



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



# Second Quarter

# 2007

**SALES.-** Consolidated sales for the second quarter of 2007 were US \$121.1 million, up 8.7 percent over sales of US \$111.4 millions for the second quarter of 2006.

**EBITDA.-** EBITDA for the second quarter of 2007 was 19.9 percent lower than same quarter last year, US \$11.7million from last year's US \$14.6 million

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 Expands Sales Growth

In the second quarter of 2007, Interceramic came close to topping its prior record for quarterly sales, with sales of US \$121.1 million in what is typically a slow quarter of the year. When combined with first quarter sales of US \$113.7 million, the first semester sales of US \$234.8 million is the best opening half of a year in Interceramic history. Completely unlike our competition, in Mexico we continue to grow market share. Interceramic stands almost alone at the high-end segment of the market in Mexico, and we are easily the most-recognized brand of tile in Mexico. With our high-profile network of 227 Company-owned and independent “Interceramic” stores nationwide, we have been very effective in Mexico at linking our brand name and consumer perceptions of high-quality and cutting edge products in the tile and stone flooring market. We expect to be able to capitalise on this significant asset over coming quarters, gaining market share and increasing margins as we go.

International markets, primarily the United States, have proven more difficult to crack with measured consistency. While demand in the United States remains fairly strong, a retreating housing market and furious competition has impeded our ability to achieve the pricing and volume levels that we have targeted. Through increased investment in Company-owned distribution in the United States including a network of four state of the art strategically located distribution centers, we hope not only to boost our brand recognition, but also to provide enhancements in customer service that should help us achieve the distinction from our competitors that will allow us to improve our margins. To this end, we are in the process of replacing or supplementing stores in a number of markets, such as El Paso, Phoenix and Las Vegas, with more modern, functional facilities with more warehousing space to ensure instant product availability. We are also in the process of developing a Company-owned store in Kansas City, Missouri, which will be a new, direct-market presence for Interceramic.

At US \$121.1 million, Interceramic’s consolidated sales for the second quarter of 2007 represented an 8.7 percent gain over sales of US \$111.4 million for the same quarter in 2006. Although we continue to be restrained by high and uncertain energy costs, we were able to post growth in gross income as well, which was 3.2 higher in the second quarter of 2007 than in the same quarter last year. These numbers are basically reflective of the first half of the year as well, where Interceramic’s consolidated sales for the first six months of 2007 hit US \$234.8 million, which was 5.7 percent higher than sales of US \$222.2 million for the first half of 2006. Gross income for the six-month period in 2007 was 3.3 percent higher than the first six-month period of 2006.

Consolidated sales in Mexico for the second quarter grew to US \$70.1 million from the US \$58.4 million recorded for the second quarter of 2006, a 20.1 percent increase. As has been the case for some time now, Company-owned stores lead the way in Mexico but our independent franchises continue to prosper as well with both channels increasing product sold by double digits.

Interceramic’s consolidated sales in Mexico for the first six months of the year are up by 14.1 percent over the same period last year, hitting US \$137.4 million compared to last year’s US \$120.5 million figure.

As observed, the International markets have been a challenge of late, and our second quarter sales of US \$51.0 million lagged some 3.9 percent over sales of US \$53.1 in the same quarter of 2006. The same basic trend holds true for the entire first six months of the year as well, with sales of US \$97.4 million for the first half of 2007 showing a 4.3 percent reduction over the same period in 2006.

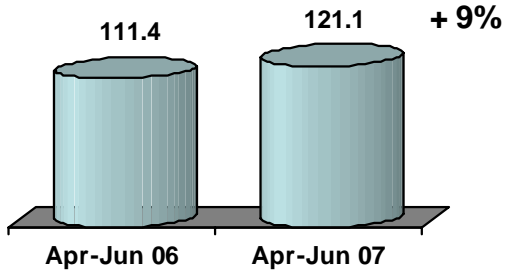
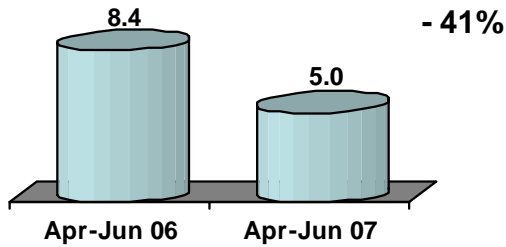
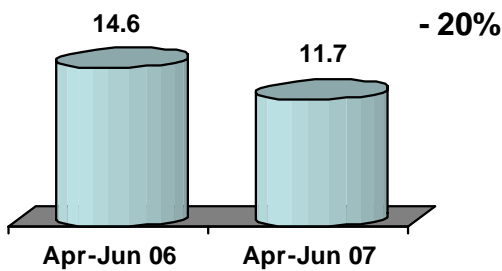
In pursuit of our United States strategy of ramping up customer service and expanding our Company-owned store coverage and new distribution centers, operating expenses were up for the quarter, resulting in a reduction of Interceramic’s consolidated operating income from the second quarter of 2007 to US \$5.0 million from US \$8.4 million in the same period of 2006, a 41.0 percent drop. For the first six months of 2007, we also saw a decrease, with operating income of US \$11.2 million compared to US \$15.6 million in the first semester of 2006, a reduction of 27.9 percent. As the new stores open up in the United States market during the course of the coming quarters, we expect that a boost in sales will absorb the increased infrastructure costs and put us in a better position to meet our United States sales objectives. The Company’s EBITDA (earnings before interest, taxes, depreciation and amortization) for the second quarter of 2007 suffered along with the drop in operating income, and at US \$11.7 million represents a 19.9 percent drop over EBITDA of US \$14.6 million in the second quarter last year. For the first semester, our EBITDA was US \$24.6 million which was 11.6 percent less than what we achieved in the first half of 2006.

While we at Interceramic are very pleased with our sales growth and increasingly good results from Mexico, we recognise that the Company still has not tapped its potential in the huge but complex United States markets. We view it as a challenge to be met, and are of course confident that we will be able to do so. As always, Interceramic would like to thank our investors, customers, suppliers and employees for their continued support.

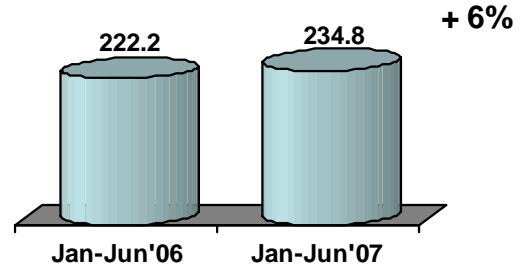
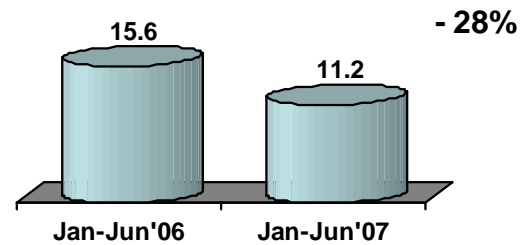
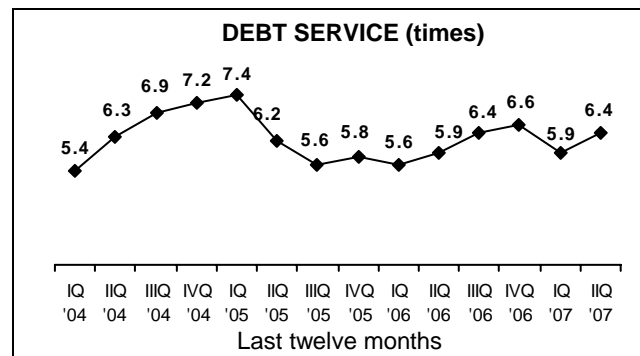
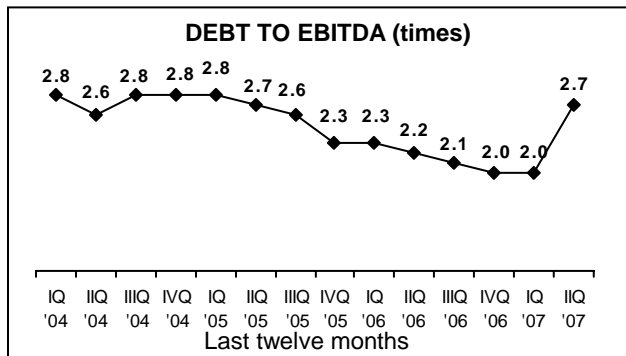
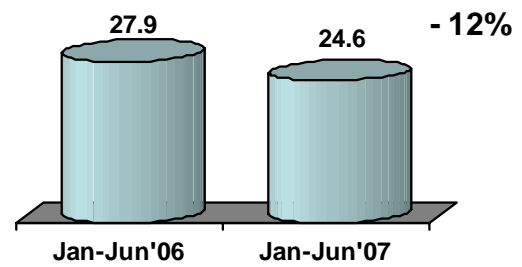
**Oscar E. Almeida**  
Chairman of the Board

**Víctor D. Almeida**  
Chief Executive Officer

(MILLIONS OF NOMINAL U.S. DOLLARS)

**NET SALES**

**OPERATING INCOME**

**EBITDA**


(MILLIONS OF NOMINAL U.S. DOLLARS)

**NET SALES**

**OPERATING INCOME**

**EBITDA**


**RELEVANT FINANCIAL INFORMATION**

<b>INCOME STATEMENT</b> (Thousands of Nominal US Dollars, except per Share data)	Apr-Jun '07	Apr-Jun '07 Vs. Apr-Jun '06	Jan-Jun '07	Jan-Jun '07 Vs. Jan-Jun '06
Net Sales	121,114	8.7%	234,815	5.7%
Cost of goods sold	(79,630)	11.8%	(152,369)	7.0%
Gross Income	41,484	3.2%	82,445	3.3%
Operating Expenses	(36,521)	14.9%	(71,206)	10.9%
Operating Income	4,963	(40.9%)	11,239	(27.9%)
Integral Cost of Financing	3	(100.1%)	(2,105)	(81.0%)
Interest Expense	(2,554)	(9.9%)	(4,851)	(13.3%)
Interest Income	408	(11.8%)	781	(14.6%)
Foreign Exchange Gain (Loss)	2,446	(153.7%)	1,189	(116.3%)
Monetary Effect	(297)	447.0%	776	(15.9%)
Other Items	(305)	(81.7%)	(846)	(65.3%)
Income Tax and Employee Profit Sharing	(457)	(43.5%)	(2,459)	(5.2%)
Deferred Income Tax	(115)	(273.5%)	(86)	(60.6%)
Minority Income	779	(2.5%)	1,588	0.1%
Net Majority Income	3,311	(285.6%)	4,156	(280.6%)
Weighted Average Number of Shares Outstanding (Thousands)	162,664	0.0%	162,664	184.5%
EPS (as traded in the BMV)	0.02	(285.6%)	0.03	(163.5%)

<b>BALANCE SHEET</b> (Thousands of Nominal US Dollars)	June 2007	Jun 2007 Vs. Jun 2006
Current Assets	235,569	27.5%
Cash Equivalents	34,050	376.3%
Fixed Assets	218,103	3.1%
Other non-current Assets	21,054	12.9%
<b>TOTAL ASSETS</b>	<b>474,726</b>	<b>14.4%</b>
Short-term Bank Debt	223	33.3%
Other short-term Liabilities	51,182	10.4%
Long-term Bank Debt	160,000	25.5%
Deferred Taxes	39,071	9.0%
Other long-term Liabilities	6,680	35.4%
<b>TOTAL LIABILITIES</b>	<b>257,156</b>	<b>19.7%</b>
Majority Shareholders' Equity	191,165	9.4%
Minority Interest	26,405	4.2%
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>217,570</b>	<b>8.8%</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 Pesos as of June 2007 except per Share data)	Apr-Jun '07	Apr-Jun '07 Vs. Apr-Jun '06	Jan-Jun '07	Jan-Jun '07 Vs. Jan-Jun '06
Net Sales	1,312,877	2.4%	2,571,345	1.8%
Cost of goods sold	(863,171)	5.3%	(1,668,248)	3.1%
Gross Income	449,705	(2.8%)	903,097	(0.5%)
Operating Expenses	(395,987)	8.2%	(780,013)	6.9%
Operating Income	53,719	(44.5%)	123,084	(30.7%)
Integral Cost of Financing	92	(100.1%)	(23,405)	(81.6%)
Interest Expense	(27,678)	(15.2%)	(53,104)	(16.5%)
Interest Income	4,426	(16.9%)	8,552	(17.7%)
Foreign Exchange Gain (Loss)	26,562	(150.8%)	12,492	(114.9%)
Monetary Effect	(3,219)	411.4%	8,656	(15.2%)
Other Items	(3,304)	(82.8%)	(9,301)	(66.6%)
Income Tax and Employee Profit Sharing	(5,018)	(45.9%)	(27,184)	(7.2%)
Deferred Income Tax	(1,230)	(256.0%)	(866)	(62.9%)
Minority Income	8,434	(8.3%)	17,388	(3.8%)
Net Majority Income	35,824	(275.5%)	44,940	(266.0%)
Weighted Average Number of Shares Outstanding (Thousands)	162,664	0.0%	162,664	0.0%
EPS (as traded in the BMV)	0.22	(275.5%)	0.28	(266.0%)

<b>BALANCE SHEET</b> (Thousands of Pesos as of June 2007)	June 2007	Jun 2007 Vs. Jun 2006
Current Assets	2,544,142	19.3%
Cash Equivalents	367,736	345.6%
Fixed Assets	2,355,512	(3.5%)
Other non-current Assets	227,388	5.6%
<b>TOTAL ASSETS</b>	<b>5,127,042</b>	<b>7.0%</b>
Short-term Bank Debt	2,412	24.7%
Other short-term Liabilities	552,764	3.3%
Long-term Bank Debt	1,728,000	17.4%
Deferred Taxes	421,968	2.0%
Other long-term Liabilities	72,144	26.7%
<b>TOTAL LIABILITIES</b>	<b>2,777,288</b>	<b>12.0%</b>
Majority Shareholders' Equity	2,064,579	2.3%
Minority Interest	285,176	(2.5%)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,349,755</b>	<b>1.7%</b>

Note: Pursuant to Bulletin B-15 financial statements previously reported have been restated to take into account a common actualization factor determined by weighting the Company's respective sales in Pesos and Dollars, each as effected by inflation and devaluation in the applicable currencies. This factor for the 12 month period from May '06 to June '07 was 1.97% compared to the inflation for the same period of 4.16%.