Preliminary profit announcement and reviewed group results for the year ended 30 June 2011

Commentary

Results The Group's trading environment remained sluggish during the year under review, featuring similar subdued market characteristics to those experienced over the previous two years. The new build market continued to be restrained, whilst the renovation segment fared only slightly better with homeowners favouring investment in home improvements over the uncertainty of new property acquisitions.

Despite these conditions, the Group reported a pleasing performance, a reflection of ongoing efforts to improve the quality of the business. Like-on-like system-wide turnover increased 10% to R3.02 billion (2010: R2,75 billion) with growth achieved across each of the Group's retail brands, Italtile, CTM and TopT. With a net increase of two stores during the review period, growth was largely organic and attributable to enhanced efficiencies in the Group and supply chain, as well as a gain in market share.

Reported trading profit grew 15% to R448 million (2010: R389 million). In the current competitive environment the Group restricted average selling price increases across the offering and passed on cost savings derived from the strong Rand to its consumers. This strategy had the effect of containing margins at previous levels.

With continued intensive inventory management, product balance improved further and stock holding levels at R241 million, remained in line with the prior year.

Notwithstanding capital expenditure of R135 million, cash reserves increased to R839 million, an 18% improvement on the prior year (2010: R711 million) reflecting the Group's strong cash generating ability. The healthy balance sheet will be used to fund future expansion.

The Group's net asset value per share increased by 16% to 186 cents (2010: 161 cents).

Trading environment Competition intensified in the industry, featuring aggressive trading and price-cutting, and further consolidation was experienced amongst industry peers.

Despite this environment, the Group is confident that the industry continues to present growth opportunities for innovative businesses. Research indicates that per capita consumption of tiles and sanitaryware in South Africa is still in its infancy compared to global counterparts. Likewise, the business model affords the Group continued growth potential via expansion of its offering in the established markets in which CTM and Italtile trade, and through providing first-time access to product in previously under-serviced areas in TopT's market.

Operational review In order for Italtile to maintain its leadership position in the local market the Group is committed to attaining the status of a world class low-cost retailer recognised by the twin imperatives of profitability and customer satisfaction.

Italtile Italtile is the leading fashion retailer of exclusive ranges of ceramic tiles, bathware and related products, servicing the premium segment of the market.

The business's success in gaining market share is reflected by the double digit growth recorded for the year. Important inroads were made in both the upper end of the middle market not serviced by CTM, and the commercial projects sector. Strong growth was reported in the bathroom ware category and the brand also entrenched its niche role as the leading supplier of environmentally conscious new-technology products, including the eco-friendly Earth range and water-wise bathroom ware from Laufen and Cotto. Notwithstanding aggressive competition and fragmentation of the market resulting from the influx of imports, Italtile delivered sustained margins.

During the review period Italtile opened its New Generation store in Northgate Estate in Cape Town. A further store is scheduled for opening in Boksburg in the last quarter of this calendar year.

CTM CTM is the country's biggest specialist tile and bathroom retailer, targeting the middle income segment of the market. The brand holds strong appeal for DIY customers and small builders.

Several marked trends developed during the year under review, including increasingly aggressive competition from small and independent industry participants as they fought for survival; a heightened awareness of and demand for fashionable product in the rural areas; and an influx of imported product facilitated by the strong Rand, which created a vigorous market for polished and glazed porcelain tiles across the consumer income spectrum. The Group's status as one of the leading buyers of tiles globally and its long-standing supplier relationships enabled CTM to take advantage of the opportunities offered by this development.

In the context of limited discretionary spend, CTM's high profile reputable value proposition stood the business in good stead. The brand benefitted from continued strong growth in rural and outlying markets. On a regional basis, Gauteng delivered robust sales in contrast with the coastal provinces which continued to lag the inland markets.

CTM's in-house brand campaigns featuring the Tivoli and Amalfi tap ranges, Kilimanjaro extruded tiles and ELF laminate flooring range continued to gain momentum, with ELF in particular making strong inroads into new markets.

A R10,6 million investment was made in hand-held point of sales technology during the year, aimed at increasing the speed and quality of service to customers, thereby enhancing the shopping experience and promoting sales growth. The roll out to the store network should be completed by December 2011.

During the reporting period CTM opened its New Generation store in Northgate Estate in the Western Cape. New store openings are planned for Nairobi and Northriding in the new financial year.

TopT Strategically positioned below CTM, TopT is the Group's fledgling, entry-level brand, targeting the under-serviced rural areas and smaller outlying markets.

Management's strategy to enter the market cautiously during the brand's infancy proved correct, with TopT delivering a satisfying performance. Organic growth improved 25% and the business made a nominal contribution to Group profits for the first time since its launch in 2007. Despite being a value-driven offering, margins increased slightly due to improved operating efficiencies. Bedding down reliable relationships with the supply chain has also proved beneficial for the business. An expanded range, opportunistic product offering and localised, highly specific marketing campaigns targeted at price-sensitive customers succeeded in raising awareness of the brand and enabled TopT to gain market share.

Two outlying stores were closed during the year and two new stores were opened in Newcastle and Jane Furse, consolidating the operation on a regional basis, and bringing the total network to 13 stores. TopT's roll-out strategy will remain conservative in the short term, based on building a solid presence on a region-by-region basis. The long term vision is to utilise this brand as the Group's vehicle to penetrate the African market on a significant scale.

Support services A core component of the Group's business model is its vertically integrated supply chain. Each of these businesses succeeded in growing revenue and gaining market share during the year. This achievement was primarily due to improvements in internal efficiencies, customer service and enhanced range management, complemented by the Group's in-house brand building promotions.

International Tap Distributors (ITD), an importer and distributor of taps and accessories grew sales and improved net profitability. Enhanced inventory management resulted in a reduction in stockholding by 44%. Cedar Point, an importer and distributor of tiling tools, laminated boards, cabinets and accessories delivered an increase in turnover and concomitant improvement in net profit. Noteworthy growth was achieved in the laminate flooring division, with sales increasing 60% against the prior year.

The Group's Distribution Centre, the single largest importer of polished and glazed porcelain tiles in South Africa, sources imported tiles for the CTM network. During the review period, product was sourced from China, Spain and Italy. This business grew turnover for the year, reflecting the robust progress made in cornering the polished porcelain market and to a slightly lesser extent, the glazed porcelain segment.

Rest of Africa The Group is represented by 14 CTM stores in the sub-equatorial region. The strategy in terms of expansion into Africa is conservative, based on building existing relationships to entrench the brand's presence and extend the network. Opportunities to expand into the region are reviewed on a regular basis, within the context of logistical and infrastructural constraints and the availability of suitable partners.

Australia Adverse trading conditions prevailed during the year under review, with consumer confidence at very low levels and construction activity across the sectors constrained. High interest rates, the proposed implementation of the onerous Carbon Tax in 2012, and the increase in utilities costs by some 20% all served to curtail investment by consumers. In response to this environment aggressive price-cutting amongst industry participants was evident, creating further volatility in the market. Average selling prices reduced by more than 30%. In this context, the operation's sales and margins declined against the prior comparative period.

Economic activity in Queensland was dramatically impacted by the devastation caused by Cyclone Yasi In January 2011, and whilst settlement of claims and funding disbursements have been protracted, a degree of relief is expected once reconstruction work commences in flood damaged areas of the state.

CTM Australia is currently represented by eight stores in New South Wales and Queensland.

Property portfolio The Group's Property portfolio underpins the retail operations by ensuring that stores are optimally located on high profile destination sites. Valued at in excess of R1,3 billion, the portfolio delivered returns in line with the Group's trading operations. Cash reserves are healthy and afford expeditious investment if opportunities are presented. Capex of R88 million was employed on alterations and extensions of existing properties during the reporting period.

All new properties and renovations to existing sites are structured according to low energy consumption prerequisites in keeping with the Group's Green agenda and comprehensive sustainability programme.

Directorate With effect from 30 June 2011, the Board announced that it had appointed Mr Brand Gerhardus Pretorius as a Non-Executive Director and member of the Audit and Risk Committee and Mr Pierre Langenhoven as an Executive Director.

Mr Pretorius is a well-known and respected businessman in South Africa with extensive experience. Mr Langenhoven joined the Italtile Group in 1990 in Johannesburg and has been the Managing Director of Italtile's Australia operation since 2002. The Board welcomes these gentlemen and looks forward to their valuable contribution in the future.

Prospects The retail environment in South Africa will continue to face challenges presented by subdued trading conditions. The resultant constraints, together with new consumer spending behaviour and the likely advent of international players in the local market will serve to shape the future of the industry in this country. The period ahead will be focused on achieving the Group's goal to be a world class low-cost retailer. Every effort will be directed to refining the business model to achieve an optimal balance of profitability and customer satisfaction.

Management is satisfied that the Group is well positioned to take advantage of this changing landscape. In addition to its strong cash generating ability, Italtile's proven business model is underpinned by sound fundamentals including an established supply chain, a strong market reputation, powerful technology and talented people. Equally important, our commitment to innovating and adapting to meet challenges and opportunities will prove vital in achieving the Group's ambitious growth targets.

Basis of preparation of accounting policies The Preliminary Profit Announcement has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and the AC 500 standards as issued by the Accounting Practices Board or its successor, and contains the information required by International Accounting Standard 34: Interim Financial Reporting.

Dividend The Group has maintained its cover of three times. The Board has declared a final dividend of 6 cents per share (2010: 5 cents), which together with the interim dividend of 6 cents, produces a total dividend declared for the year of 12 cents (2010: 11 cents) an increase of 9%.

Dividend announcement The Board has declared a final dividend (number 90) of 6 cents per share to all shareholders recorded in the books of Italtile Limited at the close of business on Friday, 23 September 2011. The last day to trade cum the dividend will be Friday, 16 September 2011. The shares of Italtile will commence trading ex dividend from the commencement of business on Monday, 19 September 2011 and the record date will be Friday, 23 September 2011. Payments will be made on Monday, 26 September 2011. Share certificates may not be rematerialised or dematerialised between Monday, 19 September 2011 and Friday, 23 September 2011, both days inclusive.

For and on behalf of the Board

G A M Ravazzotti
Executive Chairman

P D Swatton
Chief Financial Officer

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

Johannesburg

29 August 2011

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 (Executive Chairman), P D Swatton* (Chief Financial Officer), P Langenhoven
Non-executive directors: S M Du Toit, S I Gama, S G Pretorius, A Zannoni** (*British **Italian)
Company secretary: E J Willis **Sponsor:** BDO Corporate Finance

System-wide turnover analysis

for the year ended 30 June 2011

(Rand millions unless otherwise stated)	% increase	Reviewed year to 30 June 2011	Audited year to 30 June 2010
Group and franchised turnover			
– By Group-owned stores and entities		1 521	1 354
– By franchise-owned stores (unaudited)		1 500	1 396
Total	10	3 021	2 750

Abridged Group statements of comprehensive income

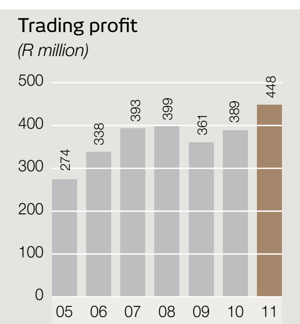
for the year ended 30 June 2011

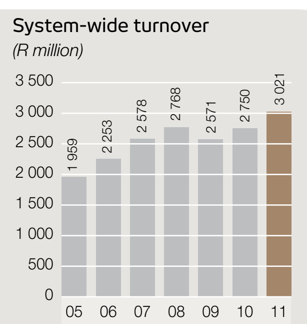
(Rand millions unless otherwise stated)	% increase	Reviewed year to 30 June 2011	Audited year to 30 June 2010
Turnover		1 521	1 354
Cost of sales		(895)	(784)
Gross profit	10	626	570
Other operating income		206	187
Operating expenses		(386)	(367)
Profit/(loss) on sale of property, plant and equipment		2	(1)
Operating profit	15	448	389
Financial revenue		37	42
Financial cost		(24)	(27)
Profit before taxation	14	461	404
Taxation		(130)	(123)
Profit after taxation	17	331	281
Income from associates[3]		8	—
Profit for the year	20	339	281
Other comprehensive income			
Currency translation difference		7	2
Total comprehensive income for the year	22	346	283
Total comprehensive income attributable to:			
– Equity shareholders		328	275
– Non-controlling interests		18	8
	22	346	283
Profit attributable to:			
– Equity shareholders		321	273
– Non-controlling interests		18	8
	20	339	281
Earnings per share: (all figures in cents)			
– Earnings per share	6	34,9	33,0
– Headline earnings per share	5	34,6	33,1
– Diluted earnings per share	6	34,8	32,9
– Diluted headline earnings per share	5	34,5	33,0
– Adjusted headline earnings per share[2]	16	34,6	29,8
– Dividends per share	9	12,0	11,0

Abridged Group statements of financial position

as at 30 June 2011

(Rand millions unless otherwise stated)	Reviewed year to 30 June 2011	Audited year to 30 June 2010
ASSETS		
Non-current assets	1 070	991
Property, plant and equipment	1 006	952
Investments[3]	26	9
Long-term assets	24	18
Goodwill	6	6
Deferred taxation	8	6
Current assets	1 226	1 075
Inventories	241	232
Trade and other receivables	135	110
Cash and cash equivalents	839	711
Taxation receivable	11	22
TOTAL ASSETS	2 296	2 066
EQUITY AND LIABILITIES		
Share capital and reserves	1 707	1 483
Stated capital	818	818
Non-distributable reserves	51	50
Treasury shares	(478)	(470)
Share option reserve	5	3
Retained earnings	1 241	1 021
Non-controlling interests	70	61
Non-current liabilities	327	344
Interest bearing loans	321	342
Deferred taxation	6	2
Current liabilities	262	239
Trade and other payables	217	202
Provisions	31	34
Interest bearing loans	10	—
Taxation payable	4	3
TOTAL EQUITY AND LIABILITIES	2 296	2 066
Net asset value per share (cents)	186	161





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

Group statement of changes in equity

for the year ended 30 June 2011

(Rand millions unless otherwise stated)	Stated capital	Non-distributable reserves	Treasury shares	Share option reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 30 June 2009	417	48	(473)	30	1 284	1 306	40	1 346
Total comprehensive income for the year		2			273	275	8	283
Dividends paid					(566)	(566)	(3)	(569)
Share issue in lieu of dividend	401					401		401
Share incentive costs				3		3		3
Transfer of share option reserve				(30)	30	—		—
Unallocated shares in Share Trust			3			3		3
Arising on acquisition of interest in subsidiaries						—	16	16
Balance at 30 June 2010	818	50	(470)	3	1 021	1 422	61	1 483
Total comprehensive income for the year		7			321	328	18	346
Dividends paid					(101)	(101)	(8)	(109)
Purchase of shares by Share Trust			(8)			(8)		(8)
Revaluation of aircraft		(6)				(6)		(6)
Transactions with non-controlling interests						—	(1)	(1)
Share incentive costs				11		11		11
Settlement of share incentive costs				(9)		(9)		(9)
Balance at 30 June 2011	818	51	(478)	5	1 241	1 637	70	1 707

Segmental report

for the year ended 30 June 2011

(Rand millions unless otherwise stated)	Retail	Franchising	Properties	Supply and support services	Inter group transactions	Group
Reviewed year to June 2011						
Turnover	1 190	—	—	684	(353)	1 521
Gross margin	452	—	—	88	—	540
Other income*	15	174	160	108	(171)	286
Overheads	(390)	(87)	(33)	(39)	171	(378)
Trading profit	77	87	127	157	—	448
Audited year to June 2010						
Turnover	1 111	—	—	549	(306)	1 354
Gross margin	423	—	—	76	—	499
Other income*	11	166	146	94	(157)	260
Overheads	(364)	(84)	(31)	(48)	157	(370)
Trading profit	70	82	115	122	—	389

*Other income includes franchise fees, rentals, royalties and rebates received, as well as profit or loss on disposal of property, plant and equipment.

Abridged Group cash flow statement

for the year ended 30 June 2011

(Rand millions unless otherwise stated)	Reviewed year to 30 June 2011	Audited year to 30 June 2010
Cash flow from operating activities	254	(283)
Cash flow from investing activities	(107)	(72)
Cash flow from financing activities	(19)	399
Net movement in cash and cash equivalents for the year	128	44
Cash and cash equivalents at beginning of the year	711	667
Cash and cash equivalents at the end of the year	839	711

Notes

1. **Commitments and contingencies**
There are no material contingent assets or liabilities at 30 June 2011.

Capital commitments at 30 June 2011	Rm
– Contracted	27
– Authorised, not contracted	83
Total	110

2. **Share issue in lieu of dividend**
As announced on 31 March 2010, as a consequence of the special dividend declaration on 18 February 2010, 123 532 370 shares were issued in lieu of dividend at the option of shareholders. This has impacted on the comparability of certain figures, in particular earnings per share. As a result, adjusted headline earnings per share has been presented for comparative purposes (assuming the share issue in lieu of dividend took place at the beginning of the 2010 financial year).

3. **Associate accounting**
During the year, the Group began accounting for an existing investment in Ezee Tile, a national manufacturer of adhesive, grout and related products, in accordance with the equity accounting requirements of IAS 28, Investments in associates. Management is of the opinion that significant influence over the operations of Ezee Tile was attained during the year, triggering the requirement to apply equity accounting for such.

4. **Changes in accounting policy**
The accounting policies adopted and methods of computation are consistent with those of the previous financial year except for the adoption of new and amended IFRS and IFRIC interpretations which became effective during the current financial year. The application of these standards and interpretations did not have a significant impact on the Group's reported results and cash flows for the year ended 30 June 2011 and the financial position at 30 June 2011.

	Reviewed year to 30 June 2011	Audited year to 30 June 2010
5. Earnings per share		
Shares in issue: (all figures in millions)		
– Total number of shares issued	1 033	1 033
– Shares held by Share Incentive Trust	26	24
– BEE treasury shares	88	88
Shares in issue to external parties	919	921
Reconciliation of headline earnings: (Rand millions)		
– Profit attributable to equity shareholders	320	273
– (Profit)/loss on sale of property, plant and equipment	(2)	1
Headline earnings	318	274
Share numbers used for earnings per share calculations: (all figures in millions)		
– Weighted average number of shares	920	828
– Diluted weighted average number of shares	922	830
– Adjusted weighted average number of shares	920	921

Store network

at 30 June 2011

Region	2011 Franchise	2011 Other	2011 Total	2010 Franchise	2010 Other	2010 Total
South Africa						
– Italtile	1	6	7	2	5	7
– CTM	41	23	64	40	23	63
– TopT	6	7	13	3	8	11
Rest of Africa	11	3	14	12	2	14
Australia	—	8	8	—	9	9
Total	59	47	106	57	47	104