

# 2013

## FOURTH QUARTER



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 REPORTS FOURTH QUARTER  
2013 RESULTS**

Building on a successful 2012, in 2013 Interceramic posted record annual consolidated sales. Consolidated sales in 2013 of Ps 6,679.6 million grew by 4.9 percent over 2012 consolidated sales of Ps 6,365.0 million. Cost of sales for 2013 were Ps 4,393.7 million, 6.6 percent higher than cost of sales in 2012 of Ps 4,121.9 million. Accordingly, while gross income posted in 2013 of Ps 2,286.0 million exceeded gross income last year of Ps 2,243.1 million, the growth was only 1.9 percent, leading to a gross margin of 34.2 percent in 2013 compared to gross margin in 2012 of 35.2 percent. Further as with last year, sales growth occurred both in Mexico and in the International (primarily the United States) markets. In Mexico, consolidated sales for the year were Ps 4,573.2 million, up 6.3 percent from the Ps 4,301.4 million achieved in 2012. In the International markets (measured in United States Dollars), 2013 sales grew by 4.7 percent over last year to US \$164.0 million in 2013 from US \$156.7 million in 2012.

We ended 2013 with operating income of Ps 456.7 million, 18.3 percent less than the record operating income of Ps 559.3 million hit for 2012. The decrease is partially attributable to the erosion in gross margin, compounded by a 9.2 percent increase in operating expenses in 2013 over 2012, due primarily to increased expenses associated with investment in new stores, store remodeling and technology. As a percentage of sales, operating expenses were 27.4 percent in 2013 as opposed to 26.3 percent in 2012, thus our operating margin for 2013 was 6.8 percent compared to 8.8 percent last year. EBITDA for 2013 of Ps 754.6 million declined 11.8 percent over 2012 EBITDA of Ps 855.2 million. Of the Ps 754.6 million EBITDA for 2013, Ps 717.4 million came from our Mexican operations while the remaining Ps 37.1 million was generated from the International markets. Historically the Company's recorded net income has witnessed significant swings from year-to-year, in most cases due to the effects of currency exchange rates. Net income in 2013 was Ps 221.8 million compared to Ps 343.6 million last year, a drop of 35.5 percent. While partially attributable to the lower operating income, a significant factor was just such a swing in exchange rates which resulted in an exchange rate loss of Ps 26.1 million in 2013 compared to an exchange rate gain of Ps 109.7 million in 2012.

On the other hand, debt reduction and improvements in applicable interest rates lowered the Company's overall borrowing costs for 2013 by some 17.4 percent. Thus, our debt service coverage ratio at the end of 2013 stood at 9.90 times while at the end of last year it was 9.27 times. The ratio of debt to EBITDA ended up at 1.96 at the end of 2013 while it was 1.90 at the end of 2012.

Comparing the final quarters of 2013 and 2012, consolidated sales grew by 5.1 percent over the periods, to Ps 1,702.6 million in the final quarter of 2013 from Ps 1,620.0 million in the same period of the prior year. In Mexico, fourth quarter 2013 sales were Ps 1,209.1 million while in the same quarter of 2012 Mexican sales were Ps 1,146.9 million, a growth of 5.4 percent over the two periods. International sales showed a 4.3 percent increase in 2013 over 2012, to US \$38.0 million in the fourth quarter of 2013 from US \$36.4 million in the fourth quarter of last year. The Company's consolidated operating income for the fourth quarter of 2013 was Ps 112.1 million, down 25.0 percent from fourth quarter 2012 operating income of Ps 149.5 million. Fourth quarter 2013 EBITDA of 190.8 million compared to EBITDA of Ps 229.1 million in the fourth quarter of 2012 showed a decrease of 16.7 percent.

Although we are a bit disappointed in our operating results during 2013, it was not particularly unexpected given the increases in expenses associated with our various infrastructure improvements over the year. We fully expect to be the beneficiaries of these investments over coming periods, and our sales growth, while perhaps modest, led to our highest ever annual sales. As always, we thank our investors, our customers and our employees for their continued support.

**Víctor D. Almeida**  
Chairman of the Board & CEO

**RELEVANT FINANCIAL INFORMATION**

<b>INCOME STATEMENT</b> (Thousands of Pesos except per Share data)	<b>Oct-Dec '13</b>	<b>Oct-Dec '13 Vs. Oct-Dec '12</b>	<b>Jan- Dec'13</b>	<b>Jan- Dec'13 Vs. Jan- Dec'12</b>
Net Sales	1,702,552	5.1%	6,679,647	4.9%
Cost of goods sold	(1,112,880)	7.2%	(4,393,690)	6.6%
Gross Income	589,672	1.4%	2,285,957	1.9%
Operating Expenses	(478,156)	11.3%	(1,828,898)	9.2%
Other Expenses, Net	571	(126.2%)	(351)	(96.3%)
Operating Income	112,086	(25.0%)	456,707	(18.3%)
Interest Expense	(19,102)	(12.4%)	(76,191)	(17.4%)
Interest Income	2,053	(10.5%)	9,446	(11.8%)
Foreign Exchange Gain (Loss)	7,847	(143.2%)	(26,121)	(123.8%)
Equity in Associated	1,986	N/A	(1,720)	(85.0%)
Income Tax	36,192	(132.5%)	(143,369)	(34.9%)
Deferred Income Tax	750	(103.3%)	3,000	(125.0%)
Net Majority Income	132,329	N/A	188,051	(34.7%)
Minority Income	9,484	(44.5%)	33,702	(39.4%)
Weighted Average Number of Shares Outstanding (Thousands)	162,664	0.0%	162,664	0.0%
EPS	0.81	N/A	1.16	(34.7%)

<b>BALANCE SHEET</b> (Thousands of Pesos)	<b>December 2013</b>	<b>Dec '13 Vs. Dec'12</b>
Current Assets	2,869,691	2.0%
Cash Equivalents	183,769	31.5%
Fixed Assets	2,375,206	(1.1%)
Other non-current Assets	134,058	3.9%
<b>TOTAL ASSETS</b>	<b>5,378,956</b>	<b>0.6%</b>
Short-term Bank Debt	256,764	36.3%
Other short-term Liabilities	830,406	9.0%
Long-term Bank Debt	1,210,062	(14.7%)
Deferred Taxes	350,476	(0.4%)
Other long-term Liabilities	145,687	3.6%
<b>TOTAL LIABILITIES</b>	<b>2,793,396</b>	<b>(2.3%)</b>
Majority Shareholders' Equity	2,339,416	5.0%
Minority Interest	246,143	(4.1%)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,585,559</b>	<b>4.1%</b>