



2014

Second Quarter

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INTERCERAMIC RELEASES SECOND QUARTER 2014 RESULTS

In the second quarter of 2014, Interceramic's consolidated sales were Ps 1,751.7 million, 4.3 percent higher than second quarter 2013 sales of Ps 1,679.6 million. However, with cost of sales for the quarter of Ps 1,171.5 million some 6.1 percent higher than the Ps 1,103.9 million for the same quarter in 2013, Interceramic's gross income for the second quarter of 2014 of Ps 580.1 million were less than one percent higher than gross income of Ps 575.6 million in the second quarter of 2013, leaving our gross margin for the quarter at 33.1 percent in contrast to the 34.3 percent of the same period in 2013. Much of the increase in cost of sales during the period resulted from higher energy prices than prevailed in the second quarter of last year.

Sales in our domestic, Mexican market for the quarter were Ps 1,158.3, a bare 2.2 percent greater than Mexican sales of Ps 1,133.5 million in the second quarter of last year. In the International markets, sales for the second quarter of 2014 were US \$45.7 million, rising 5.9 percent over second quarter 2013 sales of US \$43.2 million.

Consolidated operating expenses in the second quarter of 2014 increased by 11.5 percent over the second quarter of 2013, to Ps 503.9 million from Ps 451.9 million, leading to a considerable dip in operating income this quarter down to Ps 76.0 million, a reduction of 39.2 percent over operating income in the second quarter of 2013 of Ps 125.1 million. Despite the persistent weak conditions in market consumption in Mexico, we have invested in the remodeling of our distribution network stores, and also in the opening of new locations, which has contributed to our higher operating expenses. The Company's EBITDA for the second quarter of 2014 was Ps 157.6 million and viewed against second quarter 2013 EBITDA of Ps 196.5 million shows a 19.8 percent decrease. Our total EBITDA for the second quarter of 2014 came Ps 150.0 million from the domestic market, while Ps 7.6 million was attributable to our International business. Key financial ratios at the end of the second quarter stood at 9.7 for debt service coverage and 2.3 for the ratio of debt to EBITDA.

A quick comparison of the first half of 2014 compared to that of 2013 yields similar results, with consolidated sales in the first six months of 2014 being Ps 3,405.5 million, an increase of 4.5 percent over the first half 2013 consolidated sales of Ps 3,258.6 million. Operating income recorded in the first half of 2014 was Ps 153.6 million, down 29.5 percent from the Ps 218.0 million achieved in the first half of 2013. Our EBITDA decreased by 13.7 percent over the two periods, to Ps 316.0 million this year from Ps 366.1 million, respectively.

It is apparent that consumption of tile products in Mexico is, at least in the near term, not showing the growth that we have seen in recent years. Although, we will be working in the coming periods to improve our market share. 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)	Apr-Jun '14	Apr-Jun '14 Vs. Apr-Jun '13	Jan-Jun '14	Jan-Jun '14 Vs. Jan-Jun '13
Net Sales	1,751,658	4.3%	3,405,540	4.5%
Cost of goods sold	(1,171,528)	6.1%	(2,259,719)	5.1%
Gross Income	580,130	0.8%	1,145,821	3.5%
Operating Expenses	(503,868)	11.5%	(992,773)	12.0%
Other Expenses, Net	(230)	(116.6%)	576	(119.8%)
Operating Income	76,033	(39.2%)	153,624	(29.5%)
Interest Expense	(18,553)	(2.1%)	(35,467)	(8.2%)
Interest Income	699	(76.3%)	2,118	(57.4%)
Foreign Exchange Gain	8,319	(110.0%)	7,833	(143.7%)
Equity in Associated	(1,296)	241.6%	(336)	(91.9%)
Income Tax	(54,608)	(19.9%)	(114,669)	(4.7%)
Deferred Income Tax	750	0.0%	1,500	(0.0%)
Net Majority Income	8,628	(116.9%)	6,291	(75.4%)
Minority Income	2,716	(70.9%)	8,312	(53.5%)
Weighted Average Number of Shares Outstanding (Thousands)	162,664	0.0%	162,664	0.0%
EPS	0.05	(116.9%)	0.04	(75.4%)

BALANCE SHEET (Thousands of Pesos)	June 2014	Jun '14 Vs. Jun '13
Current Assets	2,966,828	9.8%
Cash Equivalents	123,657	(46.2%)
Fixed Assets	2,301,160	(2.8%)
Other non-current Assets	164,288	13.5%
TOTAL ASSETS	5,432,276	4.2%
Short-term Bank Debt	386,859	73.8%
Other short-term Liabilities	811,357	36.2%
Long-term Bank Debt	1,244,759	(11.0%)
Deferred Taxes	155,498	(55.7%)
Other long-term Liabilities	152,854	4.7%
TOTAL LIABILITIES	2,751,328	1.3%
Majority Shareholders' Equity	2,469,152	9.5%
Minority Interest	211,797	(13.6%)
TOTAL SHAREHOLDERS' EQUITY	2,680,948	7.2%