

2016

Second Quarter

INTERCERAMIC RELEASES SECOND QUARTER 2016 RESULTS

The second quarter of 2016 saw Interceramic yet again achieving record financial results across the board. Very good growth in consolidated sales and an expanded gross margin allowed our operating results in particular to improve. At Ps 2,299.6 million, consolidated sales in the second quarter of 2016 exceeded those of Ps 1,952.0 million recorded in the same quarter last year by 17.8 percent. Helped along further by the recent trend of improved product mix and better pricing, the Company's gross income for the second quarter of 2016 was Ps 934.6 million, a happily significant increase of 26.1 percent over our gross income for the second quarter 2015 of Ps 741.4 million. As a result, gross margin climbed up to 40.6 percent for the second quarter this year, 2.6 percentage points above gross margin of 38.0 percent in the second quarter of 2015.

In Mexico, we continue to boost our margins on the back of more solid sales growth. For the second quarter of 2016, Mexican sales were Ps 1,596.6 million, and compared to the Ps 1,343.1 million we made in the same period in 2015, were up by 18.9 percent. At US \$38.9 million, second quarter 2016 International sales showed just a 1.5 percent decrease over the US \$39.5 million in International sales in the second quarter of 2015. Consolidating the International sales into all Company sales doesn't, however, show such a harsh result as measured in Pesos, International sales grew by 15.5 percent over the two periods.

Operating expenses in the second quarter of 2016 were Ps 656.5 million, a 20.6 percent increase over operating expenses of Ps 544.5 million in the second quarter of 2015. Expressed as a percentage of sales, operating expenses for the second quarter of 2016 were at 28.5 percent compared to 27.9 percent in the second quarter last year. Regardless, operating results is where Interceramic's gains are most readily apparent as we posted second quarter operating income of Ps 278.1 million this year compared to second quarter 2015 operating income of Ps 197.0 million, a 41.2 percent increase resulting in an operating margin of 12.1 percent as opposed to the 10.1 percent margin in the second quarter of 2015.

On the foot of all of this, our EBITDA surged accordingly, up to Ps 370.3 million for the second quarter of 2016 from Ps 278.4 million for the second quarter of last year, a 33.0 percent rise. Key financial ratios keep moving very much in the right directions, with our debt service coverage ratio growing to 13.1 at the end of the second quarter of 2016 from 11.1 at the end of the comparable quarter in 2015—while the Company's debt to equity moved the other way, down to 1.5 times from 1.9 at the end of the second quarter of 2015.

Combining our second quarter 2016 results with those from the first quarter, the gains become even more substantial. Consolidated sales for the first two quarters of 2016 were Ps 4,498.5 million, up 18.4 percent over sales of Ps 3,799.1 million in the first half of 2015. Growing by a full 55.4 percent over the periods was operating income, climbing to Ps 553.3 million in the first half of 2016 from Ps 356.0 million in the first half of 2015, while first half 2016 EBITDA swelled to Ps 731.4 million from Ps 518.9 million in the first two quarters of last year, a 41.0 percent gain.

The second quarter of 2016 was, as indeed was the first quarter, an excellent period for Interceramic, and we could not be happier with our heavy and sustained improvement in recent years. We are very much looking forward to the remainder of 2016. 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 '16	Apr-Jun '16	Jan-Jun '16	Jan-Jun '16
		Vs. Apr-Jun '15		Vs. Jan-Jun '15
Net Sales	2,299,556	17.8%	4,498,519	18.4%
Cost of goods sold	(1,364,965)	12.8%	(2,671,778)	12.2%
Gross Income	934,591	26.1%	1,826,741	28.9%
Operating Expenses	(656,516)	20.6%	(1,273,488)	20.0%
Operating Income	278,075	41.2%	553,252	55.4%
Interest Expense	(26,362)	16.4%	(52,010)	21.3%
Interest Income	4,501	206.0%	7,981	150.0%
Foreign Exchange Loss	(132,130)	188.8%	(122,221)	21.1%
Equity in Associated	1,950	116.7%	2,100	(44.3%)
Income Tax	(76,434)	48.7%	(152,852)	48.9%
Deferred Income Tax	1,650	0.0%	3,300	0.0%
Net Majority Income	50,415	(33.2%)	229,658	114.0%
Minority Income	835	(85.2%)	9,892	(20.7%)
Weighted Average Number of Shares Outstanding (Thousands)	161,846	(0.5%)	161,846	(0.5%)
EPS	0.31	(32.9%)	1.42	115.0%

BALANCE SHEET (Thousands of Pesos)	As of June 30, 2016	Jun '16 Vs. Jun '15
Current Assets	4,162,790	26.8%
Cash Equivalents	818,816	248.5%
Fixed Assets	2,317,471	5.6%
Other non-current Assets	229,553	11.1%
TOTAL ASSETS	6,709,814	18.0%
Short-term Bank Debt	432,657	N.A.
Other short-term Liabilities	1,008,892	30.0%
Long-term Bank Debt	1,700,341	(4.7%)
Deferred Taxes	138,836	9.0%
Other long-term Liabilities	249,505	24.8%
TOTAL LIABILITIES	3,530,231	21.9%
Majority Shareholders' Equity	2,986,242	15.8%
Minority Interest	193,340	(7.8%)
TOTAL SHAREHOLDERS' EQUITY	3,179,583	14.0%