The style. The passion.

Preliminary Profit Announcement

Reviewed Group results for the year ended 30 June 2008

(ITALTILE) Incorporated in the Republic of South Africa
Share code: ITE ISIN: ZAE000099123 Reg. No. 1955/000558/06 Vat. No. 4570231607

ITALTILE Limited

CTM

ITALTILE The style. The passion.

System-wide turnover analysis

for the year ended 30 June 2008

(Rand millions unless otherwise stated)	% increase	**Year to 30 June 2008**	Year to 30 June 2007
Group and franchised turnover			
– By Group-owned stores (reviewed)		**1 635**	1 477
– By franchise-owned stores (unaudited)		**1 133**	1 101
TOTAL	7	**2 768**	2 578

Abridged Group income statements

for the year ended 30 June 2008

(Rand millions unless otherwise stated)	% increase	**Reviewed year to 30 June 2008**	Audited year to 30 June 2007
Trading profit before depreciation		**463**	427
BEE share option expense		**(25)**	—
Depreciation		**(41)**	(34)
Profit on sale of property, plant and equipment		**2**	—
Trading profit	2	**399**	393
Investment income		**20**	17
Profit before interest paid		**419**	410
Interest paid		**(14)**	(2)
Profit before taxation	(1)	**405**	408
Taxation		**(128)**	(131)
Profit for the year	—	**277**	277
Attributable to:			
Equity holders of the parent		**275**	270
Minority interests		**2**	7
	—	**277**	277
Number of shares in issue (000's)*		**793 823**	797 336
Earnings per share (cents)	2	**34,6**	33,9
Headline earnings per share (cents)	1	**34,4**	33,9
Adjusted headline earnings per share (cents)	11	**37,5**	33,9
Diluted earnings per share (cents)	3	**34,4**	33,5
Diluted headline earnings per share (cents)	2	**34,2**	33,6
Dividends per share (cents)	5	**12,0**	11,4
RECONCILIATION OF HEADLINE EARNINGS			
Earnings attributable to ordinary shareholders		**275**	270
Profit on sale of property, plant and equipment		**(2)**	—
Headline earnings		**273**	270
RECONCILIATION OF SHARES IN ISSUE*			
Total number of shares issued (000's)		**909 800**	821 800
Share incentive trust shares (000's)		**(27 977)**	(24 464)
BEE treasury shares (000's)		**(88 000)**	—
Shares in issue to external parties (000's)		**793 823**	797 336

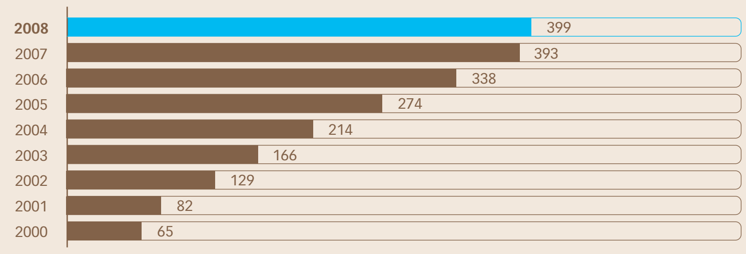
Segmental reporting

for the year ended 30 June 2008

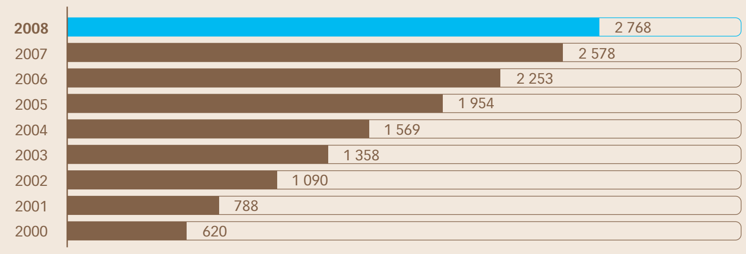
(Rand millions unless otherwise stated)	Retail	Fran-chising	Proper-ties	Supply and support services	Group
Reviewed year to June 2008					
Revenue*	**1 333**	**60**	**62**	**345**	**1 800**
Segment results	**253**	**87**	**37**	**22**	**399**
Audited year to June 2007					
Revenue*	1 272	55	51	226	1 604
Segment results	239	78	27	49	393

**Revenue includes turnover, rentals and royalties.*

Trading profit (Rm's)



System wide turnover (Rm's)



Abridged Group balance sheets

for the year ended 30 June 2008

(Rand millions unless otherwise stated)	**Reviewed year to 30 June 2008**	Audited year to 30 June 2007
ASSETS		
Non-current assets	**887**	771
Property, plant and equipment	**861**	753
Other long-term assets	**17**	11
Goodwill	**6**	4
Deferred tax	**3**	3
Current assets	**680**	573
Inventories	**263**	224
Trade and other receivables	**136**	91
Cash and cash equivalents	**281**	258
Total assets	**1 567**	1 344
EQUITY AND LIABILITIES		
Capital and reserves	**1 183**	976
Stated capital	**417**	27
Non-distributable reserve	**80**	28
Treasury shares	**(473)**	(54)
Retained profit	**1 134**	943
Outside shareholders' interest	**25**	32
Long-term liabilities	**98**	11
Current liabilities	**286**	357
Trade and other payables	**276**	334
Taxation	**10**	23
	1 567	1 344
Net asset value per share (cents)	**149**	122

Statement of changes in equity

for the year ended 30 June 2008

(Rand millions unless otherwise stated) **Group**	Stated capital	Non-distributable reserve	Treasury shares	Minority interest	Retained profit	Total
Balance at 30 June 2006	27	17	(48)	30	768	794
Net profit for the year				7	270	277
Dividends paid				(4)	(95)	(99)
Currency translation difference		10				10
Share-based payment reserve		1				1
Unallocated shares in share Trust			(6)			(6)
Accumulated surplus in share trust			—			—
Share capital increase				1		1
Purchase of additional share in subsidiary				(2)		(2)
Balance at 30 June 2007	27	28	(54)	32	943	976
Net profit for the year				2	275	277
Dividends paid				(1)	(84)	(85)
Currency translation difference		26				26
Share-based payment reserve		1				1
BEE share-based payment reserve		25				25
BEE shares issued and treated as treasury shares	402		(402)			—
BEE share issue expense	(12)					(12)
Unallocated shares in share trust			(20)			(20)
Accumulated surplus in share trust			3			3
Purchase of additional share in subsidiary				(8)		(8)
Balance at 30 June 2008	417	80	(473)	25	1 134	1 183

Cash flow statement

for the year ended 30 June 2008

(Rand million unless otherwise stated)	**Reviewed year to 30 June 2008**	Audited year to 30 June 2007
Cash flow from operating activities	**107**	168
Cash flow from investing activities	**(138)**	(255)
Cash flow from financing activities	**54**	2
Net movement in cash and cash equivalents	**23**	(85)
Cash and cash equivalents at beginning of year	**258**	343
Cash and cash equivalents at end of year	**281**	258

Notes

– There are no material contingent liabilities or assets at 30 June 2008

– Capital commitments at 30 June 2008

	Rm
Contracted	41
Authorised, not contracted	60
	101

In terms of the articles of association, the company's borrowing facilities are unlimited.

Registered office: The Italtile Building, cnr William Nicol Drive and Peter Place, Bryanston (PO Box 1689, Randburg 2125)

Transfer secretaries: Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107)

Executive directors: G A M Ravazzotti (Chairman), G P E Ravazzotti (Chief Executive Officer), P D Swatton* (Chief Financial Officer)

Non-executive directors: S I Gama, G K A Morolo, D H Rabin, G Zannoni**

(*British **Italian)

Refer to Italtile's corporate website: **www.italtile.com**

Commentary

Results

The Group reported a 7% increase in system-wide turnover to R2,77 billion (2007: R2,58 billion). Price inflation was limited to 1,5%, reflecting real growth of 6% from the existing store network, as the Group consolidated its market advantages and held back on price increases to benefit consumers.

Reported trading profit increased by 2% to R399 million (2007: R393 million), which includes a once-off IFRS cost of R25 million associated with the IFRS 2 (Share based payments) expense of the transaction. Excluding the impact of this transaction reflects a normalised increase of 7,9% in trading profit. Increased financing costs of R14 million (2007: R2 million) resulted largely from property related borrowings.

During the second half of the financial year, the Group was successful in decreasing inventories by 19% to R263 million (31 December 2007: R322 million) despite slower market demand, which is in line with historic levels.

The Group's cash reserves increased by R23 million to R281 million (2007: R258 million). The Group's current ratio improved to 2,4 times (2007: 1,6 times) as the R73 million property borrowings released working capital to fund operations. During the period, direct property investments and store enhancements totalling R126 million were concluded as the Group continued to upgrade its stores.

The tangible net asset value per share has increased by 22% to 149 cents (2007: 122 cents).

Trading environment

Pressure on consumers' discretionary spending across all demographic segments, as a result of higher interest rates and rampant inflation, was evidenced in lower traffic across the Group's store network. With decreased capacity to spend, customers' buying decisions have become more conservative and focused on making quality purchases. This flight to quality plays to the Group's strengths with its well established brands and service oriented culture.

Operational overview

Having identified a potential opportunity to supply the highly price-sensitive entry level market, the Group, launched a third brand, named Top T during the year. At 30 June 2008, four Group-owned stores had been established at Group sites which were previously vacated due to relocations. Top T, which fits in strategically below CTM, will target developing rural towns and smaller markets. The brand has good expansion prospects and leverages the Group's extensive buying power.

In order to harness the full potential of the Italtile brand faster, the two top performing store operators who have proven track records with the Group were incentivised with equity in the national Italtile brand. The Group is confident that as shareholders, they will focus exclusively on growing the Italtile brand.

The Group maintained the momentum with initiatives to consolidate its dominant position in the South African market. Projects to enhance systems and controls in the pursuit of a superior customer experience and to further improve in-store service levels are delivering benefits, especially as the cyclical downturn plays itself out. The Group maintained its focus on training and mentorship to grow and develop a pool of future store leaders. In addition, its skills transfer initiatives, which include the Tiling Academy, have been attended by approximately 800 individuals since inception.

Store network at 30 June 2008:

Region	2008 Franchise	2008 Group	2008 Total	2007 Franchise	2007 Group	2007 Total
South Africa:						
Italtile	**3**	**4**	**7**	3	5	8
CTM	**39**	**26**	**65**	36	32	68
Top T	**—**	**4**	**4**	—	—	—
Africa *(excluding South Africa)*	**13**	**1**	**14**	13	—	13
Australia	**—**	**8**	**8**	—	8	8
Total	**55**	**43**	**98**	52	45	97

The Group increased its holding in International Tap Distribution (ITD) from 60% to 80% with effect from 2 July 2007.

The Group's closer involvement resulting from the new partnership model in its fourteen sub-equatorial African stores is starting to yield results and the Group continues to evaluate opportunities.

The Group's Australian operation, comprised of eight stores, once again made a positive contribution to Group results due to its more intimate understanding of regional consumer requirements and further refinement of its retail model.

Property portfolio

The quality of the Group's property portfolio was confirmed through a tri-annual valuation which disclosed a value of R1,1 billion, compared to its carrying value of R640 million at the end of June 2008.

The Group's property portfolio maintained returns which were in line with those of its trading operations during the year under review.

The Group continues to evaluate development opportunities, especially given the current market where softening land prices have the potential to offer higher long term returns. With its capacity to fund property investments, the Group will look to take advantage of the current market to further strengthen its property portfolio.

Black economic empowerment

The Group's BEE transaction became effective on 11 February 2008 as the remaining administrative conditions and requirements were fulfilled. The Group is now in a position to participate in new markets as a result of its BEE partnerships.

Prospects

Despite trading conditions which are expected to remain difficult in the coming year, the Board anticipates that profitability will be maintained at current levels.

Sub-division of shares

On 6 November 2007 the Company altered its authorised and issued share capital by subdividing every share of no par value in the company's authorised and issued share capital into 44 ordinary shares of no par value.

Basis of preparation

The preliminary profit announcement has been prepared in accordance with International Financial Reporting Standards (IFRS) and is prepared on the historical cost basis, adjusted for the fair value of certain assets and liabilities.

Dividend

Based on operational progress during the second half of the financial year, the Group has reverted to the historic dividend cover of three times.

The board has declared a final dividend of 8 cents per share (2007: 6,1 cents), which together with the interim ordinary dividend of 4 cents, produces a total ordinary dividend declared for the year of 12 cents (2007: 11,4 cents), an improvement of 5, 3%.

Dividend announcement

The board has declared a final dividend (number 84) of 8 cents per share to all shareholders recorded in the books of Italtile Limited. The last day to trade *cum* the dividend will be Friday, 29 August 2008. The shares of Italtile Limited will commence trading *ex* dividend from the commencement of business on Monday, 1 September 2008 and the record date will be Friday, 5 September 2008. Payments will be made on Monday, 8 September 2008.

Share certificates may not be rematerialised or dematerialised between Monday, 1 September 2008 and Friday, 5 September 2008, both days inclusive.

For and on behalf of the board

G P E Ravazzotti
Chief Executive Officer

P D Swatton
Chief Financial Officer

The results have been reviewed by Ernst & Young and their review opinion is available on request from the company secretary at the company's registered office or own address.

11 August 2008

BASTION GRAPHICS