Preliminary profit announcement reviewed group results for the year ended 30 June 2009

System-wide turnover analysis

for the year ended 30 June 2009

(Rand millions unless otherwise stated)	% decrease	Reviewed year to 30 June 2009	Audited year to 30 June 2008
Group and franchised turnover			
– By Group-owned stores		1 303	1 635
– By franchise-owned stores (unaudited)		1 268	1 133
TOTAL	(7)	2 571	2 768

Abridged Group income statements

for the year ended 30 June 2009

(Rand millions unless otherwise stated)	% decrease	Reviewed year to 30 June 2009	Audited year to 30 June 2008
Trading profit before depreciation		403	463
BEE share option expense			(25)
Depreciation		(41)	(41)
Profit/(Loss) on sale of property, plant and equipment		(1)	2
Trading profit	(10)	361	399
Investment income		48	20
Profit before interest paid		409	419
Interest paid		(40)	(14)
Profit before taxation	(9)	369	405
Taxation		(109)	(128)
Profit for the year	(6)	260	277
Attributable to:			
Equity holders of the parent		257	275
Minority interests		3	2
	(6)	260	277
Number of shares in issue (000's)*		795 984	793 823
Earnings per share (cents)	(7)	32,3	34,6
Headline earnings per share (cents)	(6)	32,4	34,4
Adjusted headline earnings per share (cents)	(14)	32,4	37,5
Diluted earnings per share (cents)	(6)	32,3	34,4
Diluted headline earnings per share (cents)	(5)	32,4	34,2
Dividends per share (cents)	(8)	11,0	12,0
RECONCILIATION OF HEADLINE EARNINGS			
Earnings attributable to ordinary shareholders		257	275
Profit/(Loss) on sale of property, plant and equipment		1	(2)
Headline earnings		258	273
RECONCILIATION OF SHARES IN ISSUE*			
Total number of shares issued (000's)		909 800	909 800
Share incentive trust shares (000's)		25 816	27 977
BEE treasury shares (000's)		88 000	88 000
Shares in issue to external parties (000's)		795 984	793 823

Segmental reporting

for the year ended 30 June 2009

(Rand millions unless otherwise stated)	Retail	Fran-chising	Proper-ties	Supply and support services	Group
Reviewed year to June 2009					
Gross revenue*	1 052	111	138	576	1,877
Intra group transactions		(46)	(60)	(278)	(384)
Net revenue	1 052	65	78	298	1,493
Gross results	48	82	109	122	361
Intra group transactions	135	12	(60)	(87)	—
Net segment results	183	94	49	35	361
Audited year to June 2008					
Gross revenue*	1 333	121	144	829	2,427
Intra group transactions		(61)	(82)	(484)	(627)
Net revenue	1 333	60	62	345	1 800
Gross results	62	79	119	139	399
Intra group transactions	191	8	(82)	(117)	—
Net segment results	253	87	37	22	399

Revenue includes turnover, rentals and royalties.

Abridged Group balance sheets

for the year ended 30 June 2009

(Rand millions unless otherwise stated)	Reviewed year to 30 June 2009	Audited year to 30 June 2008
ASSETS		
Non-current assets	937	887
Property, plant and equipment	914	861
Other long-term assets	16	17
Goodwill	6	6
Deferred tax	1	3
Current assets	994	680
Inventories	191	263
Trade and other receivables	136	136
Cash and cash equivalents	667	281
Total assets	1 931	1 567
EQUITY AND LIABILITIES		
Capital and reserves	1 346	1 183
Stated capital	417	417
Non-distributable reserve	78	80
Treasury shares	(473)	(473)
Retained profit	1 284	1 134
Outside shareholders' interest	40	25
Long-term liabilities	341	98
Current liabilities	244	286
Trade and other payables	238	276
Taxation	6	10
	1 931	1 567
Net asset value per share (cents)	169	149

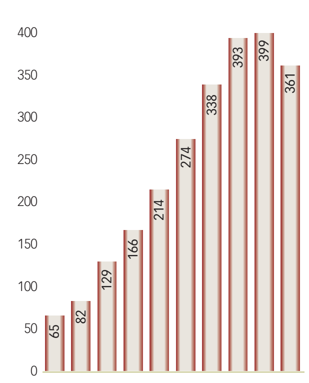
Statement of changes in equity

for the year ended 30 June 2009

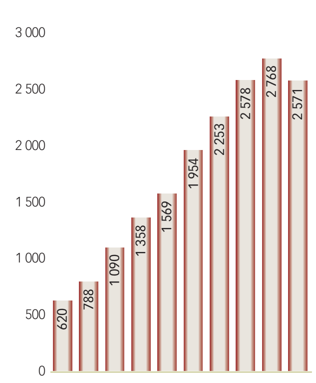
(Rand millions unless otherwise stated) Group	Stated capital	Non-distri-butable reserve	Treasury shares	Minority interest	Retained profit	Total
Balance at 30 June 2007	27	28	(54)	32	943	976
Net profit for the period				2	275	277
Dividends paid				(1)	(84)	(85)
Currency translation difference		26				26
Share option costs		1				1
BEE share-based payment reserve		25				25
BEE shares issued and treated as treasury shares	402		(402)			—
BEE share issue expenses	(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
Net profit for the period				3	257	260
Dividends paid				(4)	(107)	(111)
Currency translation difference		(12)				(12)
Share option costs		—				—
Unallocated shares in share trust			2			2
Accumulated surplus in share trust			(2)			(2)
Sale of minority interest		10		16		26
Balance at 30 June 2009	417	78	(473)	40	1 284	1 346

Picture courtesy of Laufen Bathrooms – Il Bagno Alessi One.

Trading profit *(Rm's)*



System-wide turnover *(Rm's)*



Cash flow statement

for the year ended 30 June 2009

(Rand million unless otherwise stated)	Reviewed year to 30 June 2009	Audited year to 30 June 2008
Cash flow from operating activities	223	107
Cash flow from investing activities	(77)	(138)
Cash flow from financing activities	240	54
Net movement in cash and cash equivalents	386	23
Cash and cash equivalents at beginning of year	281	258
Cash and cash equivalents at end of year	667	281

Notes

– There are no material contingent liabilities or assets at 30 June 2009

– Capital commitments at 30 June 2009	Rm
Contracted	23
Authorised, not contracted	46
	69

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

Store network

at 30 June 2009

Region	2009 Franchise	2009 Other	Total	2008 Franchise	2008 Other	Total
South Africa:						
Italtile	2	5	7	3	4	7
CTM	42	24	66	39	26	65
Top T	4	4	8	—	4	4
Africa (excluding South Africa)	12	2	14	13	1	14
Australia	—	9	9	—	8	8
Total	60	44	104	55	43	98

Share code: ITE **ISIN:** ZAE000099123 **Registration number:** 1955/000558/06
Incorporated in the Republic of South Africa ("Italtile" or "the Group")
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 M Du Toit, S I Gama, G K A Morolo, D H Rabin, G Zannoni**
(*British **Italian)
Sponsor: BJM Corporate Finance (Pty) Limited

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

Commentary

Results

The sustained economic downturn has dramatically curtailed consumer discretionary spend, hampering the sector's performance. Notwithstanding these testing conditions, Italtile gained marginal market share and delivered creditable results in line with market expectations.

The Group reported a 7% decline in organic system-wide turnover to R2,57 billion (2008: R2,77 billion).

In the current competitive market, the Group restricted price inflation to 2,5%.

Reported trading profit decreased by 10% to R361 million (2008: R399 million). Group operating margin remained firm.

Despite reduced consumer traffic in general, the Group benefited from an increase in average selling price.

Inventory management has been a consistent theme throughout the review period. Stockturn remained a priority, both at store level and in the supply chain. Each successive quarter has witnessed a reduction in stockholding, resulting in a strong balance sheet and improved product mix. In December 2007, inventories were valued at R322 million, at June 2008 this was reduced to R263 million, and further reduced to R224 million by December 2008. The Group's current inventory is R191 million, reflecting a decrease of 27% over the reporting period.

Cash reserves have increased from R281 million in 2008 to R667 million, an improvement of 137%.

The tangible net asset value per share has increased by 13% to 169 cents (2008: 149 cents).

Trading environment

In the current environment, consumers are increasingly discerning and value conscious. The Group's high profile CTM brand offers fashion and quality at affordable prices and with constant review of the range, this brand succeeds in appealing to a broad spectrum of consumers. During the reporting period, the high volume first time home buyers market proved robust, with Black consumers particularly, driving growth.

Increased quantities of Chinese product are available in the market. In an effort to manage erratic supply, greater numbers of sector players are purchasing directly from wholesalers. Given this volatility of imports versus the superior quality of local product, the Group's strategy has been to reduce dependence on imports and benefit from stable relationships with local suppliers, which ensures consistency of supply and quality.

Operational review

In June 2008 the Group announced that it had equity-incentivised its two top performing Italtile store operators, with a view to harnessing the full potential of the brand. This strategy has begun to deliver sound results, with the brand reporting an improvement in turnover relative to the sector, and a gain in market share.

The sustained drive to improve training and recruitment has resulted in enhanced service delivery which has also benefited the brand. Investment in the campaign promoting Italtile's 40th anniversary has further served to raise awareness of the brand.

Management is satisfied that this brand formula is reaching a level which can be rolled out to expand the current network of seven stores.

Within CTM, in-house brand building has been a major focus during the review period. High profile campaigns aimed at entrenching brands such as Kilimanjaro, Tivoli Taps and Studio Ceramico have delivered sound results and served to set the Group apart from peer retailers.

Skills development remains an important thrust for the Group. Ongoing investment in training programmes is beginning to bear results, reflected by the improvement in quality of management in Group-owned stores. Management is cognisant that the staff in the organisation are critical to its success, and subsequently will continue to drive training and mentorship programmes.

Improved systems and controls continued to be a focus. Enhancing efficiencies aimed at improving the customer's shopping experience is critical to the success of the Group.

The Group's fledgeling third brand, Top T, slots in strategically below the CTM brand, and targets developing rural towns and smaller informal markets. The introduction of Top T ensures the Group is represented across the consumer spectrum, from entry-level to niche premium end.

The current network of 8 stores will be expanded as opportunities arise.

The Group continued to optimise its supply chain with the acquisition of an interest in Ezeetile, a national manufacturer of adhesive, grout and related products. This investment serves to secure the supply of product and provides synergistic opportunities in the future.

Africa

The Group's strategy in Africa is to build on existing relationships to entrench the brand's presence and further develop territories in the 14 sub-equatorial store network.

At present the Group is evaluating opportunities in Zambia and Malawi where the Master Franchise licenses have expired.

Australia

Despite extremely difficult trading conditions, the Group's Australian business, which comprises nine stores, produced an improved performance in the final three months of the review period to deliver a small trading profit. The model continues to be enhanced to leverage the operation's potential.

Property portfolio

The Group currently trades out of 152 000 m^2 of trading and warehouse space, which at fair market value equates to R1,1 billion. Returns from this portfolio are in line with the Group's trading operations.

During the review period R35 million was invested in new sites, store upgrades and relocations.

Investments

Notwithstanding strong cash reserves, the Group borrowed R227 million during the year, with a view to making significant investments, quickly, should the opportunity arise. The current market has seen a softening of land prices, with further declines anticipated and the group is well positioned to benefit from this as the industry rationalises further.

Prospects

The trading environment will remain challenging for the next financial year.

Management's challenge will be to retain and grow market share and ensure that the Group is well positioned to capitalise as the economy recovers.

Basis of preparation

The Preliminary Profit Announcement has been prepared in accordance with International Financial Reporting Standards (IFRS) and are in compliance with IAS 34, and is prepared on the historical cost basis, adjusted for the fair value of certain assets and liabilities. The same accounting policies and methods of computation have been applied as in the most recent annual financial statements. Intra group transaction analysis has been introduced in the segmental report in order to improve disclosure and make the report more meaningful.

Dividend

The Group has maintained its dividend cover of three times.

The Board has declared a final dividend of 5 cents per share (2008: 8 cents), which together with the interim ordinary dividend of 6 cents, produces a total ordinary dividend declared for the year of 11 cents (2008: 12 cents), a decrease of 8%.

Dividend announcement

The Board has declared a final dividend (number 86) of 5 cents per share to all shareholders recorded in the Register of Italtile. The last day to trade cum the dividend will be Friday, 28 August 2009. The shares of Italtile Limited will commence trading ex dividend from the commencement of business on Monday, 31 August 2009 and the record date will be Friday, 4 September 2009. Payments will be made on Monday, 07 September 2009.

Share certificates may not be rematerialised or dematerialised between Monday, 31 August 2009 and Friday, 4 September 2009, 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.

Johannesburg
11 August 2009

BASTION GRAPHICS