

2014

Third 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 RELEASES THIRD QUARTER 2014 RESULTS

Consolidated sales for the third quarter of 2014 of Ps 1,859.4 million exceeded those of the third quarter of 2013 of Ps 1,718.5 million by 8.2 percent, and set another quarterly record for the Company. Gross income also hit a record level, and at Ps 616.0 million was up 4.6 percent over gross income for the third quarter of last year of Ps 588.7 million. Operating income for the third quarter of 2014 was Ps 104.2 million, lagging some 17.7 percent behind operating income of Ps 126.6 million in the third quarter of 2013. On the other hand, after a couple of quarters of considerable erosion in operating income, the result for this quarter was an improvement of 37.0 percent over operating income of Ps 76.0 million in the second quarter of 2014. The Company's operating margin for the third quarter of 2014 was 5.6 percent, down from 7.4 percent for the third quarter of 2013, but again, a boost over the 4.3 percent margin last quarter.

Our EBITDA for the third quarter of 2014 was Ps 181.6 million, an 8.2 percent dip over EBITDA of Ps 197.7 million for the third quarter of last year. Interceramic's debt service coverage ratio at the end of the third quarter of 2014 stood at 9.3 times, a slight deterioration from the coverage ratio of 10.0 at the end of the third quarter of 2013. The Company's ratio of debt to EBITDA at the end of the third quarter of 2014 was 2.2 a rise over the 1.9 posted for the same ratio at the third quarter of 2013. Our Mexican operations contributed Ps 180.8 million to third quarter 2014 EBITDA and the Ps 0.8 million balance came from International operations. A big swing in foreign exchange rates led to a Ps 50.8 million exchange loss (compared to a Ps 16.1 million exchange loss in the same quarter of 2013)—all of which contributed to a steep decline in net majority income for the third quarter of 2014, down to a loss of Ps 18.9 million from a positive Ps 30.2 million in the third quarter of 2013.

In our primary market of Mexico, third quarter 2014 sales of Ps 1,307.7 million were up by 14.1 percent ahead of third quarter 2013 sales of Ps 1,146.2 million. International sales for the third quarter of 2014 were US \$41.7 million, a 4.7 percent decline over the US \$43.8 million posted in the third quarter of last year.

During the third quarter of 2014, we completed the sale of one of our subsidiaries in the United States, Interceramic Marble Collection, Inc. (IMC). With two stores located in the Dallas-Fort Worth metropolitan area in Texas, IMC specialized exclusively in the sale of natural stone products such as granite and marble slabs. In 2013, IMC accounted for US \$18.4 million of total consolidated sales for that year of US \$520.3 million, about 3.5 percent of the entire Interceramic group's consolidated sales. The sale of IMC resulted in proceeds of approximately US \$16.0 million.

Year-to-date, consolidated sales through the first three quarters of 2014 of Ps 5,264.9 million were up 5.8 percent over sales of Ps 4,977.1 million recorded in the first three quarters of 2013. The sales growth was reflected in a 7.1 percent increase in domestic, Mexican sales while International sales were up just about 3.1 percent. With operating expenses up 11.8 percent between the two years, operating income of Ps 257.8 million for the first three quarters of this year is 25.2 percent below operating income of Ps 344.6 million over the same period of 2013. EBITDA for the first three quarters of 2014 was Ps 495.9 million, down 12.0 percent over three-quarter 2013 EBITDA of Ps 563.8 million.

While our sales continue to grow quarter to quarter, with substantial investment in our distribution network throughout Mexico over the last few quarters, our sales have yet to reach the levels we had anticipated. The third quarter of 2014 does provide us with encouragement as things have picked up over the first half of the year, and we intend to expend every effort to get our sales up to where they need to be. We at Interceramic, as always, thank our customers, suppliers, employees and investors for their loyalty and support.

Víctor D. Almeida

Chairman of the Board & CEO

RELEVANT FINANCIAL INFORMATION

INCOME STATEMENT (Thousands of Pesos except per Share data)	Jul-Sep '14	Jul-Sep '14 Vs. Jul-Sep '13	Jan-Sep '14	Jan-Sep '14 Vs. Jan-Sep '13
	Net Sales	1,859,378	8.2%	5,264,918
Cost of goods sold	(1,243,376)	10.0%	(3,503,095)	6.8%
Gross Income	616,002	4.6%	1,761,823	3.9%
Operating Expenses	(517,800)	11.6%	(1,510,573)	11.8%
Other Expenses, Net	5,998	201.9%	6,574	N.A.
Operating Income	104,200	(17.7%)	257,824	(25.2%)
Interest Expense	(19,425)	5.3%	(54,891)	(3.8%)
Interest Income	636	(73.8%)	2,753	(62.8%)
Foreign Exchange Loss	(50,778)	216.2%	(42,944)	26.4%
Equity in Associated	1,937	314.8%	1,601	(143.2%)
Income Tax	(50,594)	(14.6%)	(165,264)	(8.0%)
Deferred Income Tax	750	0.0%	2,250	(0.0%)
Net Majority Income	(18,901)	(162.6%)	(12,610)	(122.6%)
Minority Income	5,628	(11.3%)	13,940	(42.4%)
Weighted Average Number of Shares Outstanding (Thousands)	162,664	0.0%	162,664	0.0%
EPS	(0.12)	(162.6%)	(0.08)	(122.6%)

BALANCE SHEET (Thousands of Pesos)	September 2014	Sep '14 Vs. Sep '13
	Current Assets	2,923,527
Cash Equivalents	258,196	25.1%
Fixed Assets	2,267,418	(4.5%)
Other non-current Assets	169,012	19.8%
TOTAL ASSETS	5,359,957	3.3%
Short-term Bank Debt	473,879	96.2%
Other short-term Liabilities	831,233	8.9%
Long-term Bank Debt	893,805	(28.1%)
Deferred Taxes	160,343	(54.4%)
Other long-term Liabilities	165,160	15.1%
TOTAL LIABILITIES	2,524,420	(8.0%)
Majority Shareholders' Equity	2,452,953	11.1%
Minority Interest	217,425	(8.1%)
TOTAL SHAREHOLDERS' EQUITY	2,670,377	9.2%