

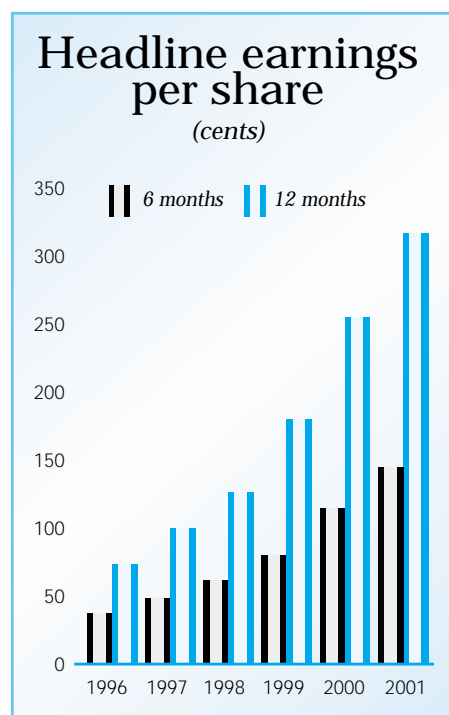
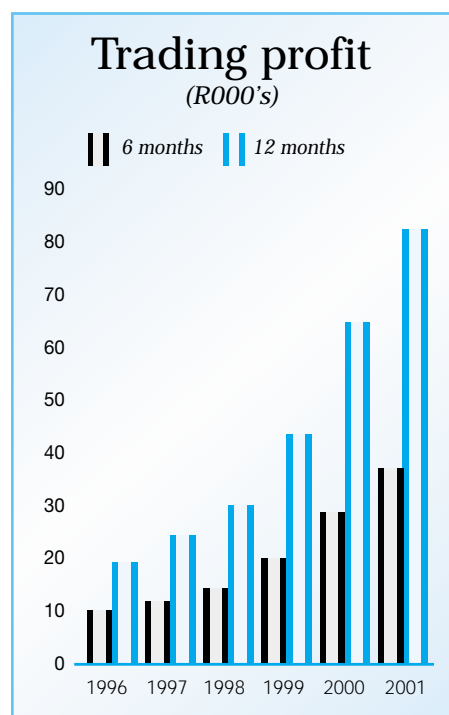
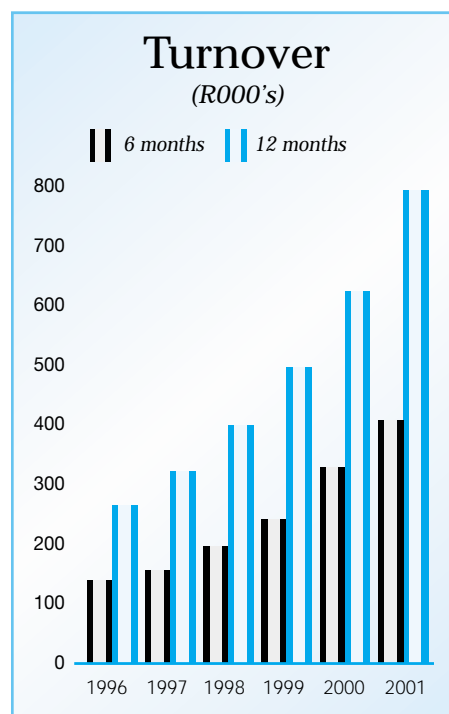
# ITALTILE Limited

(ITLTile)  
(ITE)  
ISIN: ZAE000003670

## PRELIMINARY PROFIT ANNOUNCEMENT

AUDITED GROUP RESULTS  
FOR THE YEAR ENDED  
30 JUNE 2001

(Rand 000's unless otherwise stated)



### COMMENTARY

Italtile Limited has succeeded in delivering its tenth consecutive year of turnover and earnings improvement. The group (including franchised operations) reported an improvement in turnover of 27% to R788 million (2000: R619 million). Like-for-like, turnover growth from group-owned stores was 20% this year, as a further three group-owned operations were franchised in line with company strategy. Operating profit rose 27%, from R64 million to R82 million while headline earnings per share increased by 24% to 317 cents per share (2000: 254 cents per share). The group remains ungeared.

Despite adverse trading conditions, Italtile retained its position as market leader and as the largest purchaser of ceramic tiles in the world. This status enabled the company to continue to source product internationally at very competitive prices, notwithstanding the unfavourable exchange rate.

The period under review saw the group pursuing its objectives of aggressive cost control and improved margins. Stock management was prudent in the light of a depreciating currency and a growing business.

The group's trend to position itself as a major franchisor was consolidated with several key developments:

- The company will shortly introduce its first Italtile franchise and plans to expand this division significantly. With its extensive experience in franchising CTM stores, the group is confident that the Italtile franchise model will be as successful as its sister operation.
- Having established itself as a leading franchisor, the company is implementing an advanced element to the existing franchise model, which provides for a joint venture arrangement between the company and the franchisee. This model has several benefits, including encouraging entrepreneurship while protecting the company's income, and improving accessibility to financing for entrepreneurs.
- The group has launched an empowered-franchise concept, comprising 50/50 partnerships between franchisees and black partners. The intention is to increase black ownership, while ensuring mentoring and skills transfer. This new division targets rural areas, bringing the CTM brand directly into the heart of the community. To date such stores have been opened in Chamdor and Groblersdal. It is anticipated that further stores will be trading by June 2002.
- The successful introduction of an ERP system (SAP R3) has provided a platform for the organisation which enables a more efficient response to customers' needs.
- The group invested a further R31 million in fixed property during the year under review, bringing the value of the property portfolio to R162 million.



### SOUTHERN AFRICAN OPERATIONS

Pleasing growth was reported by both divisions, CTM and Italtile. The company now trades out of 15 group-owned CTM stores, 43 franchised CTM stores and 11 Italtile stores. Expansion into Africa will be cautious, with opportunities currently being explored in Zambia and Malawi.

### INTERNATIONAL OPERATIONS

Six additional CTM stores have been opened in Australia over the past financial year, bringing the total to nine stores across three states. Having achieved this satisfactory presence, and in line with the company's conservative expansion policy, focus will be on consolidating the brand's current presence, with only two further new stores planned in the short term. Expansion has been and will continue to be funded through company reserves.

The company has invested heavily in marketing in order to establish the CTM brand in previously untraded states and expects that the loss shown as a result of these set-up costs should be reversed in financial year 2002. The company remains positive about its investment in Australia.

**DIRECTORATE** After two and a half years as Chief Executive Officer, and with the ongoing expansion of the company both locally and internationally and the attendant financial demands arising from that growth, Peter Swatton elected to relinquish his position and resume his former role as Chief Financial Officer. Gianni Ravazzotti, founder of the company and Executive Chairman, will fill the position of CEO for an interim period until such time as a replacement for Swatton is appointed.

**PROSPECTS** The Board believes that with continued store expansion, focus on cost control and improved margins the group will maintain a steady growth performance. The Board perceives particularly attractive growth opportunities afforded by the newly launched empowered-franchise vehicle.

**ACCOUNTING POLICIES** The accounting policies applied have been consistent with those of the prior year.

**DIVIDEND** The Board has declared a final dividend of 31 cents, which together with the interim dividend of 29 cents produces a total dividend of 60 cents (2000: 54 cents), an 11% improvement. The group will retain its dividend cover at approximately five times.

For and on behalf of the Board

**G.A.M. Ravazzotti**  
Chairman

**P.D. Swatton**  
Chief Financial Officer

14 August 2001

**DIVIDEND ANNOUNCEMENT** The directors have resolved to declare a final dividend (number 70) of 31 cents per share to all shareholders registered in the books of Italtile Limited. The last day to trade ("CUM" the dividend) in order to participate in the dividend will be Friday 31 August 2001. The share of Italtile Limited will commence trading "EX" dividend from the commencement of business on Monday, 3 September 2001 and the record date will be Friday, 7 September 2001 and will be paid on Friday 5 October 2001.

**STRATE** Shareholders were advised in the interim profit announcement dated 13 February 2001, that the company had been notified by the JSE Securities Exchange to transfer its share capital to the electronic Share Transactions Totally Electronic (STRATE) environment as from 23 April 2001. Italtile's subsequent dematerialisation programme has progressed very well, with a dematerialisation figure of 95.94% achieved to date. Shareholders are thanked for their co-operation in this regard. Those shareholders who have as yet not deposited their shares with a CSDP or qualifying stockbroker are reminded to do so. Enquiries in this regard are referred to STRATE on 0800 004 727.

### Abridged group income statements

	Audited year to 30 June 2001	Audited year to 30 June 2000	% Increase
<b>TURNOVER</b>			
- By group owned stores	455 329	422 534	+7,8
- By franchise owned stores (unaudited)	332 595	197 259	+68,6
<b>TOTAL</b>	<b>787 924</b>	619 793	+27,1
Trading profit before depreciation	88 852	70 504	+26,0
Depreciation	(6 497)	(5 758)	
Trading profit	82 355	64 746	+27,2
Interest received	1 983	2 813	
Profit on sale of subsidiary	0	1 738	
Profit on sale of fixed property	568	943	
Profit before taxation	84 906	70 240	+20,9
Taxation	(27 307)	(20 046)	
Profit after taxation	57 599	50 194	+14,8
Outside shareholders' interest	1 011	(848)	
Earnings attributable to ordinary shareholders	58 611	49 346	+18,8
Number of shares in issue (000's)	18 311	18 311	
Earnings per share (cents)	320,1	269,5	+18,8
Headline earnings per share (cents)	317,0	254,8	+24,4
Dividends per share (cents)	60,0	54,0	+11,1
<b>RECONCILIATION OF HEADLINE EARNINGS</b>			
Earnings attributable to ordinary shareholders	58 611	49 346	
Profit on sale of fixed property	(568)	(943)	
Profit on sale of subsidiary	-	(1 738)	
Headline earnings	58 043	46 665	

### Cash flow statement

	Audited year to 30 June 2001	Audited year to 30 June 2000
Cash flows from operating activities	56 401	66 114
Trading adjusted for non-cash items	94 265	70 512
Working capital movements	(7 400)	20 764
Cash generated from operations	86 865	91 276
Interest received	1 983	2 813
Dividends paid	(10 907)	(8 073)
Taxation paid	(21 540)	(19 902)
Investing activities	(47 362)	(54 708)
To expand operations	(33 328)	(43 354)
To maintain operations	(14 034)	(11 354)
Investment of minorities in Italtile Australia	5 865	848
Net movement in cash and cash equivalents	14 904	12 254
Cash and cash equivalents at beginning of period	31 756	19 502
Cash and cash equivalents at end of period	46 660	31 756

### Abridged group balance sheets

	Audited year to 30 June 2001	Audited year to 30 June 2000
<b>ASSETS</b>		
Non-current assets	209 089	170 423
Fixed assets	189 984	149 934
Long-term assets	19 105	20 489
Current assets	177 131	115 910
Inventories	89 894	63 532
Trade and other receivables	40 577	20 622
Cash and cash equivalents	46 660	31 756
<b>Total assets</b>	<b>386 220</b>	286 333
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves	227 714	178 826
Stated capital	18 457	18 457
Non-distributable reserve	1 436	47
Retained profit	207 821	160 322
Outside shareholders' Interest	7 053	2 199
Non-current liabilities	8 073	5 140
Deferred tax	985	938
Long-term liabilities	4 143	-
Provision for warranties	2 945	4 202
Current liabilities	143 380	100 168
Trade and other payables	123 355	86 068
Taxation	14 224	8 503
Shareholders for dividends	5 801	5 597
<b>Total equity and liabilities</b>	<b>386 220</b>	286 333

REGISTERED OFFICE The Italtile Centre, cnr Peter Place Road and William Nicol, Bryanston (PO Box 1689 Randburg 2125)

TRANSFER SECRETARIES Computershare Services Limited, Edura, 41 Fox Street, Johannesburg 2001 (PO Box 61051, Johannesburg 2107)

DIRECTORS G A M Ravazzotti (Chairman), P D Swatton\*\*, J Couzis\*, G Cousins, D H Rabin, B G van Rooyen, S Galli (alternate) \*Greek \*\*British

Refer to Italtile's corporate website at [www.Italtile.com](http://www.Italtile.com)