

Second Quarter 2012



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Interceramic releases Second Quarter 2012 Results

Led by good sales growth both in Mexico and the International markets, Interceramic posted yet another quarter of positive results for the second quarter in 2012, with consolidated sales topping US \$121.5 million, an increase of 4.7 percent over consolidated sales of US \$116.1 million in the second quarter of 2011. As with a number of recent quarters, modest sales growth somewhat masks significant improvement in operating results for the Interceramic group. Consolidated operating income for the second quarter of 2012 was US \$11.8 million which, compared to the US \$8.6 million attained in the second quarter of last year, grew by a very satisfactory 36.9 percent. The primary underlying reason for this is our key strategy of targeting reductions in operating expenses, increasing our efficiencies and getting better return off of our resources. While our income for the quarter increased, operating expenses decreased not just proportionately but overall as well, down 4.3 percent over the second quarter of 2011. As a percentage of sales, operating expenses fell to 25.7 percent, compared to 28.1 percent in the second quarter of 2011. Our operating margin for the second quarter of 2012 was 9.7 percent, up some 2.3 points over the 7.4 percent recorded in the second quarter of 2011. We also experienced a boost in EBITDA for the quarter, which at US \$17.1 million bettered by 10.2 percent EBITDA of the second quarter of 2011 of US \$15.5 million. Our key financial ratios improved accordingly, with the Company's debt service coverage ratio at the end of the second quarter of 2012 being 8.5 times as opposed to 6.3 times at the close of the second quarter of 2011. Our ratio of debt to EBITDA ended the quarter at 2.2 times from 2.6 times at the end of the second quarter of 2011. Overall, the end of the second quarter of 2012 finds us in great shape, with continued strength in Mexico and a much leaner International operation allowing us to move forward despite the long-lingering global economic downturn.

Looking at the full half-year to date over the same semester last year, the results are pretty consistent with the quarterly comparisons. While consolidated sales increased only 2.9 percent in the first half of this year compared to last (US \$235.7 million over US \$229.0 million), our operating income for the first half of this year of US \$19.2 million was a fine 36.8 percent up from operating income of US \$14.0 million recorded in the first half of last year. For the first semester of 2012 our EBITDA rose to US \$30.2 million compared to US \$27.4 million last year, a 10.3 percent increase period-to-period.

In Mexico we experienced steady consolidated sales growth for the second quarter of 2012 compared to the same period last year of 15.1 percent when measured in Pesos, which of course is the currency in which all Mexican sales are denominated (to Ps 1,044.7 million from Ps 907.8). Comparing the two semesters, Mexican sales in the first half of 2012 were Ps 2,052.5 million, a boost of 11.9 percent from the Ps 1,833.8 million attained in the first half of 2011. Expressed in Dollars, as may be expected the weakening of the Peso over the last quarter adversely skewed the results a bit, and at US \$77.4 million Mexican sales were almost one percent less than the US \$78.0 million recorded for the second quarter last year. For the whole six-month period, a slight gain was registered, up a mere 0.44 percent over the first half of last year (US \$155.5 million this year compared to US \$154.8 last year).

Particularly good news greeted us on the International front where we grew sales for the second quarter of 2012 to US \$44.2 million from US \$38.1 million last year, a pleasing 15.9 percent increase. While the sales growth in the International markets for the first six months of the year was smaller, at 8.1 percent (from US \$74.1 million in the first half of 2011 compared to US \$80.1 million in the first half this year), the trend of the second quarter of 2012 is strong and bodes well for the rest of the year, as increased United States sales against a much-reduced expense profile should just get better as the weeks progress. From our perspective, we are more than a little encouraged by what amounts to a turn-around of our International operations, which just last year accounted for an estimated US \$1.3 million loss to our EBITDA in that second quarter, to the second quarter this year, where International operations actually contributed around US \$2.2 million to our consolidated EBITDA of US \$17.1 million. For the year-to-date, the split of consolidated EBITDA of US \$30.2 million was around US \$28.5 million attributable to Mexico and US \$1.8 million to International operations. A small but very meaningful step to us here at Interceramic.

Incremental it may be, but our financial progress over the past several quarters has been sustained and methodical. At the most basic level, we have been able to steadily grow sales in a bad economic climate, both in Mexico and abroad, and more importantly we have found the keys to the operating efficiencies and streamlined efforts that we have known were out there for the taking. As has always, we 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

INCOME STATEMENT (Thousands of Nominal US Dollars, except per Share data)	Apr-Jun'12	Apr-Jun'12 Vs. Apr-Jun'11	Jan- Jun'12	Jan- Jun'12 Vs. Jan-Jun '11
Net Sales	121,542	4.7%	235,660	2.9%
Cost of goods sold	(78,402)	5.2%	(153,862)	3.4%
Gross Income	43,140	3.7%	81,798	2.0%
Operating Expenses	(31,231)	(4.3%)	(62,142)	(5.1%)
Other Expenses, Net	(69)	(77.8%)	(472)	(28.8%)
Operating Income	11,840	36.9%	19,185	36.8%
Interest Expense	(1,781)	(1.3%)	(3,593)	(0.0%)
Interest Income	250	4.9%	444	(22.1%)
Foreign Exchange Gain (Loss)	(5,349)	N.A.	5,366	(20.5%)
Equity in Associated	(325)	(53.6%)	(625)	(10.7%)
Income Tax	(2,694)	(32.8%)	(5,506)	(30.1%)
Deferred Income Tax	72	(1.1%)	130	235.3%
Net Majority Income	876	(73.6%)	13,484	78.6%
Minority Income	1,136	33.1%	1,917	15.0%
Weighted Average Number of Shares Outstanding (Thousands)	162,664	0.0%	162,664	0.0%
EPS	0.01	(73.6%)	0.08	78.6%

BALANCE SHEET (Thousands of Nominal US Dollars)	June 2012	Jun '12 Vs. Jun '11
Current Assets	202,761	3.4%
Cash Equivalents	13,723	(18.2%)
Fixed Assets	173,819	(11.2%)
Other non-current Assets	10,565	(23.5%)
TOTAL ASSETS	387,145	(4.6%)
Short-term Bank Debt	11,994	(52.3%)
Other short-term Liabilities	45,913	22.6%
Long-term Bank Debt	116,458	5.8%
Deferred Taxes	25,553	(19.1%)
Other long-term Liabilities	8,730	(2.0%)
TOTAL LIABILITIES	208,648	(2.2%)
Majority Shareholders' Equity	159,197	(6.5%)
Minority Interest	19,300	(13.0%)
TOTAL SHAREHOLDERS' EQUITY	178,497	(7.2%)

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

INCOME STATEMENT (Thousands of Pesos except per Share data)	Apr-Jun'12	Apr-Jun'12 Vs. Apr-Jun'11	Jan- Jun'12	Jan- Jun'12 Vs. Jan-Jun '11
Net Sales	1,642,266	21.5%	3,113,428	14.8%
Cost of goods sold	(1,059,325)	22.2%	(2,032,215)	15.3%
Gross Income	582,941	20.3%	1,081,213	13.9%
Operating Expenses	(421,310)	10.9%	(819,832)	5.7%
Other Expenses, Net	(853)	(76.6%)	(6,043)	(23.3%)
Operating Income	160,778	59.3%	255,338	54.3%
Interest Expense	(24,029)	14.5%	(47,390)	11.3%
Interest Income	3,389	22.3%	5,892	(13.0%)
Foreign Exchange Gain (Loss)	(76,901)	N.A	62,178	(22.2%)
Equity in Associated	(4,384)	(46.6%)	(8,252)	0.6%
Income Tax	(36,328)	(22.1%)	(72,574)	(22.2%)
Deferred Income Tax	969	14.1%	1,719	287.6%
Net Majority Income	8,001	(79.1%)	171,364	92.9%
Minority Income	15,493	55.6%	25,547	29.4%
Weighted Average Number of Shares Outstanding (Thousands)	162,664	0.0%	162,664	0.0%
EPS	0.05	(79.1%)	1.05	92.9%

BALANCE SHEET (Thousands of Pesos)	June 2012	Jun '12 Vs. Jun '11
Current Assets	2,719,026	17.8%
Cash Equivalents	184,029	(6.8%)
Fixed Assets	2,330,912	1.2%
Other non-current Assets	141,678	(12.9%)
TOTAL ASSETS	5,191,615	8.7%
Short-term Bank Debt	160,836	(45.7%)
Other short-term Liabilities	615,694	39.6%
Long-term Bank Debt	1,561,698	20.5%
Deferred Taxes	342,671	(7.9%)
Other long-term Liabilities	117,066	11.6%
TOTAL LIABILITIES	2,797,964	11.5%
Majority Shareholders' Equity	2,134,837	6.6%
Minority Interest	258,814	(0.8%)
TOTAL SHAREHOLDERS' EQUITY	2,393,651	5.7%