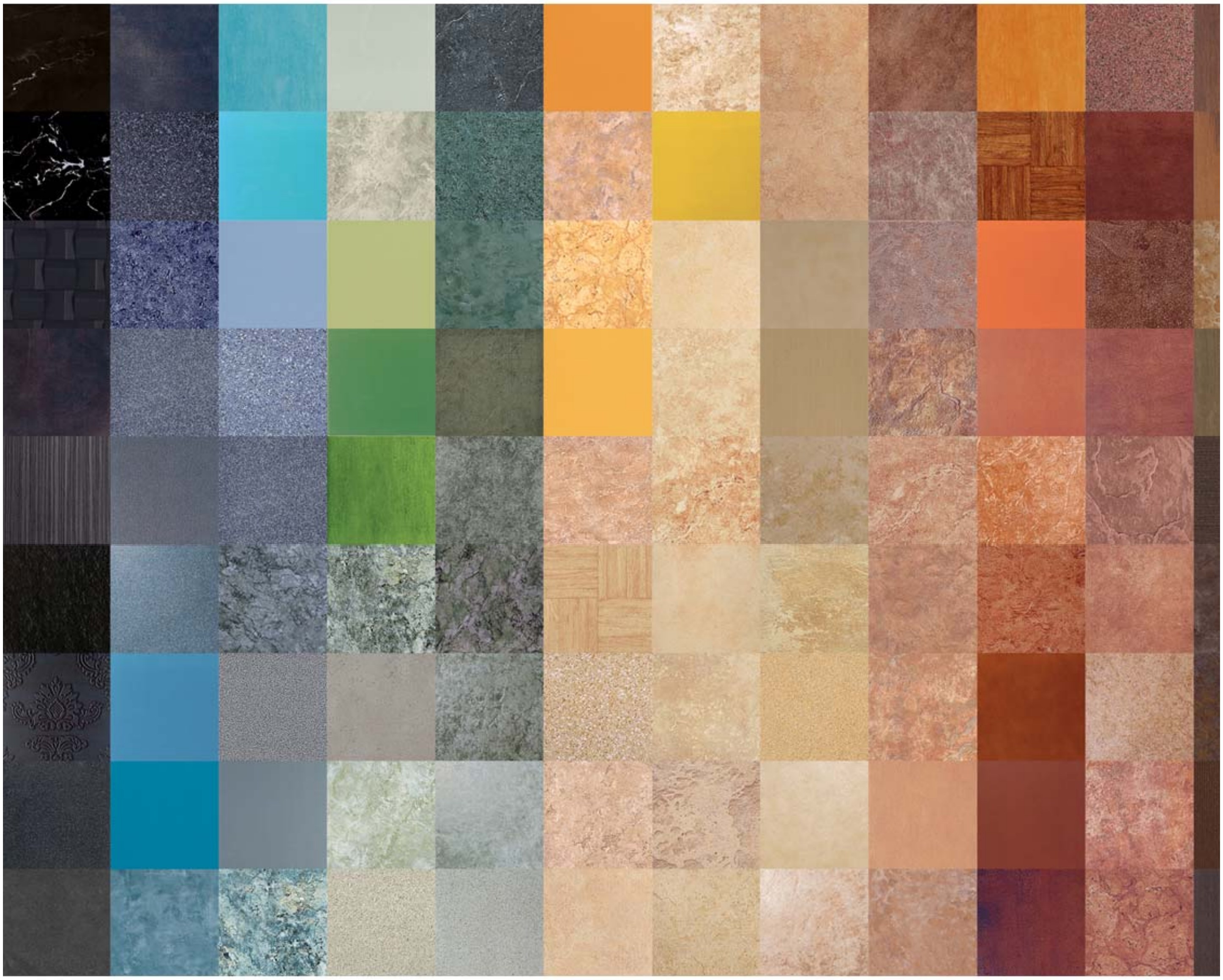
2010

FOURTH QUARTER



Interceramic®

Simplemente lo Mejor

Interceramic reports Fourth Quarter Results

The year 2010 was another year of slow but progressive recovery for Interceramic, as we worked hard to weather the continuing global economic downturn. With net consolidated sales of US $446.0 million for 2010, the Company was able to grow sales by 7.9 percent over 2009 when our consolidated sales registered US $413.2 million. The sales figures for the year were boosted by fourth quarter 2010 sales of US $115.4 million, our highest level of quarterly sales since the third quarter of 2008 and a 6.4 percent improvement over fourth quarter 2009 sales of US $108.5 million. While these gains may be modest, they are encouraging to us at Interceramic, given the very protracted recession in the United States building and construction industry. As has been the case for some time, our results were buoyed by relative strength in the Mexican markets, where we hit our highest volume of annual sales ever, compensating considerably for deeper deterioration in the United States housing industry. In Mexico, our nationwide network of exclusive “Interceramic” branded stores now stands at 238 locations, cementing our highly visible position at the top-end of the market in the country.

With little or no evidence of near-term improvement in the housing markets in the United States despite signs of economic recovery generally, during the course of 2010 we undertook a project to cut back and consolidate our presence in America in order to get those operations on a self-sustaining basis. This project has involved renegotiation of our lease obligations with respect to certain of our United States locations and the closure or sale of others, particularly on the west coast. While we expect that these efforts will be very helpful, the Company will continue to seek out ways over the course of the coming year to further reduce our costs and expenses in the United States while at the same time leveraging new distribution channels in the American market, spearheaded by our recent sales arrangement with retail giant Lowe’s.

On consolidated net sales of US $446.0 million for 2010, our gross income for the year of US $161.0 million was 14.2 percent better than gross income of US $141.0 million in 2009, and gross margin of 36.1 percent was two percentage points better than gross margin at the end of 2009 of 34.1 percent. Operating expenses for 2010 decreased slightly as a percentage of sales to 31.5 percent from 32.5 percent the previous year. Applied against the increase in gross income, the resulting operating income for the year was a 200.4 percent increase over operating income in 2009, hitting US $20.4 million compared to US $6.8 million the prior year. Our operating margin increased up to 4.6 percent in 2010 from the 1.7 percent met in 2009. The improvement in operating income for the year consequently impacted the Company’s EBITDA in 2010, growing to US $43.6 million from EBITDA of US $31.2 million in 2009, an increase of 40.0 percent. With the onset of the financial meltdown in 2008, we had the good sense to focus on reducing inventories and generating cash, slashing our outstanding debts and liabilities as much as practicable. At year end 2010, our most important financial ratios had gotten much healthier. The debt service coverage ratio was 4.8 times, compared to where it stood at the same time last year, at only 2.7. The ratio of debt to EBITDA at year end 2010 stood at 3.3 as opposed to 5.1 at the end of December 2009.

As observed earlier, sales in Mexico remain firm. For 2010, our Mexican sales in Mexican Pesos (the currency in which substantially all such sales are made) were a record Ps 3,683.5 million, a 6.6 percent increase over 2009 Mexican sales of Ps 3,455.0 million. This growth rate is better than the growth in general consumption, as during 2010 the Company continued to gain market share. The growth in both sales and volume of product sold was achieved in both our Company-owned distribution in Mexico, and in our independent distribution. Sales in the International markets, most of which are into the United States, continued the long, shallow trend downwards from prior periods, decreasing in 2010 by 1.6 percent over 2009, to US $154.4 million from US $157.0 million.

Taking a quick survey of results from the fourth quarter of 2010, consolidated sales of US $115.4 million were 6.4 percent better than sales of US $108.5 million over the same period last year. Unsurprisingly, sales growth came from the Mexican markets, increasing (viewed in Pesos) by 5.6 percent in the fourth quarter of 2010 over the fourth quarter of 2009, while in the United States over the periods, sales (in Dollars) fell by 1.7 percent. Gross margin was slightly lower, dipping to 36.0 percent from 37.1 percent but operating income for the fourth quarter of 2010 went up a bit to US $4.3 million from operating income of US $3.8 million in the fourth quarter of 2009, an 11.3 percent increase. During the fourth quarter of 2010, the Company recorded an extraordinary and non-recurring expense of US $4.7 million related to the shutdown of our Company-owned distribution in west coast of the United States. US $2.0 million of this extraordinary expense was taken against operating expenses and US $2.7 million was recorded in other expenses. As a result, and unlike prior quarters during the year, in the last quarter of 2010 Interceramic’s EBITDA did not record any growth over the same period in the preceding year, and in fact declined marginally to US $9.8 million from US $9.9 million in the earlier period. However, without considering the extraordinary expenses recorded in the quarter, EBITDA would have been US $11.8 million.

For us at Interceramic, 2010 was an important year in a number of ways. We have maintained our steady inroads in Mexico under difficult circumstances, adjusting to shifting patterns and methods of consumption engendered by the effects of the recession on the building trades. The Company’s debt level is lower than it has been for some years and cash earnings continue to exceed historical levels. More fundamentally we have determined to come to grips with the situation in the United States, and in that sense 2010 was a transition year for Interceramic. By the time our store closure and consolidation efforts are completed early in this year, we would have cut our Company-owned network by almost half. This will allow us to concentrate on markets where we believe we have realistic expectations of sustained profitability, giving the Company a chance to reap positive results from the International operations. This year will be critical in this respect, and we expect to be in a much better position to thoroughly assess our long-term prospects in the United States markets. On the other hand, the unique joint venture distribution project in China we announced in the third quarter 2010 opened its 14,000 square foot showroom in the last quarter of the year, earning early accolades and holding much promise for the future of Interceramic in that colossal market. As always, we thank our investors, our customers, our suppliers 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)	Oct-Dec '10	Oct-Dec '10 Vs. Oct-Dec '09	Jan-Dec '10	Jan-Dec '10 Vs. Jan-Dec '09
Net Sales	115,403	**6.4%**	446,025	**7.9%**
Cost of goods sold	(73,881)	**8.3%**	(285,007)	**4.7%**
Gross Income	41,522	**3.2%**	161,018	**14.2%**
Operating Expenses	(37,235)	**2.3%**	(140,588)	**4.7%**
Operating Income	4,287	**11.3%**	20,431	**200.4%**
Integral Cost of Financing	(535)	**(122.6%)**	28	**(101.3%)**
Interest Expense	(2,113)	**(36.6%)**	(9,063)	**(22.1%)**
Interest Income	534	**22.3%**	1,497	**9.1%**
Foreign Exchange Gain (Loss)	1,043	**(80.2%)**	7,594	**(5.9%)**
Other Expenses, Net	(2,933)	**(52.2%)**	(4,203)	**(48.4%)**
Income Tax	(4,004)	**N.A.**	(12,015)	**138.5%**
Deferred Income Tax	2,798	**(57.4%)**	2,690	**(61.7%)**
Minority Income	1,375	**(9.4%)**	4,396	**39.2%**
Net Majority Income	(1,762)	**(139.4%)**	2,534	**(153.8%)**
Weighted Average Number of Shares Outstanding (Thousands)	162,664	**0.0%**	162,664	**0.0%**
EPS	(0.01)	**(139.4%)**	0.02	**(153.8%)**

BALANCE SHEET (Thousands of Nominal US Dollars)	Dec '10	Dec '10 Vs. Dec '09
Current Assets	195,172	**(0.3%)**
Cash Equivalents	27,096	**(7.4%)**
Fixed Assets	146,178	**(7.0%)**
Other non-current Assets	13,998	**(6.2%)**
TOTAL ASSETS	355,348	**(3.4%)**
Short-term Bank Debt	20,227	**30.8%**
Other short-term Liabilities	38,410	**(1.7%)**
Long-term Bank Debt	126,375	**(13.7%)**
Deferred Taxes	30,394	**(4.6%)**
Other long-term Liabilities	6,799	**30.5%**
TOTAL LIABILITIES	222,205	**(6.6%)**
Majority Shareholders' Equity	113,326	**6.1%**
Minority Interest	19,818	**(14.2%)**
TOTAL SHAREHOLDERS' EQUITY	133,143	**2.5%**

Note: "Unless otherwise indicated, all financial information are in accordance with Norms for Financial Information as determined by the "Consejo Mexicano para la Investigacion y Desarrollo de Normas de Informacion Financiera, A.C. (CINIF)", 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)	Oct-Dec '10	Oct-Dec '10 Vs. Oct-Dec '09	Jan-Dec '10	Jan-Dec '10 Vs. Jan-Dec '09
Net Sales	1,433,689	**1.6%**	5,635,485	**1.0%**
Cost of goods sold	(917,866)	**3.4%**	(3,601,021)	**(2.1%)**
Gross Income	515,823	**(1.5%)**	2,034,464	**7.0%**
Operating Expenses	(462,588)	**(2.3%)**	(1,776,556)	**(2.1%)**
Operating Income	53,235	**6.1%**	257,908	**197.9%**
Integral Cost of Financing	(7,108)	**(123.0%)**	(6,289)	**(84.6%)**
Interest Expense	(26,249)	**(39.5%)**	(114,762)	**(26.8%)**
Interest Income	6,636	**16.8%**	18,875	**2.4%**
Foreign Exchange Gain (Loss)	12,505	**(81.8%)**	89,598	**(8.2%)**
Other Expenses, Net	(36,359)	**(54.6%)**	(52,579)	**(51.1%)**
Income Tax	(49,705)	**N.A.**	(151,553)	**121.2%**
Deferred Income Tax	34,642	**(59.6%)**	33,292	**(63.7%)**
Minority Income	17,087	**(13.5%)**	55,593	**32.4%**
Net Majority Income	(22,382)	**(138.3%)**	25,185	**(131.3%)**
Weighted Average Number of Shares Outstanding (Thousands)	162,664	**0.0%**	162,664	**0.0%**
EPS	(0.14)	**(138.3%)**	0.15	**(131.3%)**

BALANCE SHEET (Thousands of Pesos)	Dec '10	Dec '10 Vs. Dec '09
Current Assets	2,416,234	**(5.3%)**
Cash Equivalents	335,443	**(12.0%)**
Fixed Assets	1,809,688	**(11.7%)**
Other non-current Assets	173,291	**(10.9%)**
TOTAL ASSETS	4,399,213	**(8.3%)**
Short-term Bank Debt	250,405	**24.2%**
Other short-term Liabilities	475,520	**(6.7%)**
Long-term Bank Debt	1,564,523	**(18.0%)**
Deferred Taxes	376,281	**(9.4%)**
Other long-term Liabilities	84,170	**23.9%**
TOTAL LIABILITIES	2,750,899	**(11.3%)**
Majority Shareholders' Equity	1,402,973	**0.8%**
Minority Interest	245,341	**(18.5%)**
TOTAL SHAREHOLDERS' EQUITY	1,648,314	**(2.7%)**