

INTERNACIONAL DE CERAMICA SA DE CV

Form F-3/A

March 12, 2004

As filed with the Securities and Exchange Commission on March 12, 2004 Registration No. 333-111863

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM F-3/A-3

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

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Internacional de Cerámica, S.A. de C.V.

(Exact name of Registrant as specified in its charter)

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Ceramics International, Inc.

(Translation of Registrant's name into English)

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United Mexican States  
(State or other jurisdiction of  
incorporation or organization)

None  
(I.R.S. Employer  
Identification No.)

Avenida Carlos Pacheco No. 7200

Chihuahua, Chihuahua, Mexico

Telephone: 011.52.614.429.1111

(Address and telephone number of Registrant's principal executive offices)

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Mark E. Mendel, Esq.

Mendel Blumenfeld, LLP

5809 Acacia Circle

El Paso, Texas 79912

Telephone number 915.587.7878

(Name, address and telephone number of agent for service)

Approximate date of commencement of proposed sale to the public:

As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

#### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit (4)	Proposed maximum aggregate offering price (4)	Amount of registration fee
Common Units (1)(3)	19,500,000	\$1.40	\$26,130,000	\$3,458.91
Series B Shares, without par value	39,000,000	---	---	---
Limited Voting Units (2)(3)	13,300,000	\$1.40	\$17,822,000	\$2,359.15
Series D Dividend Preference Stock	13,300,000	---	---	---
Series L Limited Voting Stock	13,300,000	---	---	---
<b>Total</b>	<b>32,800,000</b>	<b>\$1.40</b>	<b>\$43,952,000</b>	<b>\$5,818.06</b>

(1) Each Common Unit is comprised of two shares of Series B Common Stock, which trade as a single unit until December 7, 2004.

(2) Each Limited Voting Unit is comprised of one share of Series D Dividend Preference Stock and one share

of Series L Limited Voting Stock, which trade as a single unit until December 7, 2004.

- (3) American Depositary Shares evidenced by American Depositary Receipts issuable upon deposit of Common Units or of Limited Voting Units have been registered under a separate Registration Statement on Form F-6. Each American Depositary Share represents five Common Units or five Limited Voting Units, as applicable.
- (4) Based upon an anticipated offering price preliminarily determined by the Registrant's Board of Directors at a meeting held on December 8, 2003.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and will be amended or completed. This prospectus is included in a registration statement relating to these securities that we have filed with the Securities and Exchange Commission. We may not sell these securities until that registration statement becomes effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 12, 2004

PRELIMINARY PROSPECTUS

Internacional de Cerámica, S.A. de C.V.

Offering of 32,732,026 Units at US \$1.3636 Per Unit

Internacional de Cerámica, S.A. de C.V.

(Ceramics International, Inc.) or "Interceramic," a limited liability company organized under the laws of Mexico, is offering to sell to holders of the Company's Common Units 0.6734980 New Common Units and to holders of the Company's Limited Voting Units 0.6734980 New Limited Voting Units, for every Common Unit and every Limited Voting Unit, respectively, held of record as of 4:00 p.m., New York, New York time on March 18, 2004 at an offering price of US \$1.3636 per New Unit. Each Common Unit is comprised of two shares of Series B Common Stock and each Limited Voting Unit is comprised of one share of Series D Dividend Preference Stock and one share of Series L Limited Voting Stock. Interceramic is extending the Rights Offering to holders of American Depositary Receipts evidencing Interceramic's American Depositary Shares, each representing either five Common Units or five Limited Voting Units, by offering to sell to holders of Common Unit ADSs 0.6734980 New Common Unit ADSs and to holders of Limited Voting Unit ADSs 0.6734980 New Limited Voting Units ADSs for every Common Unit ADSs and every Limited Voting Unit ADS, respectively, held of record on the Record Date at an offering price of US \$6.8182 per New ADS.

In the Rights Offering, Interceramic is offering a total of 19,500,000 New Common Units and 13,232,026 New Limited Voting Units to holders of Units and ADSs because of statutory preemptive rights granted under the laws of Mexico. The Rights Offering will commence on March 15, 2004 at 9:30 a.m., New York, New York time and will continue until 4:00 p.m., New York, New York time on March 30, 2004.

Rights to acquire New Units or New ADSs are not represented by separate instrument and are not negotiable or transferable. ADRs evidencing the Limited Voting Unit ADSs are listed on the *New York Stock Exchange, Inc.* and trade under the symbol "ICM." ADRs evidencing the Common Unit ADSs are not currently listed or traded on any securities exchange in the United States. The Common Units and the Limited Voting Units are directly listed and trade in Mexico on the *Bolsa Mexicana de Valores, S.A. de C.V.* New Common Units purchased pursuant to the Rights Offering will be eligible for direct trading on the Mexican Stock Exchange but New Common Unit ADSs will not be listed or eligible for trading on any securities exchange or other quotation system in the United States. New Limited Voting Units purchased pursuant to the Rights Offering will be eligible for direct trading on the Mexican Stock Exchange and New Limited Voting Unit ADSs represented by ADRs will be listed and eligible for trading on the NYSE. On March 9, 2004 the closing price on the Mexican Stock Exchange for Common Units was 12.00 Mexican Pesos, or approximately US \$1.09, per Unit, and for Limited Voting Units was 11.15 Mexican Pesos, or approximately US \$1.02, per Unit. On March 9, 2004, the closing price on the NYSE for the Limited Voting Unit ADRs on the NYSE was US \$9.70 per ADR.

New Units which have not been subscribed for by the Expiration Date may be issued and sold by Interceramic directly to one or more holders of record by negotiation during a period that will commence immediately following the Expiration Date and conclude at 4:00 p.m., New York, New York time on March 31, 2004. Upon completion of the Rights Offering, in transactions pursuant to regulation S under the United States Securities Act of 1933, as amended, Mr. Alfredo Harp Helú and Mr. Roberto Hernandez are prepared to purchase a total of 9,699,024 of the New Units between them, and Mr. Ramiro Alcorta is prepared to purchase 1,292,278 of the unsubscribed New Units during this period (subject to certain conditions) at the subscription price of US \$1.3636 per New Unit. Up to 9,973,561 of the New Units will be subscribed to by the *Almeida Family* in the Rights Offering as a result of their current shareholdings in Interceramic. If all New Units are subscribed for in the Rights Offering and purchased in the Extended Offering, as described above, Interceramic will receive net proceeds of US \$44,634,581 (based upon an expected subscription price of \$1.3636 per Unit). Any New Units which Mssrs. Harp and Hernandez and Mr. Alcorta may purchase upon completion of the Rights Offering will not be registered under the securities laws of the United States or any state.

See "Risk Factors" beginning on Page 10 for a discussion of certain factors that should be considered in evaluating an investment in the New Units and New ADSs.

These Securities have not been approved or disapproved by the Securities and Exchange Commission or any State Securities Commission nor has the Securities and Exchange Commission or any State Securities Commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

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## Summary Information

*The summary information set forth below highlights selected information contained in this prospectus and in the documents incorporated in this prospectus by reference and does not contain all of the information that may be important to you. You should carefully read this entire prospectus and the documents that are incorporated in this prospectus by reference.*

### ***The Business of Interceramic***

We are a manufacturer and distributor of glazed ceramic floor and wall tile and related products, primarily in Mexico and the United States. We own and operate three manufacturing facilities in the northern Mexican city of Chihuahua and one manufacturing facility in the Dallas area community of Garland, Texas. In Mexico, we sell our products and some complementary products of other companies using a national network of exclusive franchise stores as well as a number of company-owned stores in the important Mexico City, Guadalajara, Toluca and Morelia markets. In the United States, we operate through a sales subsidiary which sells our products to independent distributors across the country and we also distribute our products and complementary products of others through a network of wholesale/retail company-owned stores in Dallas, San Antonio, Houston, Spring, Fort Worth, Plano, Austin and El Paso, Texas; the Atlanta, Georgia, area; Albuquerque, New Mexico; Las Vegas, Nevada; Phoenix and Scottsdale, Arizona; Anaheim, California, and Oklahoma City and Tulsa, Oklahoma.

We also manufacture and develop grouts and adhesive materials used in the installation of ceramic tile and own several mining properties in Mexico from which substantially all the clay currently used by us in our Mexican production facilities is derived. Since starting operations in 1979 to the present, our annual production capacity has gone from 7.2 million to 264.0 million square feet. Historically, about half of our annual sales have been in Mexico and half in the United States. In Mexico, we compete primarily with other domestic producers and have pursued a basic strategy of establishing ourselves as the premier producer of medium- and high-end glazed ceramic floor and wall tile products. In the United States, we compete mainly against other imports in the same market segments, but our principal competitors are Italian and Spanish companies.

Our registered office in Mexico, and principal executive office, is located at Ave. Carlos Pacheco 7200, Chihuahua, Chihuahua, México, and our telephone number is 011.52.614.429.1111. The address for our corporate offices in the United States is 2333 South Jupiter Road, Garland, Texas 75041 and our telephone number is 214.503.5500.

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### Summary Consolidated Financial Information

We have derived the following selected consolidated financial information from our audited financial statements, which have been reported on by Mancera, S.C., A Member Practice of Ernst & Young Global, independent auditors. Because the summary consolidated financial data does not contain all of the financial information regarding Interceramic that may be important to you, you should carefully review the audited financial statements which are included within the Form 20-F attached to this prospectus as Annex A.

Our financial statements have been prepared in accordance with Mexican GAAP, which differ in certain significant respects from US GAAP. Note 12 to the audited financial statements included in this prospectus provides a description of the principal differences between Mexican GAAP and US GAAP as they relate to us, and a reconciliation to US GAAP of net income and total shareholders' equity.

Pursuant to Mexican GAAP, our financial statements and the summary consolidated financial information set forth below have been restated in constant Pesos as of the date of the most recent balance sheet presented and, accordingly, all data in the audited financial statements and in the selected consolidated financial data set forth below have been restated in Pesos with purchasing power of December 31, 2002. The effect of these inflation accounting principles has not been reversed in the reconciliation to US GAAP. *See* Note 12 to the audited consolidated financial statements.

## YEAR ENDED DECEMBER 31,

	1998	1999	2000	2001	2002	2002
	(IN THOUSANDS OF PESOS AS OF					Thnds. of
	December 31, 2002(1)					Dollars(9)
<b>INCOME STATEMENT DATA:</b>						
<b>MEXICAN GAAP:</b>						
Net sales	2,580,948	2,765,955	2,845,094	2,971,573	3,058,853	294,404
Cost of sales	(1,615,184)	(1,789,738)	(1,803,285)	(1,866,093)	(1,927,568)	(185,521)
Gross profit	965,763	976,217	1,041,809	1,105,480	1,131,285	108,882
Selling and administrative expenses	(649,369)	(730,174)	(746,299)	(766,972)	(841,221)	(80,964)
Operating income	316,394	246,043	295,510	338,508	290,064	27,918
Comprehensive financing (cost) income	(251,890)	25,017	(63,547)	(24,964)	(157,527)	(15,161)
Other income (expense) net	(12,167)	(25,171)	(28,614)	(5,016)	(12,011)	(1,156)
Equity in results of associated companies (2)	(1,184)	364	-	1,335	(420)	(40)
Write-off of assets	-	-	-	(45,079)	-	-
Income and asset tax	(24,838)	(16,179)	(15,681)	(17,080)	(19,521)	(1,879)
Deferred income tax	-	-	(36,935)	(29,742)	8,448	813
Employee profit sharing (3)	(2,893)	(3,253)	(2,483)	(3,465)	(3,556)	(342)
Consolidated net income	23,424	226,821	148,250	214,497	105,476	10,152
Minority net income (loss)	4,407	5,613	(764)	23,348	18,405	1,771
Majority net income	19,015	221,207	149,014	191,149	87,071	8,380
Net income per Unit (4)	0.35	4.09	2.73	3.30	1.52	0.15
Weighted average Units outstanding (000's)(4)	53,969	54,175	54,625	57,928	57,184	57,184
<b>US GAAP AMOUNTS (5):</b>						
Majority net income (loss)	(56,306)	227,402	118,773	199,051	61,406	5,910
Net (loss) income per Unit (4)	(1.10)	4.29	2.23	3.50	1.09	0.11
Diluted net income (loss) per Unit (4)	(1.05)	4.25	2.22	3.50	1.10	0.10

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**BALANCE SHEET DATA:**

**MEXICAN GAAP:**

Current assets	1,235,737	1,215,558	1,244,908	1,239,611	1,263,361	121,594
Property, plant and equipment, net	2,060,656	1,892,265	1,793,691	1,636,396	1,730,033	166,509
Total assets	3,368,540	3,157,751	3,083,339	2,928,828	3,062,653	294,769
Current liabilities	602,189	593,206	560,561	1,336,221	697,113	67,095
Short term debt (6)	248,549	187,800	134,670	1,021,012	261,134	25,133

YEAR ENDED DECEMBER 31,

	1998	1999	2000	2001	2002	2002
	(IN THOUSANDS OF PESOS AS OF					Thnds. of
						Dollars(9)
						December 31, 2002(1)
Long term debt	1,651,905	1,461,696	1,242,466	246,550	948,036	91,245
Total stockholders equity	1,111,378	1,099,203	925,914	1,025,790	1,089,026	104,815

**US GAAP AMOUNTS (5):**

Total stockholders_ equity	(78,263)	60,758	250,807	347,355	417,874	40,219
Weighted average units outstanding(10)	5,100	5,100	6,367	7,000	7,000	7,000

**CASH FLOW DATA:**

**MEXICAN GAAP:**

Resources provided by operating activities	70,031	353,122	312,665	323,228	158,487	15,254
Resources(used in) received from investing activities						
	39,059	(246,650)	(146,192)	(131,826)	(123,125)	(11,850)
Resources used in financing activities	(143,971)	(132,891)	(93,933)	(108,808)	(170,191)	(16,380)

**CASH FLOW DATA:**

**US GAAP:**

Resources provided by operating activities	51,5521	145,694	147,555	190,657	59,289	5,706
Resources(used in) received from investing activities						

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	(154,904)	(137,401)	(92,757)	(104,720)	(170,191)	(16,380)
Resources used in financing activities	40,911	(75,918)	51,817	(54,200)	(160,490)	(15,447)
Effect of inflation accounting	28,330	35,140	(36,018)	44,260	144,914	13,947

**OTHER DATA:**

**MEXICAN GAAP:**

Depreciation and amortization	149,507	155,453	143,717	142,702	149,839	14,421
Capital expenditures	(143,971)	(132,890)	(93,937)	(108,808)	(170,191)	(16,380)
Working capital at period end	633,547	622,352	684,347	(96,568)	566,248	54,499
EBITDA (11)	465,901	401,496	439,227	481,210	439,903	42,339

**OPERATING INFORMATION:**

Gross profit margin (7)	37.42%	35.29%	36.62%	37.20%	36.98%	36.98%
Operating profit margin (7)	12.26%	8.90%	10.39%	11.39%	9.48%	9.48%
EBITDA (7)	18.05%	14.52%	15.44%	16.19%	14.38%	14.38%
Employees at period end	3,387	3,811	3,381	3,127	3,089	3,089
<b>EXCHANGE RATE (8)</b>	9.875	9.5	9.61	9.19	10.39	

Notes:

- (1) In thousands, except for earnings per share and Unit and operating information.
- (2) The equity in results of associated companies reflects the participation of the Company in the earnings of certain non-consolidated affiliates.  
  
See Note 1(g) to our audited financial statements.
- (3) See Note 9 to our audited financial statements.
- (4) Calculated by dividing majority net income by the weighted average Units outstanding at the end of the respective period.
- (5) See Note 12 to our audited financial statements.
- (6) Includes bank loans and the current portion of long term debt. See Note 5 to our audited financial statements.
- (7) Expressed as a percentage of total net sales.
- (8) Interbank Rate at the end of each period.



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(9) Solely for the convenience of the reader, figures as of December 31, 2002 have been translated into Dollars as the rate of Ps 10.39 to US \$1.00, the Interbank Rate at December 31, 2002.

(10) The weighted average units outstanding is calculated under US GAAP under which only the fixed portion of stockholders equity is taken into account.

(11) EBITDA represents earnings before interest, taxes, depreciation and amortization. EBITDA is not a measure of performance under either US GAAP or Mexican GAAP. EBITDA should not be considered a substitute for cash flow from operations, net earnings or other measures of performance as defined by US GAAP or as a measure of our profitability or liquidity. EBITDA does not give effect to the cash we must use to service our debt, or pay our income taxes and thus does not reflect the funds actually available for capital expenditures or other discretionary uses. Our presentation of EBITDA may not be comparable to other similarly titled captions of other companies due to differences in the method of calculation. It is included herein to provide additional information with respect to our ability to meet our consolidated debt service, capital expenditure and working capital requirements. It is also included because it is used as a measure in a financial covenant contained in our primary loan agreement. EBITDA is calculated by us as follows:

Reconciliation of EBITDA to Majority Net Income

YEAR ENDED DECEMBER 31,

	1998	1999	2000	2001	2002	Thnds. of Dollars(9)
(IN THOUSANDS OF PESOS AS OF December 31, 2002(1))						
Majority net income	19,015	221,207	149,014	191,149	87,071	8,380
Reconciliation to EBITDA						
Comprehensive financing (cost) income	251,890	(25,017)	63,547	24,964	157,527	15,161
Other income net	12,167	25,172	28,164	50,095	12,012	1,156
Equity in results of associated companies (2)	1,184	(364)	-	(1,335)	420	40
Income and asset tax	24,838	16,179	15,681	17,080	19,521	1,879
Deferred income tax	-	-	36,935	29,742	(8,448)	(813)
Employee profit sharing (3)	2,893	3,253	2,483	3,465	3,556	342

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Minority net income (loss)	4,407	5,613	(764)	23,348	18,405	1,771
Depreciation and amortization	149,507	155,453	143,717	142,702	149,839	14,421
EBITDA	465,901	401,496	439,227	481,210	439,903	42,339

We have derived the summary consolidated financial data set forth in the table commencing on the following page from our unaudited interim financial statements. In the opinion of our management, the financial data set forth in the unaudited interim financial statements and summarized below include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the consolidated financial condition and our results of operations as of the dates and for the periods indicated. Results for the first three quarters of a year are not, however, necessarily indicative of the results to be expected for the entire year.

We have stated the unaudited consolidated interim financial statements and the summary consolidated financial data set forth below in constant Pesos with purchasing power as of September 30, 2003. As a result of inflation in Mexico (as well as, for purposes of our unaudited consolidated interim financial statements, inflation in the United States attributable to our assets located there) during the first nine months of 2003, the purchasing power of one Peso as of December 31, 2002 is equal to the purchasing power of 1.023 Pesos as of September 30, 2003. Accordingly, the audited financial statements contained in the Form 20-F are not directly comparable to the unaudited interim financial statements included within this prospectus and summarized below because they are stated in constant Pesos as of different dates. Because the rate of inflation during the nine months from December 31, 2002 to September 30, 2003 was 2.3 percent, we do not believe that the differences between the two presentations are material, however.

[Chart on Following Page]

AS OF AND FOR THE

NINE MONTHS ENDED

(Unaudited)

2002

2003

2003

In thousands of Pesos as of  
September 30, 2003 (1)

Thousands  
of Dollars (6)

**INCOME STATEMENT DATA :**

**MEXICAN GAAP :**

Net Sales	2,382,205	2,518,250	228,309
Cost of Sales	(1,486,734)	(1,630,621)	(147,835)
Gross Profit	895,471	887,629	80,474
Selling and administrative expenses	(655,937)	(696,170)	(63,116)
Operating income (loss)	239,534	191,459	17,358
Comprehensive financing income (cost)	(144,416)	(88,124)	(7,990)
Other expense, net	(10,244)	(9,489)	(860)
	513	0	0

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Equity in results of associated companies  
(2)

Deferred Income tax	(39,469)	(40,777)	(3,697)
Income and Asset Tax	(26,972)	(37,938)	(3,440)
Employee profit sharing	(4,417)	(7,453)	(676)
Consolidated net income	14,529	7,678	696
Minority net income	11,658	23,057	2,090
Majority net income (loss)	2,871	(15,379)	(1,394)
Net income (loss) per unit (3)	0.05	(0.31)	(0.03)
Weighted average Units outstanding (000's) (3)	57,912	49,343	49,343

**BALANCE SHEET DATA :**

**MEXICAN GAAP :**

Current assets	1,370,738	1,534,172	139,091
Property, plant and equipment, net	1,784,079	1,787,605	162,068
Total assets	3,240,859	3,435,537	311,473
Current liabilities	678,927	846,551	76,750
Short term debt (4)	236,842	347,869	31,538
Long term debt	1,078,197	1,069,198	96,935
Total stockholders' equity	1,110,815	1,145,136	103,820

**CASH FLOW DATA :**

**MEXICAN GAAP :**

Resources provided by operating activities	87,776	53,705	4,869
Resources used in investing activities	(136,141)	(61,333)	(5,560)
Resources (used in) received from financing activities	(17,716)	95,227	8,633

**OTHER DATA :**

**MEXICAN GAAP :**

Depreciation and amortization	116,193	126,587	11,477
Capital expenditures	(136,141)	(61,333)	(5,560)
Working capital at period end	691,811	687,621	62,341
EBITDA(7)	355,727	318,046	28,835

**OPERATING INFORMATION :**

Gross profit margin (5)	37.59%	35.25%	35.25%
Operating profit margin (5)	10.06%	7.60%	7.60%
EBITDA (5)	14.93%	12.63%	12.63%
Employees at period end	3,162	3,092	3,092

[Notes on Following Page]

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(1) In thousands, except for earnings per share and unit, earnings per ADS and operating information.

(2) The equity in results of associated companies reflects the participation of the Company in the earnings of certain non-consolidated affiliates.

(3) Calculated by dividing majority net income (loss) by the weighted average Units Outstanding (Basic and Diluted only for US GAAP purposes) at the end of the respective period.

(4) Includes bank loans and the current portion of long term debt.

(5) Expressed as a percentage of total sales.

(6) Solely for the convenience of the reader, figures as of September 30, 2003 have been translated into Dollars at the exchange rate of Ps. 11.03 to US \$1.00, the Interbank Rate at September 30, 2003.

(7) EBITDA represents earnings before interest, taxes, depreciation and amortization. EBITDA is not a measure of performance under either US GAAP or Mexican GAAP. EBITDA should not be considered a substitute for cash flow from operations, net earnings or other measures of performance as defined by US GAAP or as a measure of our profitability or liquidity. EBITDA does not give effect to the cash we must use to service our debt, or pay our income taxes and thus does not reflect the funds actually available for capital expenditures or other discretionary uses. Our presentation of EBITDA may not be comparable to other similarly titled captions of other companies due to differences in the method of calculation. It is included herein to provide additional information with respect to our ability to meet our consolidated debt service, capital expenditure and working capital requirements. It is also included because it is used as a measure in a financial covenant contained in our primary loan agreement. EBITDA is calculated by us as follows:

Reconciliation of EBITDA to Majority Net Income

(unaudited)

AS OF AND FOR THE NINE MONTHS ENDED,

2002

2003

IN THOUSANDS OF PESOS AS OF

September 30, 2003 (1)

Thnds. of  
Dollars(6)

Majority net income	2,871	(15,379)	(1,394)
Reconciliation to EBITDA			
Comprehensive financing (cost) income	144,416	88,124	7,989
Other income net	10,224	9,489	860

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Equity in results of associated companies (2)	(513)	-	-
Income and asset tax	26,972	37,938	3,440
Deferred income tax	39,469	40,777	3,697
Employee profit sharing (3)	4,417	7,453	676
Minority net income (loss)	11,658	23,057	2,090
Depreciation and amortization	116,193	126,587	11,477
EBITDA	355,727	318,046	28,835

Summary of the Rights Offering

The Rights Offering.....Pursuant to statutory preemptive rights granted holders of our stock under Mexican law, we are offering for purchase 32,732,026 New Units, including New Units represented by ADSs, to holders of record of currently outstanding Common Units and Limited Voting Units, including holders of Units represented by ADSs, as of 4:00 p.m., New York, New York time on March 18, 2004. The New Units we are offering will consist of 19,500,000 New Common Units and 13,232,026 New Limited Voting Units.

To Holders of Units.....Holders of Common Units will be entitled to purchase 0.6734980 New Common Units and holders of Limited Voting Units will be entitled to purchase 0.6734980 New Limited Voting Units for each Unit owned as of the Record Date. As fractional New Units will not be issued, to purchase one New Unit a person will need to hold at least two Units as of the Record

To Holders of ADSs.....Holders of Common Unit ADSs will be entitled to 0.6734980 Common Unit ADS Rights and holders of Limited Voting Unit ADSs will be entitled to 0.6734980 Limited Voting Unit ADS Rights for each ADS owned as of the Record Date. One ADS Right will entitle the holder to purchase one New ADS. As fractional New ADSs will not be issued, to purchase one New ADS a person will need to hold at least two ADSs as of the Record Date.

Rights Non-Transferable.....Rights to purchase New Units or New ADSs are not represented by separate instrument, and are not tradeable or negotiable separate from the Units or ADSs to which the rights relate.

Irrevocability.....The exercise of purchase rights by a holder is irrevocable once made and may not be cancelled or modified.

Exercise Period.....The right of a holder of record to purchase New Units or New ADSs may be exercised at any time during the period commencing at 9:30 a.m., New York, New York time on March 15, 2004 to 4:00 p.m., New York, New York time on March 30, 2004.

Method of Exercise.....Holders of Units may exercise their right to purchase New Units by payment of the subscription price directly to us at our principal office in Mexico at any time during the exercise period. Holders of ADSs may exercise their right to purchase New ADSs by completing and sending subscription documents, together with payment of the subscription price, to our depositary at any time during the exercise period.

Subscription Price..... The Subscription Price is US \$1.3636 per New Unit and US \$6.8182 per New ADSs. Payment for New Units will be accepted only in Pesos and payment for New ADSs will be accepted only in Dollars. Payments made in Pesos will be based upon the Peso to Dollar rate published in the *Diario Oficial* of Mexico on March 24, 2004.

Extended Offering Period.....New Units which have not been subscribed for by the expiration date may be issued and sold by us directly to one or more holders of record by negotiation during a period that will commence immediately following the expiration date and conclude at 4:00 p.m., New York, New York time on March 31, 2004. Mssrs. Alfredo Harp Helú and Roberto Hernandez are prepared to purchase between them a total of 9,699,024 and Mr. Ramiro Alcorta is prepared to purchase 1,292,278 of the unsubscribed New Units during this period (subject to certain conditions) at the subscription price of US \$1.3636 per New Unit. Any New Units that we sell to Mssrs. Harp and Hernandez and Mr. Alcorta will be sold to them pursuant to Regulation S under the 1933 Act and will not be registered under the securities laws of the United States or of any state.

Listings.....The Common Units and the Limited Voting Units are listed on the Mexican Stock Exchange, and the New Units will be tradable thereon upon issuance. The Limited Voting Unit ADRs are listed on the NYSE, and the New Limited Voting Unit ADRs will be tradable thereon upon issuance. The Common Unit ADRs are not currently listed on any securities exchange in the United States. Accordingly, upon issuance, the New Common Unit ADRs will not be tradable in any established market in the United States, although they will generally be free from restrictions on trading in the United States.

Use of Proceeds.....The proceeds received from the rights offering after payment of expenses will be used to allow us to purchase two of our franchise distributors in Mexico and provide us with a large amount of the funds to construct a new tile production facility in Mexico.

Voting Rights.....Under our bylaws, the Series B Shares underlying the Common Units and the Common Unit ADSs are our general voting stock. The Series D Shares and the Series L Shares underlying the Limited Voting Units and the Limited Voting Unit ADSs are both limited voting securities and only have the right to vote on limited matters specified in our bylaws.

Risk Factors.....See "Risk Factors" for information you should consider before exercising your right to purchase New Units or New ADSs.

#### Risk Factors

In addition to the other information contained in this prospectus, you should consider, among other things, the special risk factors set forth below.

#### Risks Relating to Developments in Mexico and Other Emerging Market Countries

Mexican political, social, and economic conditions and might adversely impact our sales and profitability

Over 75 percent of our assets are located in Mexico, and on average about 50 percent of our sales each year are achieved in Mexico. As a result, demand for our products and our selling prices may decline as a result of adverse general economic and social conditions in Mexico, Mexican political developments, devaluation of the Peso and inflation and high interest rates in Mexico.

***Mexico has experienced adverse economic conditions that make our profitability vulnerable to factors beyond our control***

Since 2001, Mexico has experienced a prolonged period of slow-growth, with the gross domestic product or "GDP" growing at the rate of 0.3 percent, 0.9 percent and 1.16 percent in 2001, 2002 and 2003, respectively. If the Mexican economy falls into a recession, our business, financial condition and results of operations may suffer materially for a number of reasons, including lack of consumer demand for our products, declining selling prices and increased cost of the materials, supplies and services we need in Mexico to make our products.

***Policies of the Mexican government could adversely effect the value of your investment in our company***

The Mexican government has exercised and continues to exercise a significant influence over many aspects of the Mexican economy. With the improving economic stability in recent times, the government has materially loosened its control over the economy, however in deteriorating economic circumstances the government could be expected to reinsert itself into the economy which could result in governmental controls on prices, currency exchange rates and inflation. Accordingly, Mexican government actions concerning the economy could have a significant effect on us and other private sector entities and on market conditions and the prices and returns on Mexican equity securities, including our equity securities.

***Political considerations in Mexico can adversely impact our operations and the value of your investment in our company***

Political events in Mexico may significantly affect our business conditions, financial condition and results of operations as well as the price of our securities. In recent years, political and social unrest and disturbances have adversely impacted the Mexican securities markets. In 2000, the citizens of Mexico elected Vicente Fox President of Mexico, the first opposition candidate to win the Presidency since 1929. Mr. Fox, a member of the National Action Party, ran for office on a program advocating reform of the political process in Mexico. However, the Institutional Revolutionary Party, which had held the presidency since 1929, maintains a majority, together with the Partido de la Revolución Democrática in both houses of the Mexican Congress and conflict between the President and the Congress has made it very difficult for Mr. Fox to accomplish the reforms he had advocated during his campaign. Continued conflict between the two branches of government could lead to political paralysis in Mexico which could adversely effect operations and the price of our securities.

Depreciation or fluctuation of the Peso relative to the Dollar could adversely affect our financial condition and results of operations

All of our debt and a material amount of our revenues and expenses are denominated in Dollars. Accordingly, we are affected by fluctuations in the value of the Peso against the Dollar. During periods when the Peso devalues against the Dollar, we recognize foreign exchange losses on our financial statements, while exchange gains are recognized during periods that the Peso strengthens against the Dollar. For example, while in 2001 the Company recognized foreign exchange gains of Ps 49.4 million as the Peso appreciated against the Dollar, in 2002 the opposite was true and the Company recognized foreign exchange losses of Ps 108.4 million. Currency fluctuations are likely to continue to have an effect on our financial conditions, results of operations and cash flows in future periods.

Severe devaluation or depreciation of the Peso may also result in disruption of international foreign exchange markets and limit our ability to convert Pesos into Dollars for purposes of paying our debt as well as other obligations that we incur in Dollars. Although the Mexican government does not currently restrict the ability of persons to convert Pesos into Dollars or otherwise export currencies

out of Mexico, it has done so in the past and it could institute restrictive policies which might adversely affect our ability to convert Pesos into Dollars in the future.

***High levels of inflation and high interest rates in Mexico could adversely affect our financial condition and results of operations***

Even though we are currently experiencing the lowest interest and inflation rates in decades, Mexico has historically experienced high interest rates and high levels of inflation. Measured by changes in the National Consumer Price Index, inflation in Mexico for 2001 was 4.40 percent, 5.70 percent for 2002 and for the first nine months of 2003 was 2.30 percent. High rates of inflation can adversely affect the Company's results of operations or a variety of reasons, including that the Company cannot always match the pace of inflation in the prices of goods and services needed to make products with the price the Company can obtain in the markets for the sale of its products. During periods of high inflation in Mexico, domestic interest rates have increased significantly. During 2002, the interest rate of the 28-day Mexican government securities called "Cetes" averaged 7.09 percent. On September 30, 2003, the interest rate on the 28-day Cetes was 4.73 percent. While these recent interest rates represent a considerable change from interest rates in excess of 20 percent less than a decade ago, these low levels may not be maintained. High interest rates not only might increase our cost of borrowing money in Mexico, but also might make it more difficult to borrow or acquire goods and services on credit, thereby impairing our ability to manufacture our products as and when needed to service consumer demand.

***Adverse developments in other emerging market countries may lower the value of your investment in our company***

The market value of the securities of Mexican companies is periodically subject to economic, social and political developments in other emerging market countries. Although economic conditions in other countries may differ materially from those in Mexico, and although many of these other countries may have immaterial connections to the Mexican economy, investors' reactions to developments in other countries, particularly in emerging market economies, may result in a decrease in the market value of our securities.

**Risks relating to us and our business generally**

The construction business is cyclical and a decrease in demand for tile products may lower our sales

A recession or decline in the construction industry in Mexico or in the United States could result in decreased demand for our products and lower price levels. The tile industry is highly dependent on construction activity-including new construction and remodeling-which is cyclical in nature and is significantly affected by changes in general and local economic conditions. These changes include employment levels, financing availability, interest rates, consumer confidence and housing demand. Further, material unanticipated fluctuations in the demand for ceramic tileproducts could result in increases in inventories which may not be readily saleable by us at profitable prices.

***We are highly leveraged and disruptions in cash flow may impair our ability to fund operations***



Although we have been decreasing our debt in recent years, we are still relatively highly leveraged, with consolidated indebtedness of US \$128.5 million and a total debt to equity ratio of 1.24 to 1 as of September 30, 2003. Substantially all of our physical assets have been pledged to secure repayment of our debts. Because a substantial portion of our cash available from operations is needed to pay our debts, funds available for operations and for needed capital expenditures have been reduced in recent periods, and our ability to generate sufficient cash flow to adequately fund operations and capital expenditures in forthcoming periods may be impaired. Additionally, our highly leveraged position makes us more vulnerable to adverse economic conditions than less leveraged competitors. Furthermore, the discretion of our management with respect to certain business matters is limited by covenants contained in some of our loan agreements.

We may not generate enough cash flow to pay substantial debt amortizations in coming periods

In June of 2002, entered into a Credit Agreement with an international consortium of lenders, pursuant to which we borrowed US \$100.0 million to refinance our then-maturing \$90.0 million notes and for other general working capital purposes. Although the loan made to us under the Credit Agreement is on generally favorable terms, it provides for significant amortization of principal, with US \$17.5 million due in 2004, US \$20.0 million due in 2005, US \$22.5 million due in 2006 and the remaining US \$25.0 million due in 2007. We also have US \$16.0 million in short-term debt due in 2004. These significant debt service obligations may materially impact our cash flow and impede our ability to fund operations. In 2002 and 2003, our cash flow was substantially reduced over prior periods. In the event we are unable to generate sufficient cash flow to service the debt obligations as and when due, we will be required to either renegotiate the terms of our debt obligations or replace them on conditions that are more favorable than currently. If we were unable to do so, it could impair our ability to fund operations and adversely impact our profitability.

We face significant competition in all markets and pricing pressures may decrease our profitability

Significant competition generally is reflected in lower prices for our products, and any further decreases in our selling prices could decrease our profitability and impair our cash flow. The markets for our products in both Mexico and the United States are highly competitive. In Mexico, we compete for market share primarily with domestic manufacturers and independent distributors of ceramic tile, many with greater resources than we possess. We dedicate significant resources to advertising, marketing and product presentation strategies in Mexico in order to generate and maintain consumer interest in our products. A failure of one or more of our strategies could result in decreased sales in Mexico. In the United States, we face significant competition, primarily from Italian and Spanish importers. Much of our competition in the United States is against products similar to ours and pricing pressures are significant. Although the recent weakness of the Dollar against the European common currency, or "Euro," has increased the cost of products of many European competitors, most of these competitors still retain a pricing advantage over us due to generally lower costs of production than we have.

***Import tariffs in the United States provide some competitors with pricing advantages that put us at a competitive disadvantage***

United States tile manufacturers can charge less for their products than we do because they are not subject to import tariffs, making our products less competitive and adversely effecting our sales revenues. Mexico, the United States and Canada are parties to the North American Free Trade Agreement, or NAFTA, created to establish a "free trade" zone and to eliminate import duties, tariffs and barriers among the three countries. However, under NAFTA tariffs on ceramic tile imported from Mexico into the United States were not eliminated and are to be phased out over a period of 15 years

(the current NAFTA tariff rate for substantially all of our products is 6.30 percent). United States producers are not subject to any tariffs in the United States markets and thus enjoy a competitive advantage against importers like us. The benefits of NAFTA to us may only be realized gradually in increased access to the United States market and increased sales in the United States as the tariffs are reduced. It is also possible that European or United States manufacturers may locate or expand production facilities in Mexico to take advantage of reduced tariff levels, resulting in increased competition not only in the United States market but in the Mexican market as well.

The United States is also a party to the General Agreement on Tariffs and Trade, or GATT. Under GATT, the United States currently imposes a tariff on products like ours from non-NAFTA countries at a rate of 9.60 percent. The applicable tariff rate under GATT is scheduled to reduce over time to 8.50 percent in 2005. The reduction of tariff rates under GATT may result in increased competition within the United States ceramic tile markets from European and other foreign producers of ceramic tile products.

#### Risks relating to our controlling shareholders and our capital structure

Our controlling shareholders may cause us to take actions that may not be in the best interest of other shareholders

Over half of our general voting securities are held or controlled by members or associates of the Oscar Almeida Chabre family of Chihuahua, Chihuahua, México. This controlling group may have objectives for our company that differ from those of minority shareholders on a variety of issues, including for example business strategies, product development and capital investment. Because of this, the value of your investment is subject in many respects to the decisions of management over which you are unable to exercise any control. By virtue of its ownership, this group has the effective power to designate a majority of the Board of Directors and to determine the outcome of other actions requiring a vote of the shareholders, except in very limited cases that require a vote of the holders of the Series D Shares and the Series L Shares. Further, under Mexican law, you may have less protection as a minority shareholder than you do under the laws of the United States. See the discussion under the heading "Description of Capital Stock" contained in this prospectus.

*The cash available to us from the offering will be reduced by payments to the Almeida Family for our acquisition of two companies in Mexico*

Approximately US \$15.8 million received by us from the Rights Offering will be used to purchase the stock of two of our franchise distributors in Mexico. One of these companies owns our franchise stores located in the State of Chihuahua and the cities of San Luis Potosi and Mexicali, Mexico, and is owned by the Almeida Family. The other company owns the franchise stores located in the cities of Monterrey, Saltillo and Reynosa, Mexico, and is currently owned 66.6 percent by the Almeida Family and 33.3 percent by Mr. Ramiro Alcorta. The Almeida Family has told us that they intend to purchase 9,973,561 of the New Units to which they are entitled to purchase by virtue of their current shareholdings, which will result in proceeds of US \$13.6 million to us in the Rights Offering. Mr. Alcorta has told us that he intends to purchase 1,292,278 of the unsubscribed New Units in the Extended Offering, which will result in net proceeds to us of US \$1.7 million, meaning that our acquisition of the companies will in substance be funded through the issuance of our capital stock to the Almeida Family and Mr. Alcorta. The US \$500,000 difference between the US \$15.8 purchase price of the two companies and the aggregate US \$15.3 million that will be paid to us for New Units by the Almeida Family and Mr. Alcorta represents the Mexican taxes that will be payable by the Almeida Family and Mr. Alcorta as a result of the sale of the two companies to us.

A change in our control may result in management changes and defaults under loan agreements that could result in acceleration of significant debt obligations

As a result of shareholdings and certain agreements, the Almeida Family currently controls a majority of our general voting securities. The Almeida Family has controlled the senior management of our company since its inception, and a loss of control could result in a loss of experienced executive and other management personnel which might harm our ability to competitively operate our business. Also, most of our loan agreements contain provisions that would allow our lenders to accelerate our debts if the Almeida Family ceases to own a certain percentage of us. If all or even a portion of our debts were accelerated, we may be unable to pay or refinance them. The Almeida Family is not obligated to maintain their holdings in our securities, however, and if they chose to dispose of all or a portion of their Series B Shares the control of Interceramic could change.

Further, on December 7, 2004, the then outstanding Series L Shares will automatically convert to Series B Shares. As a result, the Almeida Family will, based upon their current ownership as well as ownership following the completion of the Rights Offering, cease to own or control over 50 percent of our general voting securities.

You can purchase Units in the market for less than the price established for the New Units in the offering

The price we have established for the New Units in the Rights Offering is US \$1.3636 per Unit. However, on March 9, 2004, the price of a Unit on the Mexican Stock Exchange was Ps 11.15, or about US \$1.02 per Unit. If you choose to exercise your preemptive right and purchase New Units in the Rights Offering, you will be paying more for a Unit than you could purchase a Unit for on the Mexican Stock Exchange. The opposite is true if you decide to purchase New ADSs, as the subscription price of US \$6.8182 per New ADS is less than the current market price of an ADS. At the close of business on March 9, 2004, the price of a Limited Voting Unit ADS on the New York Stock Exchange was US \$9.70.

***The Common Unit ADSs are not readily tradable in the United States which may lower their market value***

Although the Common Units and the Limited Voting Units are listed and trade on the Mexican Stock Exchange and the Limited Voting Unit ADSs are listed and trade on the NYSE, the Common Unit ADSs are not listed on any United States or foreign exchange, and we have no plans to pursue any listing for the Common Unit ADSs. In the absence of any listing or other established market for the trading of Common Unit ADSs, you may have more difficulty in effecting trades of Common Unit ADSs purchased in the Rights Offering than do holders of Common Units or Limited Voting Unit ADSs. The difficulty in effecting trades of Common Units ADSs may decrease the value of any Common Unit ADSs owned by you.

*Your ability to recover damages from or enforce a judgment against us may be limited*

We are organized under the laws of Mexico and all of our officers and all but two of the members of our board of directors reside in Mexico. Also, more than 80 percent of our assets are located in Mexico. As a result, if you were to have a claim against us, whether predicated upon the civil liability provisions of the federal securities laws of the United States or otherwise, it may not be possible for you to effect service of process within the United States upon our management or to enforce the payment by us or our management of damages that might be awarded to you by courts in the United States.

### Incorporation by Reference

The United States Securities and Exchange Commission allows us to "incorporate by reference" in this prospectus information that we provide the SEC in other filings. This means that important information may be provided to you by referring you to those other documents. Information incorporated by reference is considered to be part of this prospectus, whether it is attached or not, and certain later information that we file with the SEC may automatically update and supercede the information in this prospectus. We incorporate by reference the following:

our annual report on Form 20-F for the fiscal year ended December 31, 2002, SEC File No. 82-2873 filed with the SEC on June 30, 2003 and included within this prospectus as Annex A;

our current reports on Form 6-K filed January 22, 2004, November 24, 2003, July 28, 2003 and May 30, 2003; and

any future filings made by us with the SEC on Form 20-F, Form 6-K or otherwise under the requirements of the SEC after the date of this prospectus but prior to the end of the offering made by this prospectus that are identified as being incorporated in this prospectus by reference.

You may request a copy of any of the information incorporated by reference in this prospectus but not supplied with this prospectus, free of charge, by contacting us in writing or by telephone at Avenue Carlos Pacheco 7200, Chihuahua, Chihuahua, México, attention Jesús Olivás Corral; telephone 011.52.614.429.1161; facsimile 011 52.614.429.1166.

### Financial Information and Currency Translations

Our annual report on Form 20-F for the fiscal year ended December 31, 2002, which is included within this prospectus as Annex A, contains our consolidated audited financial statements as of December 31, 2001 and 2002 and for the years ended December 31, 2000, 2001 and 2002. Included within this prospectus commencing at page F-1 are our unaudited consolidated interim financial statements as of September 30, 2002 and 2003 and for the nine months ended September 30, 2002 and 2003.

We maintain our financial books and records in Mexican pesos, which we refer to in this prospectus as "Pesos", "P." or "Ps," and we present our financial statements in conformity with generally accepted accounting principles in Mexico, or Mexican GAAP, which differs in many respects from generally accepted accounting principles in the United States, or US GAAP. Mexican GAAP requires restatement of all financial statements to constant Pesos as of the date of the most recent balance sheet presented. Our audited financial statements and other annual financial information contained in the Form 20-F and in this prospectus are accordingly stated in constant Pesos with purchasing power as of December 31, 2002.

The unaudited interim financial statements included within this prospectus and other interim financial information presented in this prospectus have been stated in constant Pesos with purchasing power as of September 30, 2003. As a result of inflation in Mexico (as well as, for purposes of our unaudited interim financial statements, inflation in the United States attributable to our assets located there) during the first nine months of 2003, the purchasing power of one Peso as of December 31, 2002 is equal to the purchasing power of 1.023 Pesos as of September 30, 2003. Accordingly, the audited

financial statements contained in the Form 20-F are not directly comparable to the unaudited interim financial statements included within this prospectus because they are stated in constant Pesos as of different dates.

This prospectus contains translations of certain Peso amounts into United States dollars, which we refer to in this prospectus as "Dollars," "US \$" or "\$," at specified exchange rates solely for your convenience. You should not construe these translations as representations that the Peso amounts actually represent Dollar amounts or could be converted into Dollars at the rate or rates indicated. Unless otherwise indicated, we have translated Dollar amounts from Pesos at the exchange rate of Ps 11.03 to US \$1.00, the exchange rate quoted by *Wells Fargo Bank, N.A.* as the rate representing the inter-bank exchange rate at the close of business on September 30, 2003. The Interbank Rate at the close of business on March 9, 2004 was Ps 10.982 to US \$1.00.

There are several other commonly available rates of conversion of Pesos to Dollars and we are making no representation as to the accuracy of one rate as compared to any other, many of which may vary significantly from time to time from the Interbank Rate.

#### Use of Proceeds

The maximum aggregate net proceeds from the sale of New Units and New ADSs in the Rights Offering, assuming 32,732,026 New Units (including New Units represented by New ADSs) are sold, are estimated to be approximately US \$44.6 million, although there can be no assurance that this amount of the New Units will be subscribed for or otherwise purchased by the Almeida Family, Alfredo Harp Helú, Roberto Hernandez, Ramiro Alcorta or any other person. The aggregate net proceeds will be used by Interceramic to (i) with respect to US \$15.8 million, acquire the two franchise distributors currently owned by the Almeida Family and Mr. Alcorta and (ii) with respect to US \$25.0 million fund the cost of the construction and equipment by Interceramic of a new tile production facility to be located in Mexico and (iii) with respect to the remainder of approximately US \$3.8 million fund general corporate purposes. Pending use for payment of the costs of this new facility, proceeds from the Rights Offering may be used to pay down one or more existing lines of credit on a temporary basis.

#### Dividend Policy

Since its organization in 1978, Interceramic has paid one cash dividend of 1.275 nominal Pesos per share in July 1988, and does not anticipate the payment of regular cash dividends in the foreseeable future. Payment of dividends will depend upon, among other factors, the results of operations of Interceramic and its consolidated subsidiaries (collectively, unless the context otherwise requires, the "Company"), cash flow, financial condition, cash requirements, future prospects, capital budgets and other factors deemed relevant by the Board of Directors of Interceramic (the "Board") and the holders of the Series B Shares.

Under the *Estatutos Sociales* of Interceramic (the "Bylaws") and the General Law of Commercial Corporations (the "Mexican Companies Law"), the gross profits of the Company, after provision for income taxes, employee benefit profit sharing payments and other amounts to be deducted by law ("net profits"), are applied as follows:

First, an amount equivalent to at least five percent of net profits of the Company is segregated to build a legal reserve until the reserve is equal to 20 percent of the historical capital stock of Interceramic (before effect of restatement).

Second, the holders of the Series B Shares may determine and allocate a certain percentage of net profits to any special reserve, including a reserve for open-market purchases of Interceramic's outstanding shares of capital stock.

Third, the remainder of net profits is available for distribution in the form of dividends to the shareholders. For a description of how dividends are to be paid and allocated among the holders of the Series B Shares, the Series L Shares and the Series D Shares, see "Description of Capital Stock" below.

Currently, there is no Mexican withholding tax or other tax levied in respect of dividends paid by the Company, provided that the dividends are paid from earnings which have already been subject to income taxes at the corporate level. As a general policy, Interceramic expects that dividends, if any, to be paid by Interceramic will only be paid out of earnings which have been taxed at the corporate level.

The payment of dividends by Interceramic may also be affected by provisions in certain loan documentation which would prevent Interceramic from paying a dividend under certain circumstances if the Company would be in violation of applicable financial covenants after the payment. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" in the Company's annual report on Form 20-F for the fiscal year ended December 31, 2002, SEC File No. 82-2873, filed with the SEC on June 30, 2003, and included within this prospectus as Annex A (the "2002 20-F") and "Recent Developments and Results," below.

The declaration, amount and payment of dividends are determined by a majority vote of the holders of the Series B Shares at a general ordinary meeting, generally, but not necessarily, on the recommendation of the Board. The Almeida Family controls, and following completion of the Rights Offering, will continue to control until December 7, 2004, in excess of 51 percent of the Series B Shares and will have, as a result of this control, the ability to determine whether or not dividends are to be paid and the amount of any dividends.

#### Recent Developments and Results

The following discussion should be read in conjunction with the interim consolidated financial statements included within this Prospectus. The interim consolidated financial statements are unaudited and are comprised of financial information provided by Interceramic. The actual financial results of the Company for the first three quarters of 2003 and for the year ending December 31, 2002 could differ significantly from the results discussed below. The Dollar amounts contained in the discussion are translated from the Peso amounts at an exchange rate of Ps 11.03 to US \$1.00, the Interbank Rate as of September 30, 2003.

#### Third Quarter and Nine Months Financial Results

In the third quarter of 2003 Interceramic posted sales growth, resulting in a record sales level for any quarter in the history of the Company. On the other hand, the sales did not rise to the heights predicted and combined with significantly higher costs of sales and greater overall operating expenses, adversely impacted operating income. The quarter was marked by continuing stiff competition in the industry. Consolidated sales of US \$83.5 million for the third quarter of 2003 were 6.25 percent greater than third quarter sales of US \$78.6 million in 2002. As was the case in the preceding quarter, higher costs of sales for the period resulted in gross income for the quarter virtually

identical to the same quarter in 2002. For the nine months ended September 30, 2003, consolidated sales were US \$229.8 million, an increase of 2.79 percent over sales of US \$223.5 million for the same nine month period in 2002.

Sales in Mexico for the third quarter increased by 8.30 percent from the third quarter of 2002, at US \$48.2 million, and grew by 27.23 percent over sales of US \$37.9 million in the preceding quarter of this year. The Company sold significantly more product in Mexico during the third quarter of 2003 over the same period last year, increasing by 25.09 percent. Much of this sales growth is attributable to sales of private-label products imported since late last year to round out the Company's product lines in the middle- to lower-end of the market segment. As the Company has freed up capacity at its plants for higher margin products, the challenge remains to grow sales of these more expensive products and to keep improving pricing levels. For the first nine months of 2003, sales in Mexico were US \$128.1 million, up 3.21 percent over Mexican sales of US \$124.1 million in the first nine months of 2002. For the nine month period ended September 30, 2003, the volume of product sold in Mexico was 19.97 percent greater than the volume sold in the same period last year.

In the International markets, sales in the third quarter of 2003 increased by 3.58 percent over sales in the third quarter of 2002, at US \$35.3 million compared to sales of US \$34.1 million for the period last year. The amount of product sold in the International markets in the third quarter declined, however, compared to 2002, decreasing by 7.74 percent. For the first nine months of the year, International sales of US \$101.7 million were 2.27 percent greater than the US \$99.4 million recorded over the same nine months in 2002. Volume of product sold in the first nine months of 2003 in the International markets decreased by 9.56 percent over the same period in 2002.

At US \$6.3 million, consolidated operating income for the third quarter of 2003 was 18.02 percent behind operating income of US \$7.7 million posted in the same period of last year, although recovering by 34.43 percent over the low of US \$4.7 million recorded in the second quarter of this year. As might be expected, EBITDA for the quarter lagged behind that of the third quarter of 2002, down 10.66 percent to US \$10.2 million from last year's US \$11.4 million. For the first nine months of 2003, consolidated operating income was US \$17.4 million, down 22.46 percent over operating income of US \$22.5 million in the first nine months of 2002. EBITDA for the period in 2003 was US \$29.0 million, a decrease of 13.16 percent over the US \$33.4 million recorded in the first nine months of 2002.

Over the course of the third quarter, Interceramic determined that the Company was not in compliance with two financial ratios contained in covenants in the Credit Agreement applicable to our US \$100.0 million syndicated loan facility, a "fixed charge coverage" ratio and a "leverage" ratio. The fixed charge coverage ratio originally applicable to us for the quarter was required to be greater than 1.25, and the leverage ratio was required to be less than 3.00, but in the third quarter these ratios stood at 1.05 and 3.34, respectively. With uncertainty over how quickly and to what extent financial performance will improve in the short term, Interceramic commenced discussions with our lenders over a waiver of the non-compliance or an amendment to the Credit Agreement more in line with our expectations. By September 30, 2003, Interceramic had reached agreement with the lenders on a series of amendments to the Credit Agreement that management believes will provide the Company with sufficient flexibility going forward. The documents for these amendments were completed as of October 31, 2003 and provide for a fixed charge coverage ratio of greater than 1.00 and a leverage ratio of less than 3.50

#### Fourth Quarter and Year-End Results

Interceramic's consolidated sales for 2003 were US \$306.4 million, up 2.14 percent from sales of US \$300.0 million in 2002. The growth in sales was largely offset by increases in certain components of the cost of goods sold, as well as by lower price levels mainly the result of the growth of imported product in the mix of sales. Accordingly our gross margin for 2003 of 34.63 percent was 2.36 points lower than gross margin of 37.00 percent in 2002. There are several reasons why our costs were higher than expected this year. Primary among them was the continuing slide of the Peso, which devalued another eight percent against the Dollar over the course of 2003 on top of the almost 14 percent reduction in 2002. The Company pays for many of our raw materials in Dollars and the cost of natural gas-a significant factor in the overall cost of production-both in our Mexican facilities and in the Garland, Texas plant, is denominated in Dollars. Also, the tile that the Company imported during the year from Europe and South America to round out our product selection as well as to free up production capacity at our own plants for higher margin products, is all sold to the Company in Dollars. The decrease in the value of the Peso made all of these components more expensive for us during the year.

Sales in Mexico grew by 1.56 percent over sales in 2002, hitting US \$171.8 million. The Company also experienced growth in unit sales of 17.54 percent more square meters of product in 2003 than we sold in 2002, indicating greater market penetration in a Mexican ceramic tile market that only increased in consumption by about four percent in the aggregate over the course of the year. In the International markets, primarily the United States, sales grew to US \$134.6 million in 2003 from US \$130.9 million in 2002, a 2.8 percent increase. At the same time, volume of product sold decreased by 7.70 percent, sending a mixed message of decreased market penetration yet better overall prices.

As was the case during 2002, costs attributed to improving our sales infrastructure and an extremely competitive world market led to decline in operating income. At US \$20.5 million, operating income in 2003 was 28.11 percent lower than operating income of US \$28.5 million in 2002. Lower operating income suppressed EBITDA, which at US \$36.2 million for the year represented a 16.17 percent drop over EBITDA of US \$43.2 million in 2002. On the other hand, debt reduction and lower interest rates have improved our debt service coverage ratio, which at the end of the last quarter of 2003 stood at 6.0 times compared to 4.4 times at the end of 2002.

With respect to the fourth quarter of 2003, consolidated sales of US \$76.6 million were practically even with sales of US \$76.5 million in the fourth quarter of 2002. At US \$3.1 million, operating income for the quarter was 49.1 percent lower than operating income of US \$6.0 million in the fourth quarter of 2002. Our EBITDA for the quarter was down as well, decreasing by 26.3 percent to US \$7.2 million in the fourth quarter of 2003 from US \$9.8 million in the fourth quarter of 2002.

At the end of the year, our fixed charge coverage ratio stood at 1.19 and our leverage ratio was at 3.36, both in compliance with the new ratios applicable to the Company under the Credit Agreement negotiated during the third quarter.

#### Acquisition of Almeida Family Franchises

At a meeting of the Interceramic shareholders to be held on January 14, 2004, the shareholders will be asked to approve a plan adopted by the Board for the Company to acquire, directly or indirectly, all of the issued and outstanding capital stock of *Grupo Comercial Interceramic, S.A. de C.V.* ("GISA") and *Materiales Arquitectónicos Decorativos, S.A. de C.V.* ("MASA"). Currently, all of the stock of GISA is owned by the Almeida Family, while MASA is owned 66.6 percent by the Almeida Family and 33.3 percent by Ramiro Alcorta. The aggregate purchase price for the stock of both GISA and MASA is US \$15.8 million, which was determined through the course of consultations among the Almeida Family, Mr. Alcorta, the management of the Company and Alfredo Harp Helú. The purchase of the



GISA and MASA stock is to occur simultaneously with the completion of the Extended Offering, as the Almeida Family has informed the Company that it intends to subscribe for 9,973,561 of the 12,021,176 New Units that it is entitled to purchase in the Rights Offering by virtue of its existing shareholdings and Mr. Alcorta is prepared to purchase 1,292,278 New Units in the Extended Offering. These two simultaneous transactions will result in an almost equal amount being paid by the Company for GISA and MASA and by the Almeida Family and Mr. Alcorta for New Units in the Offering and in substance will have the effect of the Company acquiring GISA and MASA in exchange for the Interceramic stock received by the Almeida Family and Mr. Alcorta in the Offering. The difference of US \$500,000 being paid by the Company to the Almeida Family and Mr. Alcorta in excess of their payments for New Units will be applied by them in payment of Mexican taxes due upon the sale of GISA and MASA.

#### The Banamex Trust and Alfredo Harp Helú

The Banamex Trust was formed as a trust under Mexican law administered by *Banco Nacional de México, S.A.* ("Banamex") in order to provide a controlling position in the Common Units (or Series B Shares) subsequent to the completion of a private placement of Common Units to Kohler Co. in November of 2000. The control arrangement was required under certain loan documentation as a method for the Almeida Family to retain voting control over the Common Units, as pursuant to an agreement between the Almeida Family and the beneficial owners of the Banamex Trust, the Banamex Trust and the Almeida Family vote their respective Common Units coincident with each other.

The beneficiaries of the Banamex Trust are members of the family of Alfredo Harp Helú, who currently owns in an individual capacity 5,202,049 Limited Voting Units, or approximately 10.70 percent of Interceramic's outstanding capital stock. The Banamex Trust currently owns 3,507,836 Common Units and 1,627,893 Limited Voting Units, together approximately 10.57 percent of Interceramic's outstanding capital stock. Accordingly, through his own holdings and those of the Banamex Trust, Mr. Harp and his family control 21.27 percent of Interceramic's outstanding capital stock.

If Mr. Harp purchases New Units in the Extended Offering, his purchase will be made pursuant to Regulation S under the 1933 Act and the New Units he purchases will not be registered under the securities laws of the United States or any state.

#### Control of Interceramic

The following table sets forth certain information concerning the ownership of the capital stock of Interceramic as of September 30, 2003:

Shareholder	Common Units	%	Limited Voting Units	%	Total	%
<b>Almeida Family</b>	15,958,657	55.1	1,890,210	9.6	17,848,867	36.7
<b>Alfredo Harp Helú</b>	0	0.0	5,202,049	26.5	5,202,049	10.7
<b>Banamex Trust</b>	3,507,836	12.1	1,627,893	8.3	5,135,729	10.6
<b>Kohler Co.</b>	3,636,363	12.6	0	0.0	3,636,363	7.5

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<b>Other Shareholders</b>	5,850,460	20.2	10,926,568	55.6	16,777,028	34.5
<b>Total</b>	28,953,316	100.0	19,646,720	100.0	48,600,036	100.0

Upon completion of the Rights Offering and the Extended Offering as described in this Prospectus, the ownership of the capital stock of Interceramic is expected to be substantially as follows, assuming (i) only the Almeida Family purchases 9,973,561 New Units in the Rights Offering and (ii) Msrs. Harp and Hernandez purchase 9,699,024 New Units and Mr. Alcorta purchase 1,292,278 New Units in the Extended Offering and (iii) the remaining shares are purchased by the remaining shareholders pro rata in accordance with their rights:

[Chart follows on next page]

Shareholder	Common		Limited Voting		Total	
	Units	%	Units	%	Units	%
<b>Almeida Family</b>	24,876,009	51.3	2,946,416	9.0	27,822,428	34.2
<b>Alfredo Harp Helú</b>	4,314,513	8.9	10,586,560	32.2	14,901,073	18.3
<b>Banamex Trust</b>	5,870,356	12.1	2,724,275	8.3	8,594,631	10.6
<b>Kohler</b>	3,636,363	7.5	0	0.0	3,636,363	4.5
<b>Ramiro Alcorta</b>	899,942	1.8	392,336	1.2	1,292,278	1.6
<b>Other Shareholders</b>	8,856,133	18.3	16,229,156	49.4	25,085,289	30.8
<b>Total</b>	48,453,316	100.0	32,878,746	100.0	81,332,062	100.0

### The Rights Offering

On January 14, 2004, Interceramic held a general meeting (the "General Meeting") of the holders of the Series B Shares in Chihuahua, Chihuahua, Mexico, at which the holders of the Series B Shares authorized a capital increase (the "Capital Increase") pursuant to which the authorized capital of Interceramic was increased from 37,227,715 Common Units (comprised of a total of 74,455,430 Series B Shares) and 25,057,860 Limited Voting Units (comprised of a total of 25,057,860 Series D Shares and 25,057,860 Series L Shares) to 48,453,316 Common Units and 32,946,720 Limited Voting Units. At the General Meeting, the holders of the Series B Shares were not presented with and did not vote upon a waiver of preemptive rights associated with the Capital Increase. Accordingly, under Mexican law the Units approved in connection with the Capital Increase (the "New Units") must be offered to existing security holders on a *pro rata* basis. The New Units are being offered to holders of Limited Voting Units, including Limited Voting Units represented by Limited Voting Units ADSs ("LVU ADSs"), as well as holders of Common Units, including Common Units represented by Common Unit ADSs ("Common Unit ADSs" and, collectively with LVU ADSs, "ADSs") on an equal basis.

On March 11, 2004, a meeting of the Board was held (the "Board Meeting"), at which the Board determined to offer the right to purchase New Units (the "Rights") to holders of record of Common Units and Limited Voting Units (collectively, "Units"), in each cases including holders of ADSs (the "Record Holders"), on March 18, 2004 (the "Record Date") on the basis described in this Prospectus.

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Record Holders of Units are entitled to purchase 0.6734980 New Common Units for every Common Unit they own as of the Record Date and 0.6734980 New Limited Voting Units for every Limited Voting Unit they own as of the Record Date. Record Holders of Common Unit ADSs are entitled to purchase 0.6734980 New Common Unit ADSs for every Common Unit ADS they own as of the Record Date and 0.6734980 New Limited Voting Unit ADSs for every Limited Voting Unit ADS they own as of the Record Date (collectively, "New ADSs"). Record Holders are not required to purchase any New Units in the Rights Offering and may purchase any combination of New Common Units and New Limited Voting Units up to the respective maximums of each that they are entitled to purchase, although a Record Holder must own Common Units to purchase New Common Units in the Rights Offering and must own Limited Voting Units to purchase New Limited Voting Units in the Rights Offering.

The subscription price for Units (the "Unit Subscription Price") is US \$1.3636 per New Unit and, as each ADS is comprised of five Units, the subscription price for New ADSs (the "ADS Subscription Price") is US \$6.8182 per New ADS. The Unit Subscription Price is the same for New Common Units as for New Limited Voting Units and the ADS Subscription Price is the same for New Common Unit ADSs as for New Limited Voting Unit ADSs.

### Purchase by Holders of Units

#### Summary Timetable

The following summary timetable sets forth certain important dates relating to the Rights Offering to Record Holders of Units (all times are Mexico City time on the applicable dates):

Record Date for Rights Offering--3:00 p.m.....	March 18, 2004
Commencement Date of Rights Offering.....	March 15, 2004
Expiration Date for Rights Offering-3:00 p.m.....	March 30, 2004
Delivery of New Units (on or about).....	March 30, 2004

#### Record Date

The Record Date for determination of Record Holders of Units entitled to purchase New Units in the Rights Offering is March 18, 2004, 3:00 p.m., Mexico City time.

#### Right to Purchase

Beginning on the commencement date of the Rights Offering at 8:30 a.m., Mexico City time on March 15, 2004 (the "Commencement Date") and continuing through the expiration date of the Rights Offering at 3:00 p.m., Mexico City time on March 30, 2004 (the "Expiration Date"), every Common Unit and Limited Voting Unit held of record on the Record Date will entitle the Record Holder to purchase 0.6734980 New Common Units for each Common Unit owned by it and 0.6734980 New Limited Voting Units for each Limited Voting Unit owned by it at the Unit Subscription Price.

#### Rights Not Transferable

Under Mexican law, preemptive rights to acquire capital stock of a limited liability company with variable capital such as Interceramic are not represented by separate instrument, and are not transferable or otherwise negotiable apart from the securities to which they relate. Accordingly, the Rights are not transferable, and only Record Holders will be entitled to purchase New Units in the Rights Offering.

#### Expiration Date

The Rights Offering will terminate on the Expiration Date at 3:00 p.m., Mexico City time on March 30, 2004. Rights which are unexercised at the Expiration Date will lapse, and Interceramic will be free to sell the related New Units in the Extended Offering.

#### Fractional Units

Fractional New Units will not be issued, and entitlement of Record Holders of Units to New Units will be rounded down to the nearest whole number. Purchases will be accepted for full New Units only, but Record Holders may otherwise exercise their Rights in whole or in part. New Units resulting from the rounding of fractional New Units may be sold by Interceramic in the Extended Offering. As a result of the rounding, a Record Holder must own at least two Units to acquire one New Unit.

#### Purchase, Payment and Delivery

In general, the beneficial owners of Units hold their Units through accounts of eligible account holders at *S.D. Indeval, S.A. de C.V. Instituto para el Depósito de Valores* ("Indeval"), which is the depository for securities traded on the Mexican Stock Exchange. These eligible account holders, principally Mexican banks and brokerage firms, are typically the holders of record of Units. At the close of business on the Expiration Date, Interceramic will deliver to Indeval a global certificate for each of the New Units purchased in the Rights Offering, including New Units represented by New ADSs, against payment of the aggregate purchase price for all subscribed New Units.

Record Holders, if any, other than Indeval, shall exercise their Rights by transmission of subscription materials and the applicable amount of the Unit Subscription Price per New Unit subscribed directly to Interceramic.

Record Holders of Units must inform Indeval or Interceramic, as the case may be, of their election to subscribe for New Units no later than 3:00 p.m., Mexico City time, on March 29, 2004. Because the Unit Subscription Price is stated in Dollars and the exchange rate for payments in Pesos will be determined on March 23, 2004 but not published until March 24, 2004, Record Holders of Units paying for New Units will have from March 24, 2004 until 12:00 p.m., Mexico City time on March 30, 2004 to provide payment in Pesos in full for New Units subscribed for. By that time, purchasers of New Units shall cause to be paid to Indeval the full Unit Subscription Price for each New Unit subscribed. Record Holders of Units paying the Unit Subscription Price in Dollars may do so by making payment in full at any time from the Commencement Date until 12:00 p.m., Mexico City time on the Expiration Date.

The procedures of Indeval, its account holders and any other Intermediary through which Units are held will determine the manner in which beneficial owners of Units will (i) give instructions that New Units are to be purchased for their account in the Rights Offering; (ii) provide funds for the payment of the purchase price of the New Units subscribed by them; and (iii) receive confirmation of the delivery of New Units for their account.

#### Additional Information

The exercise of Rights by a Record Holder is irrevocable and may not be cancelled or modified by the Record Holder once made.

Beneficial owners of Units wishing to purchase New Units are advised to contact the Intermediaries through which they hold their Units to arrange for the purchase.

#### Purchase by Holders of American Depositary Receipts

#### Summary Timetable

The following summary timetable sets forth certain important dates relating to the Rights Offering to Record Holders of ADRs (all times are New York, New York time on the applicable dates):

Record Date for Rights Offering-4:00 p.m.....	March 18, 2004
Commencement Date of Rights Offering-9:30 a.m.....	March 15, 2004
Deadline for Payments to Depositary-2:30 p.m.....	March 25, 2004
Expiration Date for Rights Offering-4:00 p.m.....	March 30, 2004
Delivery of New ADRs for New ADSs (on or about).....	March 30, 2004

#### Record Date

The Record Date for determination of Record Holders of ADSs entitled to purchase New ADSs in the Rights Offering is March 18, 2004, 4:00 p.m., New York, New York time.

#### Right to Purchase

Interceramic has made arrangements with *Citibank, N.A.*, as depositary in connection with the ADSs (the "Depositary"), to make available to holders of record of ADSs as of 5:00 p.m., New York, New York time on March 18, 2004 rights (the "ADS Rights") to subscribe for New ADSs. Holders of ADSs will receive 0.6734980 Common Unit ADS Rights and 0.6734980 Limited Voting Unit ADS Rights per Common Unit ADS and Limited Voting Unit ADS, respectively, they hold on the Record Date. One ADS Right plus the ADS Subscription Price of US \$6.8182 will be required to subscribe for each New ADS.

#### Rights Not Transferable

Under Mexican law, preemptive rights to acquire capital stock of a limited liability company with variable capital such as Interceramic are not represented by separate instrument, and are not transferable or otherwise negotiable apart from the securities to which they relate. Accordingly, the Rights are not transferable, and only Record Holders of ADSs will be entitled to ADS Rights entitling

the holder to purchase New ADSs in the Rights Offering.

#### Expiration Date

The Rights Offering will terminate on the Expiration Date at 4:00 p.m., New York, New York time, on March 30, 2004. ADS Rights which are unexercised at the Expiration Date will lapse and Interceramic will be free to sell the underlying New Units in the Extended Offering. **However, Record Holders of ADSs wishing to purchase New ADSs in the Rights Offering will be required to deliver all subscription materials make payment for their subscribed New ADSs by 2:30 p.m., New York, New York time on March 25, 2004 in order for the Depositary to be able to transmit payments to Indeval by the Expiration Date. Accordingly, with respect to Record Holders of ADSs, their ability to subscribe for New ADSs in the Rights Offering will effectively terminate on March 25, 2004.**

#### Fractional ADSs

Fractional New ADSs will not be issued, and entitlement of Record Holders of ADSs to New ADSs will be rounded down to the nearest whole number. Purchases will be accepted for full New ADSs only, but Record Holders may otherwise exercise their Rights in whole or in part. As a result of the rounding, a Record Holder must own at least two ADSs to acquire one New ADS. Fractional Rights resulting from the rounding of fractional New ADSs will lapse on the Expiration Date, and the New Units relating to the lapsed fractional Rights may be sold by Interceramic in the Extended Offering.

#### The Depositary

The Depositary, whose address is 111 Wall Street, 20<sup>th</sup> Floor, New York, New York 10043, is the depositary for the ADSs pursuant to the terms of the respective deposit agreements among Interceramic, the Depositary and the holders from time to time of the ADSs (the "CU Deposit Agreement" and the "LVU Deposit Agreement" respectively, and collectively, the "Deposit Agreement"). The Depositary is assisting Interceramic in the distribution of this Prospectus and related materials to holders of ADSs, and is accepting notices of subscription by ADS holders ("Subscription Notices") and payment for New ADSs.

#### Method of Purchase

New ADSs may be purchased (i) in the case of Record Holders holding ADSs through *The Depository Trust Company* ("DTC"), New York, New York, or its participants ("DTC Participants"), by the timely delivery to the Depositary of notification through DTC's "agent subscriptions over PTS" procedure (the "ASOP"), or (ii) in the case of Record Holders holding ADSs registered in their own names, by the timely delivery to the Depositary of a completed Subscription Notice in the form sent to the Record Holders of ADSs, in each instance accompanied by timely payment in full of the ADS Subscription Price for each New ADS to be purchased. Payments for New ADSs subscribed for through the ASOP shall be made to the DTC Participants through whom the Record Holder holds its ADSs. All other payments for New ADSs should be sent to the Depositary by (A) mail at Citibank, N.A., Corporate Actions, P.O. Box 859208, Braintree, Massachusetts 02185-9208 ; (B) hand delivery, at Citibank, N.A., c/o Securities Transfer and Reporting Services, Inc., 100 William Street-Galleria, New York, New York 10038, Attention: Corporate Actions; and (C) express mail or overnight courier at Citibank, N.A., Corporate Actions, 161 Bay State Drive, Braintree, Massachusetts 02184. **Only certified checks will be accepted for payments.** The Depositary has discretion to refuse any improperly completed or delivered or unexecuted Subscription Notice. A Subscription Notice must be received with payment of the complete ADS Subscription Price for the applicable number of New

ADSs by the Depositary by 2:30 p.m., New York, New York time on March 25, 2004 in order to enable the Depositary to remit payments to Indeval on the Expiration Date. Only actual delivery and receipt will constitute delivery to the Depositary for these purposes, and neither deposit in the mail, postmarking or other transmittal made prior to March 25, 2004 shall, in the absence of actual receipt on or prior to 2:30 p.m., New York, New York time on March 25, 2004, be effective for purposes hereof. Questions regarding these procedures may be directed to Interceramic, or to the Depositary to the attention of Citibank ADR Shareholder Services at 1.800.308.7887.

#### Subscription by ASOP

Record Holders of ADSs holding ADSs through DTC or DTC Participants should instruct DTC or the applicable DTC Participant to enter subscription instructions for New ADSs through the ASOP. Subscribing DTC Participants must instruct DTC to charge the applicable DTC Participant's account the ADS Subscription Price for each New ADS subscribed for and to deliver the proper amount to the Depositary. Payment will be accepted in Dollars only. All Subscription Notices entered through the ASOP and payment of the ADS Subscription Price for the subscribed New ADSs must be received by DTC on or prior to 2:30 p.m. New York, New York time on March 26, 2004. During the pendency of the Rights Offering (the "Offering Period"), DTC will provide the Depositary daily with copies of Subscription Notices received through the ASOP, identifying subscribing DTC Participants and the quantities of New ADSs subscribed for by each. DTC will also send subscription payments received to the Depositary, by check, at the end of each business day.

#### Payment for New ADSs

The Depositary will not accept any foreign currency in payment of the ADS Subscription Price for any New ADSs, including Pesos, and will accept payment only in Dollars. Payments by Record Holders holding ADSs other than through DTC or DTC Participants shall be made by certified check made payable to "Citibank, N.A.--Interceramic." Payments made by Record Holders holding ADSs through DTC or DTC Participants shall be made to the DTC Participant through whom the Record Holder owns its ADSs, which will remit payments to the Depositary's account with DTC. **Although the Expiration Date is March 30, 2004, in order for Record Holders of ADSs to subscribe and pay for New ADSs, payment and subscription materials must be received by the Depositary by 2:30 p.m., New York, New York time on March 25, 2004 to enable the Depositary to remit payment to Indeval by 4:00 p.m., New York, New York time on the Expiration Date. Accordingly, Record Holders and beneficial holders of ADSs should make arrangements to pay the ADS Subscription Price and deliver all subscription materials to the Depositary as far in advance of the Expiration Date as practicable. Subscriptions not received by the Depositary by 2:30 p.m., New York, New York time on March 25, 2004 will not be honored, and the associated ADS Rights will lapse .**

To the extent that the Depositary is required to convert the ADS Subscription Price payments into Pesos for purposes of making payments to Indeval, Interceramic will bear the risk of any unfavorable exchange rate fluctuations in the value of the Peso with respect to the Dollar for the time ADS Subscription Price payments are made to the time the payments are made to Indeval. Interceramic will benefit from a favorable exchange rate fluctuation, and the ADS holder will not be entitled to a refund or credit of any portion of the amount paid by it for its New ADSs.

#### Delivery of New ADRs

New ADSs purchased in the Rights Offering will be delivered via DTC to the DTC Participant's account, if any, designated in the Subscription Notice or, if no specific account has been designated, a

New ADR evidencing New ADSs will be sent to the purchasing Record Holder's address by mail on or about March 30, 2004.

#### Equality of ADSs

New ADSs purchased in the Rights Offering, and the New ADRs evidencing them, will be identical in all respects, including without limitation rights, preferences and obligations, to the ADSs and ADRs, respectively, that are currently outstanding. Upon issuance, the New Common Unit ADRs will not be listed on the NYSE or any other securities exchange in the United States, but the New Limited Voting Unit ADRs will be listed and tradable on the NYSE upon delivery.

#### Additional Information

The method of delivery of New ADSs and payment of the ADS Subscription Price to the Depository will be at the election and risk of the subscribing Record Holders of ADSs. If Subscription Notices and payment for New ADSs are sent by mail, holders of ADSs are urged to send their materials by registered mail, properly addressed, return receipt requested, and to allow a sufficient number of days to ensure delivery to the Depository and clearance of payment prior to the Expiration Date. Holders of ADSs paying by check must make payment by means of certified check.

Failure of a Record Holder to comply, in whole or in part, with any of the requirements described in this Prospectus in connection with the exercise of ADS Rights in the Rights Offering by the Expiration Date will result in the holder's ADS Rights lapsing, and they may not be thereafter exercised. The exercise of Rights by a Record Holder is irrevocable and may not be cancelled or modified by the Record Holder once made.

Beneficial owners of ADSs wishing to purchase New ADSs are advised to contact the Intermediaries through which they hold their ADSs to arrange for the purchase.

All questions regarding the timeliness, validity, form, compliance and eligibility of any purchase in the Rights Offering will be determined by Interceramic, and its decisions in each instance will be conclusive and binding on Interceramic, the applicable holders and the Depository. Interceramic may, in its sole discretion, waive any defect or irregularity or permit a defect or irregularity to be corrected within a period of time as it may determine, or reject the purported exercise of any Right. Subscription Notices will not be deemed to have been received or accepted until all irregularities have been waived or cured within a period of time as Interceramic, in its sole discretion, determines. Neither Interceramic nor the Depository will be under any duty to notify any Record Holder or any other person of any defect or irregularity in connection with the submission of Subscription Notices or will incur any liability for failure to give any notification.

#### The Extended Offering

New Units, including New Units underlying the New ADSs offered to Record Holders of ADSs, remaining unsubscribed on the Expiration Date may be sold by Interceramic directly to one or more persons in the Extended Offering, although subscribers in the Extended Offering are required to be Record Holders. Alfredo Harp Helú and Roberto Hernandez are prepared to purchase 9,699,024 New Units between them and Ramiro Alcorta is prepared to purchase 1,292,278 New Units in the Extended Offering at the full Unit Subscription Price, subject to certain conditions, and Interceramic does not intend to sell unsubscribed New Units to any Record Holders other than Mssrs. Harp and Hernandez and Mr. Alcorta. The Extended Offering Period will commence on the business day immediately following the Expiration Date and will terminate at 4:00 p.m., New York, New York



time on March 31, 2004 (the "Extended Offering Period"). Although Messrs. Harp and Hernandez and Mr. Alcorta are prepared to purchase New Units during the Extended Offering Period, subject to certain conditions, there can be no assurance that they or any other person will in fact purchase any New Units or New ADSs in either the Rights Offering or the Extended Offering, or how many New Units or New ADSs will actually be subscribed for. Further, there can be no assurance that any New Units or New ADSs will be offered or sold in the Extended Offering.

All New Units and New ADSs remaining unsubscribed on the Expiration Date will be removed from registration under the 1933 Act by post-effective amendment to Interceramic's registration statement on Form F-3 applicable to the Rights Offering. All New Units or New ADSs sold to Mr. Harp and Mr. Alcorta in the Extended Offering (and, if any, in the Rights Offering) will be sold in reliance on Regulation S under the 1933 Act, will not constitute registered securities under the 1933 Act and Messrs. Harp and Hernandez and Mr. Alcorta may sell, convey or otherwise transfer the New Units or New ADSs purchased by them only if the securities are subsequently registered under the 1933 Act or are sold, conveyed or transferred in reliance upon an exemption from the registration requirements of the 1933 Act.

## Taxation

### United States Taxes

#### General

The following is a summary of the material United States federal income tax consequences of the ownership and sale of Units and ADSs, in each case, except as otherwise noted, by a US Holder (as defined below). This summary is the opinion of Mendel Blumenfeld, LLP, which opinion is based in part upon advice received from Mexican counsel with respect to certain matters under Mexican law. The tax treatment of a holder may vary depending upon the particular situation of the holder. The following summary of United States federal income tax consequences is limited to holders who hold Units as "capital assets," within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and whose "functional currency," within the meaning of Code Section 985, is the Dollar. Certain holders (including without limitation insurance companies, tax-exempt organizations, financial institutions, persons subject to the alternative minimum tax, holders that are not US Holders, broker-dealers and beneficial holders of five percent or more of the voting power or value of the shares of Interceramic) may be subject to special rules not discussed below. The discussion below also does not address the effect of any United States state or local tax law on a holder. Additionally, the discussion is based upon United States federal income tax law as currently in effect, which is subject to change. As used herein, the term "US Holder" means any beneficial or record holder who is either an individual who is a citizen or resident of the United States, a partnership, corporation or other entity organized in or under the laws of the United States or any state thereof, or an estate or trust that is subject to United States federal income taxation without regard to the source of its income.

This summary is based upon the tax laws of the United States as in effect on the date of this Prospectus, which are subject to change. Holders are encouraged to consult their own tax advisors as to the United States, Mexican or other tax consequences of the ownership and sale of New Units and New ADSs as applied to their own particular circumstances.

#### Grant, Exercise and Lapse of Rights

US Holders of Units and ADSs who receive rights to acquire New Units or New ADSs will not be subject to any United States income tax consequences as a result of the grant, exercise or lapse of the rights.

#### Ownership and Sale of Units and ADSs

For United States federal income tax purposes, US Holders of New Units and New ADSs will be treated as the owners of the Common Units or Limited Voting Units and the Series B Shares or the Series D Shares and the Series L Shares comprising the Common Units and the Limited Voting Units, respectively.

#### Taxation of Dividends and Stock Distributions

For tax years beginning after December 31, 2002 and ending prior to January 1, 2009, dividends payable by certain corporations, including Interceramic, will be taxed at capital gains rates, generally 15 percent for most US Holders, while US Holders in the ten percent and 15 percent tax brackets are taxed on capital gains at a rate of five percent. For tax years ending after January 1, 2009, dividends paid out of current or accumulated earnings and profits with respect to the New Units will be includible in the gross income of a US Holder as ordinary income when the dividends are received by Banamex in its capacity as the custodian for the Units underlying the ADSs in the United States (the "Custodian") and will not be eligible for any dividends received deduction otherwise allowable to corporations under Code Section 243. Such dividends paid in Pesos will be includible in the income of a US Holder in a Dollar amount calculated by reference to the exchange rate in effect on the day the Pesos are received by the Custodian. US Holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss on any Pesos received which are not converted into Dollars on the day the Pesos are received by the Custodian. Dividends generally will constitute foreign source "passive income" (or in the case of certain holders, "financial services income") for United States foreign tax credit purposes.

Amounts withheld in respect of Mexican taxes on dividends will, subject to certain generally applicable limitations and exceptions, be eligible for the foreign tax credit available under the Code or, at the election of the US Holder, be deductible in computing taxable income. Under recent amendments to the Code, foreign tax credits may not be available for withholding taxes attributable to dividends paid in respect of securities held for short periods of time or for certain short-term or hedged positions taken in respect of securities.

Distributions of additional shares to US Holders with respect to the New Units (and accompanying distributions with respect to New ADSs) that are made as part of a pro rata distribution to all shareholders of the Company will not be subject to United States federal income tax.

A holder of New Units or New ADSs that is, with respect to the United States, not a US Holder (a "Non-US Holder") will not be subject to United States federal income or withholding tax on dividends paid with respect to the New Units (or with respect to New ADSs), unless such income is effectively connected with the conduct by the holder of a trade or business in the United States.

#### Taxation of Capital Gains

Gain or loss realized by a US Holder on the sale or other taxable disposition of New Units or New ADSs will be subject to US federal income taxation as capital gain or loss in an amount equal to the difference between such holder's basis in the New Units or New ADSs and the amount realized on the sale or other disposition. Capital gains and losses recognized on a sale or other disposition of New

Units or New ADSs by a US Holder will be treated as United States source income. Deposits and withdrawals of New Units for New ADSs by US Holders will not be subject to United States federal income tax.

A Non-US holder of New Units or New ADSs will not be subject to United States federal income or withholding tax on gains realized on the sale of New Units or New ADSs unless (i) such gain is effectively connected with the conduct by the holder of a trade or business in the United States or (ii) in the case of gain realized by an individual holder, the holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

## Mexican Taxes

### General

The following is a general summary of the material anticipated Mexican tax consequences of the ownership and disposition of New Units and New ADSs, in each case, by a person that is not a resident of Mexico, as defined below, and represents the opinion of Abogados Mesta y Asociados, S.C.

This summary is based upon the tax laws of Mexico as in effect on the date of this Prospectus, which are subject to change. Holders should consult their own tax advisors as to United States, Mexican or other tax consequences of the ownership and disposition of New Units and New ADSs.

An income tax treaty between the United States and Mexico took effect beginning January 1, 1994. Except as described below under "-Taxation of Capital Gains," the treaty does not have any material effect on the Mexican tax consequences described herein. Holders should consult with their tax advisors as to their entitlement to benefits afforded by the tax treaty.

For purposes of Mexican taxation, a natural person is a resident of Mexico if it has established its home in Mexico, unless it has resided in another country for more than 183 calendar days during a year and can demonstrate that he had become a resident of that country for tax purposes, and a legal entity is a resident of Mexico if and to the extent that it has business activities in Mexico. A Mexican citizen or a legal entity with its corporate domicile in Mexico and established under Mexican law is presumed to be a resident of Mexico unless such person or entity can demonstrate otherwise. If a legal entity has a permanent establishment or fixed base in Mexico, such permanent establishment or fixed base shall be required to pay taxes in Mexico in accordance with relevant tax provisions.

### Taxation of Dividends

Effective January 1, 2000, dividends, either in cash or in any other form, paid with respect to the New Units or the New ADSs will be subject to the Mexican corporate tax, which the Company will be required to pay at a rate of 35 percent of 1.5385 times the amount of the dividend, if the dividend is not paid from earnings which have already been taxed.

### Taxation of Capital Gains

The sale or other disposition of New ADSs will not be subject to Mexican tax. Deposits and withdrawals of New ADSs will not give rise to Mexican tax or transfer duties.

Gains realized on the sale or other disposition of New Units will not be subject to any Mexican tax if the sale is carried out through the Mexican Stock Exchange or any other recognized securities market,

as determined by Mexican tax authorities, including the NYSE. Gains realized on sales or other dispositions of New Units made in other circumstances would be subject to Mexican income tax. Under the terms of the United States-Mexico income tax treaty, gains of a (less than 25 percent) US Holder eligible for benefits under the treaty on disposition of New Units will not generally be subject to Mexican tax, provided they are not attributable to a permanent establishment or fixed base of such US Holder in Mexico. Gains of a Non-US Holder eligible for benefits under a treaty to which Mexico is a party may be exempt, in whole or in part, from Mexican tax under the applicable treaty. Holders should consult with their tax advisors to determine their entitlement to benefits accorded under any applicable tax treaty.

#### Other Mexican Taxes

There are no inheritance or succession taxes applicable to the ownership, transfer or disposition of New Units or New ADSs. There are no Mexican stamp, issuer, registration or similar taxes or duties payable by holders of New Units or New ADSs.

#### Description of Capital Stock

Set forth below is certain information concerning Interceramic's capital structure and a description of certain provisions of the Bylaws, as currently amended, and Mexican law. Copies of the Bylaws have been filed with, and can be examined at, the *Registro Público de Comercio del Distrito Morelos en la Ciudad de Chihuahua* (the "Public Registry of Property and Commerce of the Morelos District of the City of Chihuahua"). In addition, an English translation of the Bylaws has been filed with the Company's current report on Form 6-K, filed with the Commission on January 22, 2004 and incorporated by reference in this Prospectus.

#### Outstanding Capital Stock

The authorized capital stock of Interceramic consists of 162,800,072, shares, divided into three classes of stock without par value, the Series B Shares in the amount of 96,906,632, the Series D Shares in the amount of 32,946,720 and the Series L Shares in the amount of 32,946,720, of which, prior to the Rights Offering, 97,200,072 were issued and outstanding, consisting of 57,906,632 Series B Shares and 19,646,720 shares each of the Series D Shares and the Series L Shares. Pursuant to the Bylaws, until December 7, 2004 (the "Separation Date"), the Series B Shares are required to trade in pairs of two as Common Units, and the Series D Shares and the Series L Shares are required to trade in pairs of one share of each class as Limited Voting Units.

#### Units

The Bylaws require that Interceramic's capital stock trade as either Common Units or Limited Voting Units until the Separation Date. Upon later sales, if any, by Interceramic of its capital stock, until the Separation Date sales will be of the applicable Common Units or Limited Voting Units, and neither the Series B Shares, the Series D Shares nor the Series L Shares will be sold in any form other than Common Units and Limited Voting Units. In connection with each subsequent sale of Common Units or Limited Voting Units, if any, the applicable Units will separate with all other then outstanding Units on the Separation Date, regardless of when the Units were first offered and sold, unless, in connection with any sale, Interceramic requests and the *Registro Nacional de Valores e Intermediarios* (the "RNVI") maintained by the *Comisión Nacional Bancaria y de Valores*, the Mexican national securities commission (the "CNBV"), approves a longer period for the applicable Units to trade in Unit form.

On the Separation Date, the Series L Shares will convert to Series B Shares, and thereafter, the Series L Shares will cease to exist as a class of Interceramic's capital stock, and all voting and other rights previously applicable to holders of Series L Shares will no longer exist, other than to the extent rights may be available under the Bylaws to holders of Series B Shares.

#### Changes in Capital Stock, Preemptive Rights and Redemption

The capital stock of Interceramic may be increased or decreased by a resolution passed at a general extraordinary meeting of the holders of the Series B Shares-however, the Series B Shares must at all times exceed 50 percent of Interceramic's capital stock.

If the capital stock is increased, shareholders will have preemptive rights to subscribe for the new shares in proportion to their holdings relative to all capital stock then outstanding, except in the case of shares issued:

in connection with mergers;

upon the conversion of convertible debentures; or

for placement in public offerings, if the shareholders at a general extraordinary shareholders' meeting called for that purpose approve the issuance of shares and the waiver of preemptive rights.

Interceramic may resell shares retained in the treasury as a result of share repurchases conducted on the Mexican Stock Exchange without triggering the preemptive rights of shareholders. The subscription period for the exercise of preemptive rights is determined by the shareholders' meeting which approved the increase in the capital stock. However, the subscription period may not be less than 15 days after publication in the *Periodico Oficial del Estado* (the "Official Gazette") of a notice of the issuance of new shares. Holders of ADSs may not be entitled to receive any rights to purchase securities which have not been registered under the 1933 Act or other applicable law and which are not exempt from the registration requirements of the 1933 Act. Except for the waiver of preemptive rights made at a shareholders meeting for shares to be issued under a public offering program approved by the shareholders and CNBV, preemptive rights cannot be waived in advance and cannot be represented by an instrument that is negotiable separately from the corresponding share.

#### Purchase of Shares by Interceramic

At the direction of the Board, Interceramic may repurchase its shares on the Mexican Stock Exchange at any time at the prevailing market price. The purchase price of repurchased shares will reduce a special reserve created for the repurchase of shares with funds allocated from net earnings. If Interceramic does not resell the repurchased stock within a certain period of time, share capital will be reduced automatically by an amount equal to the theoretical value of each of the shares which are repurchased. Should the purchase price of the shares exceed their theoretical value, the difference will be paid for with proceeds from the reserve created for the repurchase of shares. Repurchased shares will be kept in treasury for future sales, if any, which may be conducted on the Mexican Stock Exchange. Share capital will be automatically increased upon the resale of the shares by an amount equal to their theoretical value and any excess amount will be reallocated to the repurchase reserve. The corporate and economic rights corresponding to repurchased shares may not be exercised during the period in which the shares are owned by Interceramic, and the shares will not be considered outstanding for purposes of calculating any quorum or vote at a shareholders' meeting during the period they are in treasury.

Unless a share repurchase is conducted through a tender offer, Interceramic's directors, officers, statutory auditors and the secretary of the Board, and holders of ten percent or more of Interceramic's outstanding shares, may not sell shares to, or purchase repurchased shares from Interceramic. Regulations under the Mexican Securities Market Law require that if Interceramic decides to repurchase shares representing three percent or more of its share capital, the repurchase must be conducted by means of a public tender offer.

Companies or other entities controlled by Interceramic may not purchase, directly or indirectly, shares of Interceramic or shares of companies or entities that are shareholders of Interceramic.

#### Registration and Transfer

All of the shares of Interceramic are evidenced by share certificates in registered form, with registered dividend coupons attached. Dividend coupons may only be presented for payment by the registered holders of the corresponding share. Shareholders of Interceramic may either hold their shares directly, in the form of physical certificates, or indirectly, in the form of book entries through institutions that have accounts with Indeval. Accounts may be maintained at Indeval by brokers, banks, other financial entities or other entities approved by the CNBV ("Indeval Participants"). Interceramic maintains a stock registry and only those persons listed in the stock registry and those holding physical certificates or certificates indicating ownership issued by Indeval and any relevant Indeval Participants, will be recognized as shareholders by Interceramic.

#### Shareholders' Meetings and Voting Rights

The holders of Series B Shares, voting at a general ordinary shareholders' meeting, are entitled to elect all but four of the members of the Board and the corresponding alternate directors and to vote on any matter coming before shareholders at any general meeting of Interceramic's shareholders.

The holders of Series D Shares, voting as a class, are entitled to vote on:

the election of two members of the Board and the corresponding alternate directors;

any corporate action that would prejudice the rights of the Series D Shares as a class; and

the removal of the Series D Shares, the Limited Voting Units or the securities that represent them from listing on the Mexican Stock Exchange or any foreign stock exchange and cancellation from registration of those shares with RNVI.

The holders of Series L Shares, voting as a class, are entitled to vote on:

the election of two members of the Board and the corresponding alternate directors;

any corporate action that would prejudice the rights of the Series L Shares as a class; and

the removal of the Series L Shares, the Limited Voting Units or the securities that represent them from listing on the Mexican Stock Exchange or any foreign stock exchange and cancellation from registration of those shares with RNVI.

Additionally, voting together as a single class with the holders of the Series B Shares, the holders of the Series D Shares and the Series L Shares are entitled to vote at an extraordinary general meeting on:

transformation of Interceramic from one type of company to another;

any merger of Interceramic, even if Interceramic is the surviving entity;

extension of Interceramic's existence beyond its prescribed duration of February 28, 2053;

dissolution of Interceramic before February 28, 2053;

a change of Interceramic's corporate purposes; and

a change of Interceramic's nationality.

Under the Bylaws, holders of shares of any series are also entitled to vote as a class in a special meeting governed by the same rules that apply to extraordinary meetings on any action that would impair the rights of holders of shares of the effected series, and a holder of shares of the series would be entitled to judicial relief against any action taken without a vote under those circumstances.

General shareholders' meetings may be general ordinary meetings or general extraordinary meetings. General extraordinary meetings are those called to consider certain matters specified in Article 182 of the Mexican Companies Law and the Bylaws including, principally, amendments of the Bylaws, liquidation, merger and transformation from one form of company to another and increases and reductions of the fixed portion of the capital. In addition, the Bylaws require a general extraordinary meeting to consider the removal of Interceramic's shares from listing on the Mexican Stock Exchange or any foreign stock exchange and from registration of the shares with the RNVI. General ordinary meetings, which are held at least once a year, are called to consider all other matters including any acquisition representing an investment of more than 20 percent of Interceramic's shareholders' equity as set forth in its most recent balance sheet filed with the CNBV and any sale of a subsidiary controlled by Interceramic which represents more than 20 percent of Interceramic's shareholders' equity as set forth in its balance sheet. The Bylaws, however, provide for certain circumstances in which acquisitions may be approved by the Board alone.

Special meetings of holders of the Series D Shares and the Series L Shares are required to consider the removal of the Series D Shares or the Series L Shares, as applicable, or the Limited Voting Units from listing on the Mexican Stock Exchange or any foreign stock exchange and cancellation registration of the shares with the RNVI. All other matters on which holders of Series D Shares or Series L Shares are entitled to vote will be considered at an extraordinary general meeting. Holders of Series D Shares and Series L Shares are entitled to attend, but not to address, meetings of shareholders at which they are not entitled to vote.

A general ordinary meeting of the holders of Series B Shares must be held at least once each year within the first four months following the end of the preceding fiscal year to consider the approval of the financial statements of Interceramic and certain of its subsidiaries for the preceding fiscal year, to elect all of the directors entitled to be elected by the holders of the Series B Shares, to elect statutory auditors and members of the Executive Committee of the Board (the "Executive Committee"), to determine the compensation of all directors, statutory auditors or members of the Executive Committee, and to determine the allocation of the profits of the preceding year.

The quorum for a general ordinary meeting of the holders of the Series B Shares on first call is at least 50 percent of the Series B Shares, and action may be taken by a majority of the Series B Shares present. If a quorum is not available, a second meeting may be called at which action may be taken by a majority of the Series B Shares present, regardless of the number of shares represented at the meeting.

The quorum for a general extraordinary meeting at which holders of the Series B Shares, but not holders of Series D Shares or Series L Shares, are entitled to vote is at least 75 percent and at least 50 percent of all of the outstanding Series B Shares on first and successive calls, respectively, and action may be taken by a vote of at least 50 percent of the outstanding Series B Shares. With respect to general extraordinary meetings at which Series D Shares and/or the Series L Shares are entitled to vote, the quorum requirement is at least 75 percent and at least 50 percent of all shares entitled to vote on first and successive calls, respectively, and action may be taken by a vote of at least 50 percent of all of the stock entitled to vote.

At special meetings of the Series D Shares or the Series L Shares for the removal of Series D Shares, the Series L Shares, the Limited Voting Units or the securities that represent them, as the case may be, from listing on the Mexican Stock Exchange or a foreign stock exchange or cancellation of registration with the RNVI, the quorum requirement is at least 75 percent or at least 50 percent of the shares entitled to vote on first and successive calls, respectively, and action may be taken by the vote of at least 50 percent of the outstanding Series D Shares or Series L Shares. At special meetings of the Series D Shares and/or the Series L Shares on all other matters, the quorum requirement is at least 75 percent of all the applicable shares on the first call, and at least 50 percent on successive calls, and action may be taken by the vote of at least 50 percent of all outstanding Series D Shares or Series L Shares.

For a description of procedures for voting of the Series B Shares comprising the Common Units underlying the Common Unit ADSs, and for voting of the Series D Shares and the Series L Shares comprising the Limited Voting Units underlying the Limited Voting Unit ADSs, see "Description of American Depositary Shares-Voting of Shares" below.

Holders of 33 percent of Interceramic's outstanding capital stock may have any shareholder action set aside by filing a complaint with a court of law within 15 days of close of the meeting at which the action was taken and showing that the challenged action violates Mexican law or the Bylaws. In addition, any holder of Interceramic's capital stock may bring an action at any time within five years challenging any shareholder action. Relief under these provisions is only available to holders (i) who were entitled to vote on, or whose rights as shareholders were adversely affected by the challenged shareholder action and (ii) whose shares were not represented when the action was taken or, if represented, were voted against it.

Shareholders' meetings may be called by the Board, the statutory auditors of Interceramic or a Mexican court. The Board or the statutory auditors are required to call a meeting of the shareholders at the written request of the holders of 33 percent of the Series B Shares or, in the case of a meeting at which holders of Series D Shares and/or the Series L Shares would be entitled to vote with the Series B Shares, at the written request of the holders of 33 percent of the outstanding Series B Shares, Series D Shares and Series L Shares combined. In the event that a meeting is not called within 15 days following the date of request, a Mexican court may require the meeting to be called. Notices of meetings and proposed agendas must be published in the Official Gazette or a newspaper of general circulation in the City of Chihuahua at least 15 days prior to the meeting. Meetings at which holders of Series D Shares and/or Series L Shares are not entitled to vote may be held without any publication if 100 percent of the Series B Shares are represented. To be entitled to vote at a meeting, shareholders



must deposit their shares with Interceramic's Secretary at its office in the City of Chihuahua or any appointed registrar, or certificates evidencing a deposit with a Mexican or foreign banking institution or with a Mexican exchange broker. If entitled to attend the meeting, a shareholder may be represented by proxy. All meetings of Interceramic's shareholders must be held in the City of Chihuahua. Holders of Interceramic's shares do not have cumulative voting rights.

#### Dividends

At each annual meeting of the holders of the Series B Shares, the Board submits the financial statements of Interceramic for the previous fiscal year, together with a financial report by the Board, to the holders of the Series B Shares for approval. The holders of the Series B Shares, once they have approved the financial statements, determine the allocation of Interceramic's net profits for the preceding year. Holders of the Series B Shares are required by law to allocate at least five percent of the net profits to a legal reserve, which is not thereafter available for distribution until the amount of the legal reserve equals 20 percent of Interceramic's historical capital stock (before effect of restatement). Thereafter, the shareholders may determine and allocate a certain percentage of net profits to any special reserve, including a reserve for open-market purchases of Interceramic's shares. The remainder of net profits is available for distribution in the form of dividends to the shareholders. The Bylaws currently provide that, except to the extent of the Fixed Preference (as defined in the following paragraph), all shares outstanding and fully paid at the time a dividend is declared are entitled to share equally in any dividend. Shares which are only partially paid participate in a dividend in the same proportion that the shares have been paid at the time of the dividend.

Holders of each Series D Share, including Series D Shares comprising the Limited Voting Units underlying the Limited Voting Unit ADSs, are entitled to receive the Fixed Preference—an annual, cumulative dividend of five percent of the theoretical per share value of the Series D Shares as set forth in the Bylaws, or nominal Ps 0.025 per share, before any dividends are payable in respect of the Series B Shares and the Series L Shares. Following payment in full of the Fixed Preference, holders of Series B Shares and the Series L Shares are entitled to receive, if available, an amount per share equal to the Fixed Preference paid per Series D Share that year. Following payment in full of an amount equal to the Fixed Preference per Series D Share, Series B Share and Series L Share, the holders of the Series D Shares, the Series B Shares and the Series L Shares share equally on a per share basis, in any amounts remaining for distribution.

#### Liquidation

Upon liquidation of Interceramic, one or more liquidators will be appointed to wind up its affairs. The Bylaws provide that, other than the Liquidation Preference payable with respect to the Series D Shares, all fully paid and outstanding shares of capital stock will be entitled to participate equally in any distribution upon liquidation. Shares which are only partially paid participate in a liquidating distribution in the proportion that they have been paid at the time of liquidation. Holders of Series D Shares are entitled to the Liquidation Preference equal to the sum of all accrued but unpaid Fixed Preference dividends and the theoretical per share value of the Series D Shares as set forth in the Bylaws, or nominal Ps 0.50 per share, before any distribution is made in respect of Interceramic's other capital stock. Following payment in full of any preferential amounts, holders of Series B Shares and Series L Shares will be entitled to receive, if available, an amount per share equal to the Liquidation Preference paid per Series D Share. Following payment in full at an amount equal to the Liquidation Preference per Series D Share, Series B Share and Series L Share, the holders of the Series D Shares, the Series B Shares and the Series L Shares will share equally, on a per share basis, in any remaining amounts payable in respect to Interceramic's capital stock, regardless of the date of liquidation.

Upon the liquidation of Interceramic, holders of fully paid shares are entitled to receive pro rata any proceeds remaining after the payment of Interceramic's debts and taxes and the expenses of the liquidation in the manner described in the preceding paragraph; holders of shares that have not been paid in full will only be entitled to liquidation proceeds in proportion to their paid-in amount.

#### Variable Capital and Withdrawal Rights

Interceramic's capital stock includes a variable capital portion, which can at a maximum equal ten times the fixed capital portion. Upon completion of the Offering, an aggregate of Ps 8.0 million will have been allocated on the records of Interceramic to fixed capital. The fixed portion of Interceramic's capital stock cannot be withdrawn.

The outstanding variable portion of Interceramic's capital stock may be fully or partially withdrawn by the shareholders. A shareholder who wishes to effect a total or partial withdrawal of the variable portion of its shares must notify Interceramic in writing pursuant to the Bylaws. If notice of withdrawal is received prior to the first day of the last quarter of the fiscal year, the withdrawal will be effective at the end of the fiscal year in which the notice is given. Otherwise, the withdrawal will become effective at the end of the following fiscal year. Upon a shareholder's election to withdraw its variable capital as described above, the share capital of Interceramic is reduced.

Reimbursement of withdrawn shares is at the lower of 95 percent of the average price per share quoted on the Mexican Stock Exchange during the 30 days on which the shares were quoted prior to the date on which the withdrawal becomes effective or the book value per share as calculated from Interceramic's financial statements (as approved at the annual ordinary shareholders' meeting) for the fiscal year at the end of which the withdrawal becomes effective. A shareholder that has exercised its withdrawal rights can request reimbursement by Interceramic on the day following the general ordinary shareholders' meeting at which the financial statements referred to above are approved.

Because the fixed portion of capital cannot be withdrawn, requests for withdrawals are satisfied only to the extent of the available variable capital and in the order in which they are received; requests which are received simultaneously are fulfilled pro rata to the extent of the available variable capital.

Any variable portion of Interceramic's capital stock may be increased or decreased by resolution of shareholders at a general ordinary shareholders' meeting. Increases and decreases in the capital stock must be recorded in Interceramic's book of capital variations.

#### Notification in the Event of Certain Securities Acquisitions

The Bylaws provide that in the event a shareholder of Interceramic, either acting singly or collectively with other persons, acquires in excess of 15 percent of the Series B Shares outstanding, whether as comprising Common Units prior to the Separation Date or trading separately thereafter, the person is required to make a filing with Interceramic, describing itself and the persons in the applicable group. Failure to make the filing will result in the inability of the applicable persons to exercise voting rights with respect to Series B Shares owned by them in excess of 15 percent of the then outstanding Series B Shares.

#### Stated Duration of Interceramic

The duration of Interceramic is through February 28, 2053.

#### Appraisal Rights

If and when the shareholders approve a change of corporate purpose, change of nationality of the corporation or transformation from one type of company to another, any shareholder who has voted against a change in the corporate purpose has the right to withdraw from Interceramic and receive the book value (as set forth in the latest balance sheet approved by the general ordinary shareholders' meeting) attributable to the shares, as long as the shareholder makes its request action during the 15-day period following the adjournment of the meeting at which the change was approved.

#### Actions Against Directors

Pursuant to Article 161 of the Mexican Companies Law, civil actions against directors may be initiated by resolution passed at a general ordinary shareholders' meeting. In the event the shareholders decide to bring an action, the directors against whom the action is to be brought immediately cease to be directors. Additionally, shareholders representing not less than 15 percent of the outstanding shares may directly bring an action against directors as long as the shareholders did not vote against bringing the action at the relevant shareholders' meeting and the claim covers all the damages alleged to have been caused to Interceramic and not only the portion corresponding to those shareholders. Any recovery of damages with respect to the action will be for the benefit of Interceramic and not for the shareholders bringing the action.

#### Shareholders' Conflicts of Interest

Pursuant to the Mexican Companies Law, any shareholder that has a direct or indirect conflict of interest with respect to a transaction must abstain from voting with respect to that transaction at the relevant shareholders' meeting. A shareholder that votes on a transaction in which its interest conflicts with that of Interceramic may be liable for damages in the event the relevant transaction would not have been approved without the shareholder's vote.

#### Restriction on Foreign Investment

Ownership by non-Mexicans of shares of Mexican enterprises is regulated by the *Ley de Inversión Extranjera* (as amended, the "Foreign Investment Law") and the *Reglamento de la Ley para Promover la Inversión Mexicana y Regular la Inversión Extranjera* (as amended, the "Foreign Investment Regulations"). The *Comisión Nacional de Inversiones Extranjeras* (the "Foreign Investment Commission") is responsible for the administration of the Foreign Investment Law and the Foreign Investment Regulations.

The Foreign Investment Law reserves certain economic activities exclusively for the Mexican government, certain other activities exclusively for Mexican individuals or Mexican corporations and limits the participation of non-Mexican investors to certain percentages in regard to enterprises engaged in certain activities specified in the Foreign Investment Law. Foreign investors may freely participate in up to 100 percent of the capital stock of Mexican companies or entities except for existing companies engaged in specified reserved activities as referred to above. Although Interceramic is not engaged in an industry in which foreign ownership is restricted, the Foreign Investment Law requires that Interceramic register any foreign owner of its shares, or the depositary with respect to ADSs representing its shares, with the National Registry of Foreign Investment maintained by the Ministry of Commerce and Industrial Development of Mexico. A foreign owner of shares that has not been registered is not entitled to vote or to receive dividends with respect to its unregistered shares. Interceramic has registered the Depositary for this purposes with respect to the ADSs.

Neither the Series B Shares, the Series D Shares nor the Series L Shares have restrictions on ownership by non-Mexican nationals.

In addition, as required by Mexican law, the Bylaws provide that non-Mexican shareholders of Interceramic formally agree with the Foreign Affairs Ministry to be considered as Mexicans with respect to the shares that they acquire or hold as well as to the property, rights, concessions, participation or interests owned by Interceramic or to the rights and obligations derived from any agreements Interceramic has with the Mexican Government and not to invoke the protection of their own governments. If a shareholder should invoke governmental protection in violation of its agreement, its shares would be forfeited to the Mexican government. In the opinion of Abogados Mesta y Asociados, S.C., Mexican counsel to Interceramic, under this provision a non-Mexican shareholder is not deemed to have waived any other rights it may have, including any rights under the United States securities laws, with respect to its investment in Interceramic.

#### Description of American Depositary Shares

The following is a summary of the material terms of the Deposit Agreement. In general, the terms of the CU Deposit Agreement and the LVU Deposit Agreement are substantially identical, and the following description is, except as otherwise provided, applicable to each Deposit Agreement. This description is not complete and prospective purchasers of New ADSs should review the Deposit Agreement for a complete description of its terms. Certain capitalized terms used in the following description of the ADSs are defined in the Deposit Agreement. Copies of the Deposit Agreement are available for inspection at the principal office of the Depositary (the "Principal Office"), currently located at 111 Wall Street, 20<sup>th</sup> Floor, New York, New York 10043.

#### The ADRs

ADRs are issuable by the Depositary pursuant to the Deposit Agreement, and each ADR evidences a specified number of ADSs. Each Common Unit ADS initially represents five Common Units, while each Limited Voting Unit ADS initially represents five Limited Voting Units. The registered owner of the Units represented by the ADSs is Banamex, in its capacity as custodian (the "Custodian") for the Depositary. An ADR may represent any number of ADSs. Only persons in whose names ADRs are registered on the books of the Depositary will be treated by Interceramic and the Depositary as owners and holders of ADRs ("Holders").

#### Deposit and Withdrawal of Units

Units represented by ADSs are deposited with Indeval and credited to an account at Indeval maintained solely for that purpose by the Custodian. Upon the credit or transfer of Units to or for the account of the Custodian, the Depositary will execute and deliver ADRs evidencing ADSs or deliver ADSs through electronic transfer.

Deposits of Units may be made:

through electronic transfer of Units through Indeval to the account of the Custodian;

by delivery of certificates for Units to the Custodian with appropriate instruments of transfer or endorsement; or

by delivery to the Custodian of evidence satisfactory to it that irrevocable instructions have been given to cause the applicable

Units to be transferred to the Custodian's account, together with appropriate instruments or evidence of transfer.

Persons depositing Units and requesting the Depositary to issue ADRs must also provide appropriate written instructions as to issuance and all other documentation or certification as the Depositary or Interceramic may require. Depositors must also make arrangements for the payment of applicable fees, charges and taxes, including applicable fees and charges of the Depositary. Upon completion of the terms and conditions of a deposit of Units, the Depositary will execute and deliver an ADR or ADRs registered in the name of the person depositing the. The Depositary and the Custodian may refuse to accept for deposit any Units believed to be "restricted securities."

"Restricted securities" include Units or other securities which are acquired directly or indirectly from Interceramic or an affiliate (as defined in Rule 144 under the 1933 Act) of Interceramic in a transaction or chain of transactions not involving any public offering registered under the 1933 Act or which are subject to resale limitations under Regulation D or Rule 144 under the 1933 Act or both, or which are held by an officer, director or other affiliate of Interceramic, or which are subject to other restrictions on sale or deposit under the laws of the United States or Mexico. By depositing Units, persons will be representing that the deposit of the Units and the issuance of the related ADRs are not restricted under the securities laws of the United States and that the Units are not "restricted securities." The Depositary and the Custodian may also refuse to accept Units for deposit whenever notified by or on behalf of Interceramic that Interceramic has restricted transfer of the specified Units to comply with delivery or transfer requirements and/or ownership restrictions referred to in the Deposit Agreement or under applicable law.

A Holder may take physical delivery or electronic delivery through Indeval (or institutions that maintain accounts with Indeval) of Units or other deposited securities represented by ADSs by surrendering the related ADR at the Principal Office and by paying the fees and expenses provided for in the Deposit Agreement (including transfer or custody fees relating to Units) and any applicable taxes or governmental charges. A Holder requesting withdrawal of Units against delivery of ADRs must deliver to the Depositary a written order containing delivery instructions relating to the withdrawal. The forwarding of certificates indicating ownership of Units, other property and other documents of title for delivery to or as directed by a Holder will be at its own risk and expense.

The Depositary may issue ADRs against rights to receive Units from Indeval, or any registrar, transfer agent, clearing agency or other entity recording share ownership or transactions. Under agreement with Interceramic, the Depositary may also issue ADRs or release Units prior to the receipt by the Depositary or the Custodian of the corresponding Units or ADRs (each referred to as a "Pre-Release") pursuant to written Pre-Release agreements which may in general provide that the applicant:

agrees that, at that time of Pre-Release, it either owns or represents the owner of the number of Units or ADRs that are the subject of the Pre-Release;

agrees to name the Depositary as the owner of the Units or ADRs on its records and to hold its ADRs in trust for the Depositary until the Units or ADRs are delivered to the Depositary; and

unconditionally guarantees to deliver to the Depositary or the Custodian the Units or ADRs that are the subject of the Pre-Release, in which event the Units or ADRs are fully collateralized (marked to market daily) with cash, United States Government securities or

comparable collateral.

The Depositary normally will limit the number of Pre-Released ADRs and Units to 30 percent of the ADRs outstanding or Units on deposit.

The Depositary may retain any compensation received by it in connection with any Pre-Release transactions, including earnings on collateral used in any Pre-Release transaction. The Depositary will issue ADRs only as described above and in accordance with the provisions of the Deposit Agreement.

#### Dividends, Other Distributions and Rights

If it can do so on a reasonable basis and can transfer the resulting Dollars to the United States, the Depositary will convert into Dollars all cash dividends and other cash contributions (and net proceeds of sales of other distributions) denominated in Pesos (or any other currency other than Dollars) that it receives in respect of the Units. After fixing a Record Date, the Depositary will distribute the amount received to the Holders in proportion to the number of ADSs representing Units held by each of them without regard to any distinctions among the Holders. The amounts distributed will be reduced by any amounts required to be withheld by Interceramic, the Depositary or the Custodian, including amounts of any applicable taxes and fees and the reasonable and customary expenses incurred by the Depositary in connection with any conversion.

If the Depositary decides that currency other than Dollars received by it cannot be converted on a reasonable basis and transferred, the Depositary may distribute foreign currency received by it to, or in its discretion hold the foreign currency, without liability for interest, for the accounts of, the Holders entitled to receive the distribution. Cash distributions shall be rounded down to the next whole cent, with the balance, if any, attributable to any Holder retained by the Depositary, without interest, until the next cash distribution made available to Holders, when the retained amount shall be added to and become part of that next distribution.

If Interceramic declares a dividend in or a free distribution of Units or other securities, the Depositary may, with the approval of Interceramic, and shall if Interceramic so requests, distribute to the Holders as of the applicable record date, in proportion to their holdings, additional ADRs representing the securities received as a dividend or free distribution. If additional ADRs are not issued, each ADS shall thereafter also represent the additional Units distributed. If for any reason, including any requirement that Interceramic or the Depositary withhold an amount on account of taxes or other governmental charges or that Units must be registered under the 1933 Act in order to be distributed to Holders, the Depositary does not believe the distribution of additional ADRs to be feasible, the Depositary may adopt any other method it considers equitable or practicable, after consultation with Interceramic, to effect the distribution. This may include the public or private sale of all or any part of the Units received and the distribution to Holders of the net sale proceeds. In lieu of issuing ADRs for fractions of ADSs, the Depositary will sell the number of Units represented by all of the fractions and distribute the net proceeds in Dollars.

If Interceramic offers any rights to subscribe for additional Units, shares or any rights of any other nature to the Holders, the Depositary, after consultation with Interceramic, may decide the procedure to be followed:

in making the rights available to Holders;

in disposing of the rights and distributing the net proceeds available in Dollars to the Holders as in the event of a cash distribution; or

in allowing the rights to lapse.

The Depositary, if Interceramic so requests, will either make rights available to Holders by means of warrants or otherwise, if lawful and feasible and upon provision of any documents or certifications requested by the Depositary. However, if making rights available is not lawful or feasible, or if the rights represented by warrants or other instruments are not exercised and appear to be about to lapse, the Depositary may sell the rights or warrants or other instruments, if a market is available, at public or private sale, at any place or places and upon any terms as the Depositary may consider proper, and allocate and distribute the net sale proceeds for the accounts of the Holders on an averaged or other practicable basis without regard to any distinctions among Holders. The Depositary will not incur any liability to any person as a result of an exercise of its discretion to allow any rights to lapse.

If the Depositary receives any distribution in property other than cash, Units or rights, the Depositary may, and will, if Interceramic so requests, cause the securities or property to be distributed to the Holders entitled to them, in proportion to their holdings in any manner that the Depositary considers equitable and practicable. If, however, the distribution of the securities or property cannot be made proportionately among the Holders, or if for any other reason, including any requirement that Interceramic, the Depositary or the Custodian withhold an amount on account of taxes or other governmental charges or that the securities must be registered under the 1933 Act in order to be distributed to Holders, the Depositary believes distribution of the securities not to be feasible, after consultation with Interceramic, the Depositary may adopt any method it may believe equitable or practicable to effect the distribution, including the sale (public or private) of all or any part of the securities or property and the distribution to Holders of the net sale proceeds.

If the Depositary determines that any distribution of property other than cash, including a distribution of Units or rights to subscribe for Units, is subject to any taxes or governmental charges that the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of the property in any amounts and in any manner, including by public or private sale, as the Depositary believes necessary and practicable to pay the taxes or governmental charges. The Depositary will then distribute the net sale proceeds or the balance of any the property after deduction of the taxes or governmental charges to the effected Holders.

The Depositary will not be required to make any distribution of securities or property to the Holders, nor to make available to Holders any right to subscribe for or to purchase any securities unless it receives an opinion of counsel to the effect that a registration statement under the 1933 Act with respect to the securities is in effect or that the offer and sale of the securities to the Holders are exempt from registration under the provisions of the 1933 Act and any other applicable laws. Neither Interceramic nor the Depositary will have any obligation to file a registration statement under the 1933 Act or otherwise register any rights or securities under any other applicable laws to make available to Holders any rights to subscribe for or to purchase any securities. If Interceramic or the Depositary does not file a registration statement under the 1933 Act or otherwise register any rights or securities under any applicable law, and an exemption from registration is not available, Holders would not be permitted to purchase the securities or otherwise exercise the rights and the Depositary would, to the extent possible, dispose of the rights for the accounts of the Holders, as provided in the preceding paragraph. As a result, any disposal of rights may reduce the proportionate equity interest of the Holders in Interceramic.

Changes Affecting Units

If there is any change in par value, split-up, consolidation, or any other reclassification of Units, or if any recapitalization, reorganization, merger or consolidation or sale of assets affecting Interceramic occurs, any securities received by the Depositary or the Custodian in exchange for, in conversion of, in substitution for or otherwise in respect of Units shall be treated as Units under the Deposit Agreement, and the ADRs shall, subject to the terms of the Deposit Agreement and applicable laws, including without limitation any registration requirements under the 1933 Act, evidence ADSs representing the right to receive Units including the securities received in exchange, conversion, substitution or otherwise. The Depositary may make appropriate adjustments in its records as in the case of a distribution of Units, or the Depositary may, with Interceramic's approval, and shall, if Interceramic so requests, execute and deliver additional ADRs or call for the surrender of outstanding ADRs to be exchanged for new ADRs. The Depositary shall give notice in writing to all Holders immediately upon the occurrence of any exchange, conversion, substitution or otherwise in respect of Units.

On the Separation Date, without the surrender or exchange of ADRs or any amendment to the Deposit Agreement and without the payment of any fees or charges by the Holders, the ADSs shall represent the right to receive the Series B Shares (in the case of Common Unit ADSs) or the Series B Shares resulting from the conversion of the Series L Shares into Series B Shares and the Series D Shares (in the case of Limited Voting Unit ADSs), received by the Depositary or the Custodian upon the separation of the Units.

If Units or other deposited securities are to be redeemed (see "Description of Capital Stock-Other Provisions-Redemption" above) and, as a result, securities registered in the name of or held on behalf of the Custodian are called for redemption by Interceramic, the Depositary will call for the redemption of the appropriate number of ADSs and may adopt any method it may consider equitable and practicable to select the ADSs to be redeemed.

#### Record Dates

Whenever a distribution is to be made, a meeting of shareholders is called or if the Depositary otherwise finds it appropriate, necessary or convenient in respect of any matter, the Depositary will fix a record date, after consultation with Interceramic, for the event or the meeting. In general, the Depositary and Interceramic will attempt to coordinate record dates among holders of securities with those of holders of other classes of Interceramic's securities that are effected by the event or are also called to a meeting. In the case of a notice of meeting at which holders of Interceramic shares may vote, the Depositary shall fix a record date that affords Holders adequate time to instruct the Depositary as to the manner in which the securities are to be voted.

#### Voting of Shares

As soon as practicable after the receipt by the Depositary of notice of any meeting of holders of the Series B Shares, the Series D Shares or the Series L Shares, the Depositary will mail or cause to be mailed the information contained in the notice of meeting to all record Holders. Holders at the close of business a date specified by the Depositary, which shall be no fewer than eight business days prior to the relevant shareholders' meeting, may (unless otherwise restricted by law or the terms of the Deposit Agreement or the applicable securities) instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the applicable shares comprising the Units represented by their respective ADSs. The Depositary will, if practicable, vote the applicable shares in accordance with the written instructions of Holders.



Although Holders of ADRs are not entitled to attend general meetings of the holders of the Series B Shares, the Series D Shares or the Series L Shares, all Holders, regardless of nationality, are entitled to exercise all voting rights applicable to the shares comprising the Units represented by their ADSs. Interceramic and the Depositary will use their reasonable efforts to implement arrangements to enable Holders to be able to vote the shares comprising the Units attributable to the ADSs.

If the Depositary does not receive timely instructions from a Holder of ADRs regarding the voting of the shares comprising their Units on or before the date established by the Depositary for that purpose, the Depositary shall take action to cause the shares to be counted for the purposes of satisfying applicable quorum requirements, but shares for which timely instructions to vote are not received will not be voted by the Depositary.

#### Ownership Restrictions

Interceramic may restrict transfers or, to the extent permitted unde