

INTERNACIONAL DE CERAMICA SA DE CV
Form 424B3
March 18, 2004

Filed pursuant to Rule 424(b)(3)

Registration statement No. 333-111863

Prospectus Supplement to the Prospectus dated March 12, 2004

DATED MARCH 15, 2004

PROSPECTUS SUPPLEMENT

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 3:00 p.m., Mexico City 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 as of 4:00 p.m. New York, New York time on March 15, 2004 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

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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.

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
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(IN THOUSANDS OF PESOS AS OF**Thnds. of****December 31, 2002(1)****Dollars(9)****INCOME STATEMENT
DATA:****MEXICAN GAAP:**

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

US GAAP AMOUNTS (5):

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

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

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Short term debt (6)	248,549	187,800	134,670	1,021,012	261,134	25,133
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	YEAR ENDED DECEMBER 31,					
	1998	1999	2000	2001	2002	2002
	(IN THOUSANDS OF PESOS AS OF					Thnds. of
	December 31, 2002(1)					Dollars(9)
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	(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

EXCHANGE RATE (8)	9.875	9.5	9.61	9.19	10.39	
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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.
- (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

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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	2002
	IN THOUSANDS OF PESOS AS OF					Thnds. of
	December 31, 2002(1)					Dollars(9)
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
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)

	<u>2002</u>	<u>2003</u>	<u>2003</u>
	IN THOUSANDS OF PESOS OF		Thnds
	September 30, 2003 (1)		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)
Equity in results of associated companies (2)	513	0	0
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)
	57,912	49,343	49,343

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Weighted average Units outstanding (000's)
(3)

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]

(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.

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(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
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

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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 as of 3:00 p.m., Mexico City time on March 18, 2004, including holders of Units represented by ADSs, as of 4:00 p.m., New York, New York time on March 15, 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 Vincente 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 affecting 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 Olivas 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