income for 2016 of Ps 1,156.0 million was 32.3 percent higher than operating income of Ps 874.1 million recorded in 2015, and, finally, our 2016 EBITDA of Ps 1,521.9 million grew 25.8 percent over 2015 EBITDA of Ps 1,209.9 million.

The year 2016 was by all measures excellent for Interceramic, and we are particularly pleased by the steady and consistent improvement. Once again, we have much to look forward to for the coming year and, 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)	Oct-Dec '16	Oct-Dec '16 Vs. Oct-Dec '15	Jan-Dec '16	Jan-Dec '16 Vs. Jan-Dec '15
Net Sales	2,361,836	8.4%	9,205,058	12.5%
Cost of goods sold	(1,362,679)	2.7%	(5,404,686)	6.3%
Gross Income	999,157	17.2%	3,800,372	22.5%
Operating Expenses	(700,289)	17.2%	(2,644,325)	18.6%
Operating Income	298,869	17.2%	1,156,047	32.3%
Interest Expense	(26,618)	5.4%	(107,562)	7.9%
Interest Income	5,194	31.3%	17,826	103.1%
Foreign Exchange Loss	(120,579)	316.8%	(339,380)	17.6%
Equity in Associated	6,500	7.8%	14,600	22.7%
Income Tax	(67,858)	168.5%	(279,214)	93.4%
Deferred Income Tax	43,540	103.1%	37,490	42.1%
Net Majority Income	136,538	(28.6%)	485,898	37.5%
Minority Income	2,510	(84.1%)	13,908	(60.5%)
Weighted Average Number of Shares Outstanding (Thousands)	147,031	(9.6%)	147,031	(9.6%)
EPS	0.93	(21.0%)	3.30	52.2%

BALANCE SHEET (Thousands of Pesos)	As of December 31, 2016	Dec '16 Vs. Dec '15
Current Assets	4,931,419	30.7%
Cash Equivalents	1,412,648	105.6%
Fixed Assets	2,716,096	21.6%
Other non-current Assets	219,652	6.7%
TOTAL ASSETS	7,867,167	26.6%
Short-term Bank Debt	501,674	144.2%
Other short-term Liabilities	1,198,573	52.2%
Long-term Bank Debt	2,905,884	62.7%
Deferred Taxes	138,807	12.7%
Other long-term Liabilities	219,414	2.1%
TOTAL LIABILITIES	4,964,351	59.3%
Majority Shareholders' Equity	2,710,903	(5.4%)
Minority Interest	191,913	(17.4%)
TOTAL SHAREHOLDERS' EQUITY	2,902,816	(6.3%)